



**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS OF
MERCATOR MINERALS LTD.
TO BE HELD ON APRIL 7, 2014**

AND

**MANAGEMENT INFORMATION CIRCULAR
REGARDING THE PLAN OF ARRANGEMENT
INVOLVING
MERCATOR MINERALS LTD.
AND
INTERGEO MMC LTD**

**THE BOARD OF DIRECTORS OF MERCATOR MINERALS LTD.
UNANIMOUSLY RECOMMENDS
THAT SHAREHOLDERS VOTE "FOR" THE RESOLUTION TO APPROVE
THE ARRANGEMENT**

DATED AS OF FEBRUARY 25, 2014



February 25, 2014

Dear Mercator Shareholder,

The board of directors (the "**Mercator Board**") invites you to attend the special meeting (the "**Meeting**") of shareholders (the "**Shareholders**") of Mercator Minerals Ltd. ("**Mercator**") to be held at 10:00 a. m. (Vancouver time) on April 7, 2014 in the Bowden Room at the Rosewood Hotel Georgia, 801 West Georgia Street, Vancouver, British Columbia, Canada.

As you may be aware, Mercator has entered into an arrangement agreement dated December 12, 2014, as amended February 28, 2014 (the "**Arrangement Agreement**") with Intergeo MMC Ltd ("**Intergeo**") and has executed certain ancillary documents with Intergeo and its principal shareholder, Daselina Investments Ltd. ("**Daselina**"), whereby, subject to the terms and conditions thereof, Intergeo and Mercator have agreed to effect a business combination by way of a plan of arrangement (the "**Arrangement**") which will effectively result in, among other things, (a) Daselina purchasing by way of a private placement with Mercator approximately US\$100 million of resulting issuer common shares; (b) Shareholders receiving one resulting issuer common share and one transferable put right for each existing common share of Mercator (a "**Mercator Share**"), all subject to the Consolidation (as defined below); (c) the exchange by Intergeo's two shareholders, Daselina and Kirkland Intertrade Corp. ("**Kirkland**"), of all of their outstanding Intergeo shares for resulting issuer common shares, with Intergeo becoming a wholly-owned subsidiary of Mercator; (d) the consolidation of the issued and outstanding resulting issuer common shares and transferable put rights on the basis of 50 resulting issuer common shares for one resulting issuer common share and 50 transferable put rights for one transferable put right, all subject to the treatment of fractional securities pursuant to the Arrangement (the "**Consolidation**"); and (e) Daselina and Kirkland each receiving one special share of the resulting issuer. Upon completion of the Arrangement, Daselina and Kirkland will collectively own approximately 85% of the resulting issuer's common shares and Shareholders will own approximately 15% of the resulting issuer's common shares. Finally, Mercator's name will be changed to "Intergeo Mining Ltd.". The steps of the Arrangement and the results of the Arrangement are described in more detail in the attached Circular under the headings "Particulars of Matters to be Acted Upon - The Arrangement" and "The Arrangement - Result of the Arrangement".

The Mercator Board has unanimously determined that the Arrangement is fair to Shareholders and in the best interests of Mercator. Accordingly, the Mercator Board has unanimously approved the Arrangement and unanimously recommends that Shareholders vote their Mercator Shares in favour of the Arrangement Resolution. In making its recommendation, the Mercator Board considered a number of factors as described in the attached Circular, including those set out under the heading "The Arrangement – Reasons for the Arrangement and Recommendation of the Mercator Board".

To be effective, the Arrangement must be approved by a special resolution passed by at least $66\frac{2}{3}\%$ of the votes cast by Shareholders present in person or represented by proxy at the Meeting, with each Shareholder entitled to one vote for each Mercator Share held. All of the directors and senior officers of Mercator (the holdings of which represents approximately 0.4% of the issued and outstanding Mercator Shares), have entered into voting support and lock-up agreements with Intergeo committing to vote their Mercator Shares in favour of the Arrangement. The Arrangement is also subject to the approval of the Supreme Court of British Columbia, applicable regulatory approvals (including the approval of the Toronto Stock Exchange), and certain other conditions.

The accompanying Circular provides a full description of the Arrangement and includes certain additional information to assist you in considering how to vote on the special resolution. In addition, Shareholders will be asked to consider approving certain amendments to Mercator's stock option plan and long term incentive plan, all as described in the attached Circular and with such amendments to be subject to the completion of the Arrangement. You are urged to read this information carefully and, if you require assistance, to consult your tax, financial, legal or other professional advisors.

We encourage you to complete, sign, date and return the accompanying form of proxy, or voting instruction form, in accordance with the instructions set out therein and in the attached Circular so that your Mercator Shares can be voted at the Meeting in accordance with your instructions.

We also encourage Shareholders to complete and return the enclosed Letter of Transmittal (printed on yellow paper) ("**Letter of Transmittal**"), together with the certificate(s) and/or Direct Registration Advice statement(s) representing your Mercator Shares, to Computershare Investor Services Inc. at the address specified in the Letter of Transmittal. The Letter of Transmittal contains other procedural information relating to the Arrangement and should be reviewed carefully. It is recommended that you complete, sign and return the Letter of Transmittal with accompanying Mercator Share certificate(s) and/or Direct Registration Advice statement(s) to the Computershare Investor Services Inc. as soon as possible.

Yours very truly,

"Signed"

D. Bruce McLeod
Director, President and Chief Executive Officer



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NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that, pursuant to an order of the Supreme Court of British Columbia dated March 3, 2014 (the "**Interim Order**"), a special meeting (the "**Meeting**") of the holders ("**Mercator Shareholders**") of common shares ("**Mercator Shares**") in the capital of Mercator Minerals Ltd. ("**Mercator**") will be held in the Bowden Room at the Rosewood Hotel Georgia, 801 West Georgia Street, Vancouver, British Columbia, Canada at 10:00 a. m. (Vancouver time) on April 7, 2014, for the following purposes:

1. to consider and, if thought advisable, to pass a special resolution (the "**Arrangement Resolution**"), with or without variation, to authorize, approve and adopt an arrangement (the "**Arrangement**") involving Mercator, Intergeo MMC Ltd ("**Intergeo**") and their respective shareholders, under the provisions of Division 5 of Part 9 of the *Business Corporations Act* (British Columbia) (the "**BCBCA**") and ancillary matters, as more particularly described in the plan of arrangement (the "**Plan of Arrangement**"). The full text of the Arrangement Resolution is set forth in Appendix A to the accompanying management information circular dated February 25, 2014 (the "**Circular**"), and the Plan of Arrangement is attached as Appendix B thereto. The Arrangement Resolution must be passed by at least 66⅔% of the votes cast by Mercator Shareholders present in person or represented by proxy at the Meeting (with each Mercator Shareholder entitled to one vote for each Mercator Share held);
2. to consider and, if thought advisable, to pass an ordinary resolution approving the amending and restating of Mercator's stock option plan, including the increase of the number of common shares issuable under the plan and the increase of the term of stock options issuable under the Mercator stock option plan and certain other amendments, all as described in the accompanying Circular and with such amendments to be subject to the completion of the Arrangement;
3. to consider and, if thought advisable, to pass an ordinary resolution approving the amending and restating of Mercator's long term incentive plan, including the increase of the number of common shares issuable under the plan and certain other amendments, all as described in the accompanying Circular and with such amendments to be subject to the completion of the Arrangement; and
4. to transact such further and other business as may properly be brought before the Meeting or any adjournments or postponements thereof.

Specific details of the matters proposed to be put before the Meeting are set forth in the Circular, which accompanies this Notice of Special Meeting.

The date for the determination of Mercator Shareholders entitled to receive notice of and vote at the Meeting is the close of business (Vancouver time) on February 25, 2014 (the "**Record Date**"). Only Mercator Shareholders whose names have been entered in the register of Mercator Shareholders as of the close of business (Vancouver time) on the Record Date are entitled to receive notice of and vote at the Meeting.

A Mercator Shareholder may attend the Meeting in person or may be represented by proxy. Mercator Shareholders who are unable to attend the Meeting or any adjournments or postponements thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournments or

postponements thereof. To be effective, the form of proxy must be received by Computershare Investor Services Inc., by 10:00 a. m. (Vancouver time) on April 3, 2014 or 48 hours (other than a Saturday, Sunday or any other holiday in Vancouver) prior to any adjournments or postponements of the Meeting.

If you are a non-registered holder of Mercator Shares and have received these materials through your broker, custodian, nominee or other intermediary, please complete and return the voting instruction form provided to you your broker, custodian, nominee or other intermediary in accordance with the instructions provided therein.

Mercator Shareholders who are planning to return the form of proxy or voting instruction form are encouraged to review the Circular carefully before submitting the form of proxy or voting instruction form.

A registered Mercator Shareholder (a "**Registered Shareholder**") has the right to dissent with respect to the Arrangement and, provided the Arrangement becomes effective, to be paid the fair value for its Mercator Shares in accordance with the provisions of Division 2 of Part 8 of the BCBCA (as modified by the Plan of Arrangement, the Interim Order and, if applicable, the Final Order, as such terms are defined in the Circular). These dissent rights, and the procedures for exercising dissent rights, are described in the Circular under the heading "Rights of Dissenting Shareholders", in the Plan of Arrangement attached as Appendix B to the Circular, in the Interim Order attached as Appendix D to the Circular, and in Appendix F to the Circular. **The dissent procedures must be strictly followed. It is recommended that any Registered Shareholder wishing to exercise its dissent rights seek legal advice, as failure to comply strictly with the procedures of the BCBCA (as modified by the Plan of Arrangement, the Interim Order and, if applicable, the Final Order (as defined in the Circular)) will result in the loss of the dissent rights. Beneficial owners of Mercator Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only Registered Shareholders are entitled to dissent in respect of the Arrangement Resolution. Beneficial owners should contact their broker, custodian, nominee or other intermediary in order to exercise dissent rights.**

**BY ORDER OF THE BOARD OF DIRECTORS OF
MERCATOR MINERALS LTD.**

"Signed"

Bruce McLeod
Director, President and Chief Executive Officer

Vancouver, British Columbia
February 25, 2014

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MANAGEMENT INFORMATION CIRCULAR

This Circular is furnished in connection with the solicitation of proxies by or on behalf of the management of Mercator for use at the Meeting, and at any adjournment(s) or postponement(s) thereof for the purposes set forth in the accompanying Notice of Special Meeting.

Capitalized terms in this Circular have the respective meaning(s) set out in the following Glossary of Terms or as otherwise defined herein.

GLOSSARY OF TERMS

In this Circular, the abbreviations set forth below have the following meanings:

"°C" means degrees Celsius	"koz" means thousand ounces
"\$M" means million dollars	"kt" means thousand tonnes
"Ag" means silver	"lb" means pound
"Au" means gold	"M" means million
"cm" means centimetre	"Mlb" means million pounds
"cm ³ " means cubic centimetre	"Mo" means molybdenum
"Co" means cobalt	"Moz" means million ounces
"Cu" means copper	"Mt" means million metric tonnes
"EM" means electromagnetic	"oz" means ounce
"g" means gram	"Pd" means palladium
"g/cm ³ " means grams per cubic centimetre	"PGM" means platinum group metals
"g/t" means grams per metric tonne	"Pt" means platinum
"IP" means induced polarization	"Re" means rhenium
"kg" means kilogram	"S" means sulphur
"km" means kilometre	"t" means metric tonne
"km ² " means square kilometre	

In this Circular, including the Summary, the following capitalized words and terms have the following meanings:

"12(j) Order" has the meaning given under "Appendix O – Directors, Executive Officers and Management of Mercator – Cease Trade Orders, Bankruptcies, Sanctions and Penalties";

"Acquisition Proposal" means, other than the transactions contemplated by the Arrangement Agreement, any proposal, offer, or expression of interest by a third party, whether acting alone or jointly or in concert with other Persons, including Subsidiaries and Affiliates, after the date of the Arrangement Agreement to acquire in any manner, directly or indirectly: (i) beneficial ownership of more than 20% of the consolidated assets of Mercator (measured by the fair market value thereof as of the date of such proposal, offer or expression of interest); or (ii) beneficial ownership (as determined under MI 62-104) or control or direction over more than 20% of the outstanding Mercator Shares or more than 20% of the outstanding shares of all or any of the Mercator Subsidiaries, whose assets, individually or in the aggregate, constitute more than 20% of the consolidated assets of Mercator, whether by way of an arrangement, amalgamation, merger, consolidation, recapitalization, reorganization, liquidation, dissolution, joint venture, partnership, business combination, sale of shares, take-over bid, tender offer, exchange offer or any other transaction involving Mercator, any of its securityholders, any of the Mercator Subsidiaries or any other Person, including, any single or multi-step transaction or series of related transactions;

"Additional Put Rights" means:

- (i) those put rights that are issuable by the Resulting Issuer on the exercise of the Mercator Warrants, the Mercator Options and the Creston Options following the Effective Date; and
- (ii) the put rights that are issuable by the Resulting Issuer on the vesting of the Mercator DSUs held by each of Messrs. John Bowles and Stephen Quin (directors of Mercator who will be continuing as directors of the Resulting Issuer) following the Effective Date;

in each case where each such put right will entitle the holder thereof, at such holder's option, to require the Resulting Issuer to purchase one Resulting Issuer Common Share from such holder for the Exercise Price in accordance with the terms of the Put Rights Indenture;

"**Affiliate**" has the meaning given to such term under the BCBCA;

"**Ak-Sug**" or "**Ak-Sug Project**" has the meaning given under the heading "Information Concerning Intergeo – Description of the Business";

"**Ak-Sug Licence**" has the meaning given under "Appendix H – Ak-Sug Project Technical Disclosure – Ak-Sug Project – Project Description and Location";

"**Ak-Sug PEA**" means the preliminary economic assessment contained in the Ak-Sug Technical Report;

"**Ak-Sug Technical Report**" means the report entitled "Preliminary Economic Assessment Ak-Sug Copper-Molybdenum Project Todja Kozhuun District, Tyva Republic, Russian Federation" with a resource effective date of July 15, 2011, a report effective date of November 8, 2012, and signed by SRK Russia on December 7, 2012, and prepared for Intergeo and Golevskaya by SRK Russia in accordance with NI 43-101;

"**allowable capital loss**" has the meaning given under the heading "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses";

"**Amended Credit Agreement**" has the meaning given under the heading "The Arrangement – Revisions to Existing Credit Facilities";

"**Ancillary Agreements**" has the meaning given under the heading "The Arrangement – Background to the Arrangement";

"**Application for Review**" has the meaning given under the heading "The Arrangement – Investment Canada Act Approval";

"**Arbinsk**" has the meaning given under the heading "Information Concerning Intergeo – Description of the Business";

"**Arrangement**" means the proposed arrangement involving Mercator, Intergeo and their respective shareholders under the provisions of Division 5 of Part 9 of the BCBCA on the terms and conditions set forth in the Arrangement Agreement and the Plan of Arrangement;

"**Arrangement Agreement**" means the arrangement agreement dated as of December 12, 2013, as amended February 28, 2014, between Mercator and Intergeo, including the schedules thereto, and any amendment thereto or amendment and restatement thereof;

"**Arrangement Resolution**" means the special resolution, substantially in the form attached as Appendix A to this Circular, approving the Arrangement to be voted on, with or without variation, by Mercator Shareholders at the Meeting;

"**Arrangement Transactions**" has the meaning given under the heading "Certain U.S. Federal Income Tax Considerations – Certain U.S. Federal Income Tax Consequences of the Arrangement – Characterization of the Arrangement";

"**AS Employment Agreement**" has the meaning given under "Appendix N – Directors, Executive Officers and Management of Intergeo – Compensation of Directors and Officers of the Intergeo – Employment Agreements";

"**AS Service Agreement**" has the meaning given under "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Compensation of Directors and Officers of the Resulting Issuer – Employment Agreements";

"**AS Service Amount**" has the meaning given under "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Compensation of Directors and Officers of the Resulting Issuer – Employment Agreements";

"**AS SVP Agreements**" has the meaning given under "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Compensation of Directors and Officers of the Resulting Issuer – Employment Agreements";

"Available Cash" means the amount calculated on the last Business Day of each applicable month, equal to: (i) the amount of cash on hand and cash equivalents held by the Resulting Issuer and its subsidiaries, less (ii) the aggregate of: (a) all amounts held by the Excluded Subsidiaries; (b) all amounts held by each of the Resulting Issuer and its subsidiaries (other than the Excluded Subsidiaries) which, pursuant to applicable credit or other loan or finance agreements (including, for greater certainty, the Bridge Loan Agreement), such corporation is not entitled to use for the purposes of the payment of the Exercise Price under the Put Rights Indenture; (c) all amounts payable under or in respect of the RMB Facility within 120 days following the effective date of the calculation; and (d) US\$10 million;

"BCBCA" means the *Business Corporations Act* (British Columbia), together with any amendments thereto and all the regulations promulgated thereunder;

"Beneficial Shareholder" means a Mercator Shareholder who is not a Registered Shareholder;

"Bluefish" means Bluefish Energy Corporation, a corporation existing under the laws of Nevada and an indirect, wholly-owned subsidiary of Mercator;

"Bluefish Loan Agreement" means the master loan and security agreement entered into between Bluefish and Trafigura AG dated as of October 21, 2010, as amended, amended and restated or supplemented, from time to time, and, where the context requires, including all other related agreements, waivers, amendments, consents, documents, undertakings or instruments related thereto;

"Board" means the board of directors of the Resulting Issuer, as constituted from time to time;

"Bolshoy Seyim" means the titanium deposit located in the Tindinskiy district of Amur Oblast, Russia;

"Bridge Loan" means the bridge loan extended by Daselina to MPI in the initial amount of US\$10,000,000;

"Bridge Loan Agreement" means the bridge loan credit agreement among Daselina, Mercator and MPI in respect of the Bridge Loan dated as of December 12, 2013;

"Bridge Loan Warrants" means the Mercator Share purchase warrants issued by Mercator to Daselina in respect of the Bridge Loan;

"Broadridge" has the meaning given under the heading "General Proxy Information – Advice to Beneficial Holders of Mercator Shares";

"Brook Hunt" means Brook Hunt & Associates Ltd., a Wood Mackenzie company, which provides analysis and advice on mining and metal markets;

"Business Day" means any day, other than a Saturday, a Sunday or a day upon which the principal commercial banks in Vancouver, British Columbia, Canada, Toronto, Ontario, Canada, Tortola, BVI, Cyprus, London, United Kingdom or Moscow, Russia are generally not open for business;

"BVI" means the British Virgin Islands;

"BVI Act" means the *BVI Business Companies Act, 2004*, together with any amendments thereto and all the regulations promulgated thereunder;

"Canadian Securities Acts" means the applicable securities acts or the equivalent securities legislation of each province and territory of Canada, as amended;

"Canadian Securities Authorities" means the British Columbia Securities Commission and the other securities regulatory authorities of the provinces and territories of Canada, as applicable;

"Canadian Securities Laws" means: (a) the Canadian Securities Acts; (b) the instruments and policies adopted by the securities regulatory authorities in the provinces and territories of Canada; and (c) the rules and policies of the TSX;

"**Capex**" means capital expenditures;

"**cash cost**" means the cash cost measurement methodology established by Brook Hunt, being the direct cash costs for mining, milling and concentrating, leaching, solution pumping, solvent extraction and electrowinning, on-site administration and general expenses, any off-site services which are essential to the operation, smelting (including toll smelting charges if applicable), refining (including toll refining charges if applicable), concentrate freight costs, marketing costs, and property and severance taxes paid to state/federal agencies that are not profit related, net of by-product credits;

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**CEO**" means Chief Executive Officer;

"**CEO Employment Agreement**" has the meaning given under "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Compensation of Directors and Officers of the Resulting Issuer – Employment Agreements";

"**CEO Service Amount**" has the meaning given under "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Compensation of Directors and Officers of the Resulting Issuer – Employment Agreements";

"**CFIUS**" means the Committee on Foreign Investment in the United States;

"**CFIUS Approval**" means a written notification issued by CFIUS and received by Daselina and Mercator that: (i) it lacks jurisdiction over the transactions contemplated by the Arrangement Agreement and the Daselina Subscription Agreement; (ii) it has concluded its review under Section 721, and has determined not to conduct an investigation; or (iii) if CFIUS undertakes investigation of the transactions contemplated by the Arrangement Agreement and the Daselina Subscription Agreement, Daselina and Mercator shall have received notification that the U.S. government has concluded all action under Section 721 with respect to the Arrangement Agreement and the Daselina Subscription Agreement;

"**CFO**" means Chief Financial Officer;

"**CFO Employment Agreement**" has the meaning given under "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Compensation of Directors and Officers of the Resulting Issuer – Employment Agreements";

"**CFO Service Amount**" has the meaning given under "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Compensation of Directors and Officers of the Resulting Issuer – Employment Agreements";

"**Chairman**" means the Chairman of the Board;

"**Change of Control Period**" has the meaning given under "Appendix O – Directors, Executive Officers and Management of Mercator – Employment Agreements";

"**Change of Mercator Recommendation**" has the meaning given under the heading "The Arrangement Agreement – Conditions to the Arrangement Becoming Effective – Non-Solicitation Covenants of Mercator and Superior Acquisition Proposal – Mercator Covenants Regarding Non-Solicitation";

"**CIM**" means the Canadian Institute of Mining;

"**CIM Standards**" means the Definition Standards for Mineral Resources and Mineral Reserves adopted by the Canadian Institute of Mining, Metallurgy and Petroleum Council on December 11, 2005;

"**Circular**" means this management information circular for the Meeting, including all appendices hereto, all documents incorporated by reference herein, and all amendments and supplements hereto;

"**Class A Common Shares**" means the common shares in the capital of Mercator which are to be redesignated as "Class A common" shares of Mercator pursuant to the terms of the Plan of Arrangement;

"Class B Common Shares" means the Class B common shares of Mercator which are to be created and issued pursuant to the terms of the Plan of Arrangement;

"Closing" means the completion of the Arrangement;

"Completion Deadline" means the latest date by which the transactions contemplated by the Arrangement Agreement are to be completed, which date should be, subject to Section 7.3 of the Arrangement Agreement, May 5, 2014 or such other date as Intergeo and Mercator may agree;

"Computershare" means Computershare Investor Services Inc., the registrar and transfer agent of Mercator;

"Confidentiality Agreements" mean the confidentiality agreements made as of August 12, 2013 and October 18, 2013 between Intergeo and Mercator;

"Consolidation" means, with respect to:

- (i) Class B Common Shares: the consolidation of the issued and outstanding Class B Common Shares on the Effective Date on the basis of 50 Class B Common Shares for one Class B Common Share, subject to the treatment of fractional securities pursuant to the Plan of Arrangement. See "The Arrangement – Treatment of Fractional Securities"; and
- (ii) Put Rights: the consolidation of the issued and outstanding Put Rights on the Effective Date on the basis of 50 Put Rights for one Put Right, subject to the treatment of fractional securities pursuant to the Plan of Arrangement, such that the exercise price of the Put Rights will be adjusted from C\$0.10 per Resulting Issuer Common Share to C\$5.00 per Resulting Issuer Common Share pursuant to the Plan of Arrangement. See "The Arrangement – Treatment of Fractional Securities";

"Controlling Individual" has the meaning given under the heading "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment";

"Convention" has the meaning given under the heading "Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Taxation of Dividends";

"conversion payment" has the meaning given under "Appendix U – Risks Related to the Resulting Issuer – Risks Associated with Operations in Russia – *The Resulting Issuer's licences, in particular the license relating to the Ak-Sug Project will be important for the Resulting Issuer's prospects and the loss or failure to maintain, or the failure on expiry to extend, the Resulting Issuer's licences and other authorizations could materially adversely affect the Resulting Issuer*";

"Court" means the Supreme Court of British Columbia;

"CRA" means Canada Revenue Agency;

"Credit Facility" means the credit facility agreement entered into by, *inter alia*, MPI, as borrower, and Société Générale, as administrative agent, dated as of April 26, 2010, as amended and restated or supplemented, from time to time, and, where the context requires, including all other related agreements, waivers, amendments, consents, documents, undertakings or instruments related thereto;

"Credit Lines" means, collectively, the ESCN Credit Line and Golevskaya Credit Line;

"Creston" means Creston Moly Corp., a corporation existing under the federal laws of Canada, and a wholly-owned subsidiary of Mercator;

"Creston Option Plan" means the stock option plan of Creston assumed by Mercator;

"Creston Options" means the 253,612 outstanding stock options of Creston exercisable to purchase Mercator Shares at the ratio of one Mercator Share for each option pursuant to the Creston Option Plan;

"CRMs" means certified reference materials;

"Daselina" means Daselina Investments Ltd., a private company existing under the laws of the BVI and wholly-owned by Mikhail Prokhorov;

"Daselina-Kirkland Option Agreement" means the option agreement to be dated as of the Effective Date to be entered into between Daselina and Kirkland and acknowledged by the Resulting Issuer;

"Daselina Group" has the meaning given under "Appendix B – Plan of Arrangement – Part 29 Special Rights or Restrictions Attached to the Special Share and Related Governance Arrangements";

"Daselina Group Share Holder" has the meaning given under the heading "Information Concerning the Resulting Issuer – Governance Arrangements with Principal Shareholders";

"Daselina Private Placement" means the equity private placement by Daselina into Mercator having an aggregate subscription price of approximately US\$100 million, which will be completed pursuant to the Plan of Arrangement;

"Daselina Subscription Agreement" means the subscription agreement dated December 11, 2013 between Mercator and Daselina respecting the Daselina Private Placement;

"Deloitte LLP" has the meaning given under the heading "Information Concerning Intergeo – Auditor";

"Depositary" means Computershare;

"Dissent Procedures" means the procedures to be taken by a Mercator Shareholder in exercising Dissent Rights;

"Dissent Rights" means the rights of dissent in respect of the Arrangement provided for in the Plan of Arrangement;

"Dissenting Holder" has the meaning given under the heading "Rights of Dissenting Shareholders";

"Dissenting Resident Holder" has the meaning given under the heading "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Dissenting Resident Holders";

"Dissenting Shareholders" means Registered Shareholders who have properly exercised their Dissent Rights pursuant to Article 4 of the Plan of Arrangement and who are ultimately entitled to be paid fair value for their Mercator Shares;

"Dissenting Shares" means the Mercator Shares held by Dissenting Shareholders;

"DOJ" has the meaning given under the heading "The Arrangement – HSR Act Approval";

"DRS Advice" means the Direct Registration System advice statement issued by Computershare confirming the number of shares held by a registered holder of shares of the relevant corporation;

"DSU" means a deferred share unit issuable pursuant to the New LTIP entitling the holder to receive one Resulting Issuer Common Share in accordance therewith;

"DSU Amendments" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to the Long Term Incentive Plan";

"DSU Participant" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to the Long Term Incentive Plan";

"DSU Termination Date" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to the Long Term Incentive Plan";

"East Sayan" means the East Sayan nickel property located in southern Siberia, Russia;

"El Creston Project" means the copper-molybdenum project comprising nine concessions covering approximately 18,380 hectares in Sonora, Mexico;

"El Pilar Project" means the copper project comprising 7,170 hectares in eighteen concessions located in Sonora, Mexico;

"El Pilar Technical Report" means the report entitled "NI 43-101F1 Technical Report Feasibility Study, El Pilar Project, Sonora, Mexico" dated as of October 18, 2012 prepared for Mercator by Michael Broch, an employee of Mercator, in accordance with NI 43-101;

"Effective Date" means the date upon which the Plan of Arrangement becomes effective in accordance with the BCBCA;

"Effective Time" means 12:01 a.m. (Vancouver time) on the Effective Date;

"Employment Agreements" has the meaning given under the heading "The Arrangement – Interests of Directors and Executive Officers of Mercator in the Arrangement";

"Equator Principles" means the credit risk management framework for determining, assessing and managing environmental and social risks in project finance transactions as set out by the Equator Principles Association;

"Escrowed Funds" has the meaning given under the heading "The Arrangement – Put Rights";

"ESNC Credit Line" has the meaning given under "Appendix K – Intergeo Management's Discussion and Analysis for the Year Ended December 31, 2012 and for the Period from Incorporation (June 9, 2011) to December 31, 2011 – Results of Operations – Borrowings";

"Ethics Code" has the meaning given under "Appendix R – Corporate Governance of the Resulting Issuer – Board of Directors – Ethical Business Conduct";

"Exchange" has the meaning given under the heading "Certain U.S. Federal Income Tax Considerations – Certain U.S. Federal Income Tax Consequences of the Arrangement – Characterization of the Arrangement";

"Excluded Subsidiaries" means Intergeo Russia, Kingash LLC, Golevskaya, Tyvamed, LLC Amurmed, LLC East-Sayan nickel company and all subsidiaries of the Resulting Issuer which are parties to the RMB Facility;

"Exemptive Relief" means the exemptive relief, issued by the British Columbia Securities Commission pursuant to National Policy 11-203, *Process for Exemptive Relief Applications in Multiple Jurisdictions*, from the requirement of Dasekina or its designee to provide credit supporter disclosure in this Circular under Canadian Securities Laws;

"Exercise Date" has the meaning given under the heading "The Arrangement – Put Rights";

"Exercise Notice" has the meaning given under the heading "The Arrangement – Put Rights";

"Exercise Price" has the meaning given under the heading "The Arrangement – Put Rights";

"exploration and mining licence" means a Russian subsoil licence for detailed exploration and mining of minerals;

"Extension Period" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to the Long Term Incentive Plan";

"Facility Fee" has the meaning given under the heading "The Arrangement – Put Rights";

"Fairness Opinion" means the opinion dated December 11, 2013 of the Financial Advisor delivered to the Mercator Board in connection with the Arrangement. See "The Arrangement – Opinion of the Financial Advisor" and attached as "Appendix C – Fairness Opinion";

"FAS" has the meaning given under "Appendix Q – Background Information on Russian Legal Framework – Strategic Entities";

"**FASU**" has the meaning given under "Appendix Q – Background Information on Russian Legal Framework – Subsoil Licencing Regime in Russia";

"**Final Order**" means the order of the Court approving the Arrangement;

"**Final Vesting Date**" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to the Long Term Incentive Plan";

"**Financial Advisor**" means BMO Nesbitt Burns Inc., the financial advisor to Mercator;

"**Floor Price Amendment**" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to Stock Option Plan";

"**Foreign Investors**" means (i) international organizations, or non-Russian individuals, entities or governments, (ii) Russian companies under the direct or indirect control of any person referred to in item (i), or (iii) a group (within the meaning of Russian law) that includes any person referred to in item (i);

"**Forestry Code**" has the meaning given under "Appendix Q – Background Information on Russian Legal Framework – Subsoil Licencing Regime in Russia";

"**forward-looking information**" has the meaning given under the heading "Cautionary Statement Regarding Forward-Looking Statements";

"**FSETNS**" has the meaning given under "Appendix Q – Background Information on Russian Legal Framework – Mining Allotments";

"**FSSNRU**" has the meaning given under "Appendix Q – Background Information on Russian Legal Framework – Mining Allotments";

"**FTC**" has the meaning given under the heading "The Arrangement – HSR Act Approval";

"**Georgeson**" has the meaning given under the heading "General Proxy Information – Solicitation of Proxies";

"**GKZ**" means the Russian State Reserve Committee;

"**Golevskaya**" means LLC Golevskaya GRK;

"**Golevskaya Credit Line**" has the meaning given under "Appendix K – Intergeo Management's Discussion and Analysis for the Year Ended December 31, 2012 and for the Period from Incorporation (June 9, 2011) to December 31, 2011 – Results of Operations – Borrowings";

"**Governmental Entity**" means any applicable (i) international, multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, minister, governance governor-in-council, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, commissioner, cabinet, whether domestic or foreign, (ii) any subdivision, agency, commission, board or authority of any of the foregoing, or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

"**Greater Ak-Sug**" has the meaning given under the heading "Information Concerning Intergeo – Description of the Business";

"**Greater Ak-Sug Licence**" has the meaning given under "Appendix H – Ak-Sug Project Technical Disclosure – Ak-Sug Project – Project Description and Location";

"**HARD**" means Half Absolute Relative Difference;

"**Holder**" has the meaning given under the heading "Certain Canadian Federal Income Tax Considerations";

"HSR Act" means the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;

"HSR Act Approval" means the expiry or termination of any waiting period under the HSR Act without the institution of any proceedings to enjoin or prohibit the completion of the transactions contemplated by the Arrangement Agreement or the Daselina Subscription Agreement after the filing of any notification and report forms required under the HSR Act by Daselina and Mercator;

"Hugessen" means Hugessen Consulting Inc., an independent executive compensation consulting firm;

"IAS" has the meaning given under "Appendix K – Intergeo Management's Discussion and Analysis for the Year Ended December 31, 2012 and for the Period from Incorporation (June 9, 2011) to December 31, 2011";

"IAS 28" has the meaning given under "Appendix K – Intergeo Management's Discussion and Analysis for the Year Ended December 31, 2012 and for the Period from Incorporation (June 9, 2011) to December 31, 2011 – Changes in Accounting Policies – Standards, amendments and interpretations to existing standards and new standards that are not yet effective and have not been early adopted by the Company";

"IAS 39" has the meaning given under "Appendix K – Intergeo Management's Discussion and Analysis for the Year Ended December 31, 2012 and for the Period from Incorporation (June 9, 2011) to December 31, 2011 – Changes in Accounting Policies – Standards, amendments and interpretations to existing standards and new standards that are not yet effective and have not been early adopted by the Company";

"IASB" has the meaning given under "Appendix K – Intergeo Management's Discussion and Analysis for the Year Ended December 31, 2012 and for the Period from Incorporation (June 9, 2011) to December 31, 2011";

"IFRIC" has the meaning given under "Appendix K – Intergeo Management's Discussion and Analysis for the Year Ended December 31, 2012 and for the Period from Incorporation (June 9, 2011) to December 31, 2011";

"IFRS" means the International Financial Reporting Standards and interpretations adopted by the IASB, as amended from time to time;

"IFRS 9" has the meaning given under "Appendix K – Intergeo Management's Discussion and Analysis for the Year Ended December 31, 2012 and for the Period from Incorporation (June 9, 2011) to December 31, 2011 – Changes in Accounting Policies – Standards, amendments and interpretations to existing standards and new standards that are not yet effective and have not been early adopted by the Company";

"IFRS 11" has the meaning given under "Appendix K – Intergeo Management's Discussion and Analysis for the Year Ended December 31, 2012 and for the Period from Incorporation (June 9, 2011) to December 31, 2011 – Changes in Accounting Policies – Standards, amendments and interpretations to existing standards and new standards that are not yet effective and have not been early adopted by the Company";

"IFRS 12" has the meaning given under "Appendix K – Intergeo Management's Discussion and Analysis for the Year Ended December 31, 2012 and for the Period from Incorporation (June 9, 2011) to December 31, 2011 – Changes in Accounting Policies – Standards, amendments and interpretations to existing standards and new standards that are not yet effective and have not been early adopted by the Company";

"indicated mineral resource", means, in accordance with CIM Standards as referred to in NI 43-101, that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed;

"inferred mineral resource", means, in accordance with CIM Standards as referred to in NI 43-101, that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological grade and continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes;

"Intergeo" means Intergeo MMC Ltd;

"Intergeo Board" means the board of directors of Intergeo;

"Intergeo Canada" means Intergeo Canada Management Services Inc., a corporation existing under the laws of Ontario and an indirect wholly-owned subsidiary of Intergeo;

"Intergeo Cyprus" means Intergeo Management Limited, a corporation existing under the laws of Cyprus and a direct wholly-owned subsidiary of Intergeo;

"Intergeo NEOs" means, collectively, John Lill, Robert Wickham and Andrey Shchetinin, and **"Intergeo NEO"** means any of them;

"Initial Put Right" means a put right existing on the Effective Date, where after the Effective Date each such put right entitles the holder thereof, at such holder's option, to require the Resulting Issuer to purchase one Resulting Issuer Common Share from such holder for the Exercise Price in accordance with the terms of the Put Rights Indenture;

"Initial Option Exercise Price" means the exercise price of the Options that are expected to be granted under the New Plan, following the Effective Date, to: (i) each of Messrs. Lill, Wickham and Shchetinin; and (ii) each of the directors of the Resulting Issuer, in each case assuming completion of the Arrangement and approval of the Stock Option Plan Amendment, such exercise price to be the higher of (a) the volume weighted average trading price of Resulting Issuer Common Shares calculated in respect of the 30 calendar day period immediately following the Effective Date; (b) the volume weighted average trading price of Resulting Issuer Common Shares calculated in respect of the 5 trading days immediately preceding the 31st calendar day immediately following the Effective Date; and (c) the market price (as defined in the New Plan) calculated on the date of grant;

"Intergeo Reorganization" means the corporate restructuring completed by Intergeo on February 9, 2012, (see "Information Concerning Intergeo – General Development of the Business – Intergeo Reorganization");

"Intergeo Russia" means LLC Intergeo Managing Company, a corporation existing under the laws of Russia and an indirect 99.5% owned subsidiary of Intergeo;

"Intergeo Shareholders" means Daselina and Kirkland;

"Intergeo Shares" means the shares in the capital of Intergeo;

"Intergeo Subsidiaries" means Intergeo Cyprus, Intergeo Canada, Intergeo Russia, Kingash LLC, Golevskaya, Tyvamed, LLC Amurmed and LLC East-Sayan nickel company;

"Interim Order" means the interim order of the Court dated March 3, 2014, providing for, among other things, the calling of the Meeting, a copy of which attached as "Appendix D – Interim Order";

"Intermediary" means a broker, custodian, trustee, nominee or other intermediary through which a Beneficial Shareholder holds its Mercator Shares;

"International Financial Club" means OJSC Joint-Stock Commercial Bank "International Financial Club";

"Investment Canada Act" means the *Investment Canada Act*, and regulations made thereunder, as promulgated or as amended from time to time;

"Investment Canada Act Approval" means that Intergeo has been advised in writing that the minister designated under the Investment Canada Act is satisfied, or the Minister is deemed to be satisfied, that the transaction (or series of transactions) contemplated by the Arrangement Agreement (that amounts to an acquisition of control within the meaning of the Investment Canada Act) is likely to be of net benefit to Canada and the implementation of the transactions contemplated by the Arrangement Agreement are not, at the Effective Time, prohibited pursuant to Part IV.1 of the Investment Canada Act;

"**IRC**" means IRC Limited;

"**IRR**" means internal rate of return;

"**IRS**" means the United States Internal Revenue Service;

"**ISO 14001:2004**" means the environmental management systems guidelines developed and published by the International Organization for Standardization;

"**Key Regulatory Approvals**" means the approval of the TSX, the Investment Canada Act Approval, the HSR Approval and the CFIUS Approval;

"**Kingash**" or the "**Kingash Project**" has the meaning given under the heading "Information Concerning Intergeo – Description of the Business";

"**Kingash LLC**" means Kingashskaya Mining Company LLC, a corporation existing under the laws of Russia and an indirect 99.5% owned subsidiary of Intergeo;

"**Kirkland**" means Kirkland Intertrade Corp., a private company incorporated under the laws of the BVI and wholly-owned by Maxim Finskiy;

"**Kirkland Group**" has the meaning given thereto in "Appendix B – Plan of Arrangement – Part 29 Special Rights or Restrictions Attached to the Special Share and Related Governance Arrangements";

"**Kirkland Group Share Holder**" has the meaning given under the heading "Information Concerning the Resulting Issuer – Governance Arrangements with Principal Shareholders";

"**Kirkland Option**" has the meaning given under the heading "Information Concerning the Resulting Issuer – Daselina-Kirkland Option Agreement";

"**Kirkland Option Shares**" has the meaning given under the heading "Information Concerning the Resulting Issuer – Daselina-Kirkland Option Agreement";

"**Kuyo**" has the meaning given under the heading "Information Concerning Intergeo – Description of the Business";

"**Land Code**" has the meaning given under "Appendix Q – Background Information on Russian Legal Framework – Subsoil Licencing Regime in Russia";

"**Laws**" means all laws, statutes, codes, ordinances, decrees, rules, regulations, by-laws, statutory rules, principles of law, published policies and guidelines having the force of law, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, including general principles of common and civil law, and terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity, statutory body or self-regulatory authority, and the term "applicable" with respect to such Laws and in the context that refers to one or more Persons, means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Governmental Entity (or any other Person) having jurisdiction over the aforesaid Person or Persons or its or their business, undertaking, property or securities (including, in the case of Intergeo, in the BVI, Canada, Cyprus and the Russia and, in the case of Mercator, in Barbados, Canada, Mexico and the United States);

"**Letter of Transmittal**" means the letter of transmittal mailed in connection with the Arrangement, accompanying this Circular (printed on yellow paper);

"**LIBOR**" means the London Interbank Offered Rate;

"**LME**" means the London Metal Exchange;

"**Lock-Up Agreements**" means the voting support and lock-up agreements dated as of December 12, 2013 entered into between Intergeo and each of the Locked-up Shareholders;

"Locked-up Shareholders" means, collectively, Ronald Earl Vankoughnett; Stephen Quin; Robert Quinn; John Bowles; Bruce McLeod; Daniel Tellechea; Roman Friedrich; Mark Distler; Marc LeBlanc; Michael Broch; and Joseph Campbell;

"LOM" means life-of-mine;

"LTIP Amendments" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to the Long Term Incentive Plan";

"LTIP Change of Control Amendment" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to the Long Term Incentive Plan";

"LTIP Increase Amendment" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to the Long Term Incentive Plan";

"Market Price Amendment" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to Stock Option Plan";

"Material Adverse Change" means any one or more changes, effects, events, occurrences or states of facts that, either individually or in the aggregate, have, or would reasonably be expected to have, a Material Adverse Effect on, as applicable, Mercator and the Mercator Subsidiaries on a consolidated basis or Intergeo and the Intergeo Subsidiaries on a consolidated basis;

"Material Adverse Effect" means, with respect to, as applicable, Mercator or Intergeo, any change, effect, event or occurrence that individually or in the aggregate with other such changes, effects, events or occurrences, is or would reasonably be expected to be material and adverse to the business, properties, operations, results of operations, assets, liabilities or financial condition of such person and its subsidiaries, on a consolidated basis, except any change, effect, event or occurrence resulting from or relating to: (i) the announcement of the execution of the Arrangement Agreement or the transactions contemplated thereby or the performance of any obligation thereunder; (ii) the threat, commencement, occurrence or continuation of any war, armed hostilities, acts of environmental groups, civil strife, or acts of terrorism; (iii) any change in applicable Laws or in the interpretation thereof by any Governmental Entity provided that it does not have a materially disproportionate effect on the applicable party relative to comparable companies; (iv) any change in IFRS; (v) any natural disaster, provided that it does not have a materially disproportionate effect on the applicable party relative to comparable companies; (vi) any change in the price of copper, molybdenum or silver with respect to Mercator, or any change in the price of copper or nickel with respect to Intergeo; (vii) any change relating to foreign currency exchange rates; (viii) changes affecting the mining industry generally, provided that such changes do not have a materially disproportionate effect on the applicable party relative to comparable companies; (ix) a change in the trading price of the Mercator Shares, immediately following and reasonably attributable to the disclosure of the entering into of the Arrangement Agreement; or (x) the exercise of Mercator Options and/or Mercator Warrants and/or Bridge Loan Warrants. For greater certainty, the occurrence of any (a) Default (as defined under the RMB Facility), (b) Default or Event of Default (as defined under the Credit Facility), (c) Event of Default (as defined under the Silver Purchase Agreement), (d) Event of Default or Default (each as defined under the Bluefish Loan Agreement), (e) Default or Event of Default (as defined in the Bridge Loan Agreement) or (f) any default under any surety bonds, copper hedge contracts and/or offtake and sale agreements, or any other Material Agreements (as defined under the Credit Facility) shall constitute a Material Adverse Effect and a Material Adverse Change with regard to Mercator;

"Material Fact" has the meaning given to such term in the *Securities Act* (British Columbia);

"MB Employment Agreement" has the meaning given under "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Compensation of Directors and Officers of the Resulting Issuer – Employment Agreements";

"MD Employment Agreement" has the meaning given under "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Compensation of Directors and Officers of the Resulting Issuer – Employment Agreements";

"MD&A" means the management discussion and analysis prepared by a company pursuant to National Instrument 51-102, *Continuous Disclosure Obligations*, of the Canadian Securities Authorities;

"measured mineral resource", means, in accordance with CIM Standards as referred to in NI 43-101, that part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity;

"Meeting" means the special meeting of Mercator Shareholders to be held at 10:00 a.m. (Vancouver time) on April 7, 2014, for the purpose of voting on, among other matters, the Arrangement Resolution;

"Meeting Date Deadline" means April 28, 2014 or such other date as Intergeo and Mercator may agree;

"Mercator" means Mercator Minerals Ltd., a corporation existing under the laws of the Province of British Columbia;

"Mercator AGM Circular" means the management information circular dated May 17, 2013 prepared in connection with Mercator's annual general meeting of shareholders held June 24, 2013, which is available on SEDAR under Mercator's profile;

"Mercator AIF" means the annual information form of Mercator dated March 31, 2013 for the year ended December 31, 2012, which is available on SEDAR under Mercator's profile;

"Mercator Board" means the board of directors of Mercator;

"Mercator Data Room Information" means all information, books, maps, records, reports, files, data, interpretations, papers or other records, documents or other materials relating to Mercator and the Mercator Subsidiaries and/or their respective businesses, contained in the internet-based data room established by Mercator and made available to Intergeo and its advisors prior to December 12, 2013;

"Mercator DSU" means a deferred share unit, granted pursuant to the Mercator LTIP, entitling the holder to receive one Mercator Share in accordance with the Mercator LTIP;

"Mercator LTIP" means the long-term incentive plan of Mercator approved by Mercator Shareholders on June 22, 2012;

"Mercator Optionholders" means holders of Mercator Options;

"Mercator Options" means stock options granted under the Mercator Stock Option Plan outstanding prior to the Effective Time;

"Mercator Recommendation" means the recommendation of the Mercator Board to all Mercator Shareholders to vote in favour of the Arrangement Resolution;

"Mercator RSU" means a restricted share unit, granted pursuant to the Mercator LTIP, entitling the holder to receive one Mercator Share in accordance with the Mercator LTIP;

"Mercator Securities" means, collectively, the Mercator Shares, Mercator Options, Mercator Warrants, Mercator DSUs, Mercator RSUs and the Creston Options;

"Mercator Securityholders" means, collectively, the holders of Mercator Securities;

"Mercator Shareholder Rights Plan" means the shareholder rights plan agreement between Mercator and Computershare, as rights agent, dated as of August 19, 2011;

"Mercator Shareholders" means the holders of Mercator Shares;

"Mercator Shares" means the common shares without par value in the capital of Mercator prior to the Effective Date;

"Mercator Special Committee" has the meaning given under the heading "The Arrangement – Background to the Arrangement";

"Mercator Stock Option Plan" means the stock option plan of Mercator approved by Mercator Shareholders on August 31, 2011 and amended with the approval of Mercator Shareholders on June 22, 2012;

"Mercator Subsidiaries" means, collectively, Mercator Minerals (USA) Ltd., Stingray Copper Inc., Minera Stingray S.A. de C.V., 4394909 Canada Inc., 4394895 Canada Inc., Recursos Stingray de Cobre S.A. de C.V., Creston, Creston Mining Corporation, Exploraciones Global SA de CV, Tenajon Resources Corp., Mercator Minerals (Barbados) Ltd., Mercator Minerals Park Holdings Ltd., MPI, Lodestrike Resources Ltd. and Bluefish;

"Mercator Termination Payment" has the meaning given under the heading "The Arrangement Agreement – Additional Terms of the Arrangement Agreement – Break Fee and Repayment of Bridge Loan";

"Mercator Warrantholders" means holders of Mercator Warrants;

"Mercator Warrants" means common share purchase warrants entitling holders to acquire Mercator Shares;

"MI 61-101" means Multilateral Instrument 61-101, *Protection of Minority Security Holders in Special Transactions*;

"MI 62-104" means Multilateral Instrument 62-104, *Take-Over Bids and Issuer Bids*;

"Mineral Park Mine" means the mine producing copper, molybdenum and other metals located in Mohave County, Arizona owned by MPI;

"Mineral Park Technical Report" means the technical report entitled "NI 43-101 Technical Report, Mineral Park Mine, Mohave County, Arizona" with an effective date of June 1, 2013 prepared for Mercator by Gary Simmerman, a consultant and former employee of Mercator, in accordance with NI 43-101;

"mineral reserve" means, in accordance with CIM Standards as referred to in NI 43-101, the economically mineable part of a measured or indicated mineral resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined;

"mineral resource" means, in accordance with CIM Standards as referred to in NI 43-101, a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge;

"mineralization" refers to the presence of a mineral of economic interest in a rock;

"mining licence" means a Russian subsoil licence for mining of minerals;

"Minister" has the meaning given under the heading "The Arrangement – Investment Canada Act Approval";

"Misrepresentation" has the meaning given to such term in the *Securities Act* (British Columbia);

"MNRE" has the meaning given under "Appendix Q – Background Information on Russian Legal Framework – Environmental Regulation";

"MPI" means Mineral Park, Inc., a corporation existing under the laws of Delaware and an indirect, wholly-owned subsidiary of Mercator;

"MPI Lenders" means Société Générale, Portagon AG, New York Branch, Barclays Bank PLC and Credit Suisse AG, Cayman Island Branch;

"**NEOs**" means, collectively, the proposed named executive officers of the Resulting Issuer, being John Lill, Robert Wickham, Andrey Shchetinin, Mark Distler and Michael Broch, and "**NEO**" means any of them;

"**net benefit ruling**" has the meaning given under the heading "The Arrangement – Investment Canada Act Approval";

"**New LTIP**" means the Mercator LTIP as amended and restated by the LTIP Amendments;

"**New Plan**" means the Mercator Stock Option Plan as amended and restated by the Stock Option Plan Amendments;

"**NF VSEGEI**" means the Norilsk Branch of the St. Petersburg All Russian Geological Institute;

"**NHDR**" means the National Human Development Report for Russia;

"**NI 43-101**" means National Instrument 43-101, *Standards of Disclosure for Mineral Projects*;

"**NI 44-101**" means National Instrument 44-101, *Short Form Prospectus Requirements*;

"**NI 52-110**" means National Instrument 52-110, *Audit Committees*;

"**NI 54-101**" means National Instrument 54-101, *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

"**NOBOs**" has the meaning given under the heading "General Proxy Information – Advice to Beneficial Holders of Mercator Shares";

"**noon exchange rate**" has the meaning given under the heading "Exchange Rate Data – Russian Rouble Exchange Rate";

"**Non-Executive Director Amendment**" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to Stock Option Plan";

"**Non-Resident Dissenter**" has the meaning given under the heading "Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Non-Resident Dissenters";

"**Non-Resident Holder**" has the meaning given under the heading "Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada";

"**Norilsk Nickel**" means OJSC MMC Norilsk Nickel;

"**Notice of Articles and Articles**" means the constating documents of Mercator;

"**Notice of Dissent**" has the meaning given under the heading "Rights of Dissenting Shareholders";

"**Notice Shares**" has the meaning given under the heading "Rights of Dissenting Shareholders";

"**NPV**" means net present value determined using, unless otherwise stated, a discount rate of 8%;

"**OBOs**" has the meaning given under the heading "General Proxy Information – Advice to Beneficial Holders of Mercator Shares";

"**OECD**" has the meaning given under "Appendix Q – Background Information on Russian Legal Framework – Russian Tax System – Corporate Profits Tax";

"**OHSAS 18001:2007**" means the international occupational health and safety management system specifications written and published by the Occupational Health & Safety Group;

"**ONEXIM Group**" means the private investment fund established and beneficially owned by Mikhail Prokhorov;

"Option Increase Amendment" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to Stock Option Plan";

"Options" means the options to purchase Resulting Issuer Common Shares issuable pursuant to the New Plan;

"Order" has the meaning given under "Appendix O – Directors, Executive Officers and Management of Mercator";

"Orekitkan" means the molybdenum deposit located in the Buryatia Republic, Russia;

"ounce" means one troy ounce;

"Payment Date" has the meaning given under the heading "The Arrangement – Put Rights";

"Permitted Bids" has the meaning given under the heading "The Arrangement – Termination of Mercator Shareholder Rights Plan";

"Person" means any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status;

"PFIC" has the meaning given under the heading "Certain U.S. Federal Income Tax Considerations – Passive Foreign Investment Company Considerations";

"Plan of Arrangement" means the plan of arrangement attached as Appendix B hereto, and any amendment thereto;

"Preliminary Feasibility Study" means, in accordance with CIM Standards referred to in NI 43-101, a study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are sufficient for a "qualified person" as defined in NI 43-101, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve;

"Private Placement" has the meaning given under the heading "Information Concerning Intergeo – General Development of the Business – Private Placement";

"probable mineral reserve" means, in accordance with CIM Standards as referred to in NI 43-101, the economically mineable part of an indicated, and in some circumstances, a measured mineral resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified;

"Proposed Amendments" has the meaning given under the heading "Certain Canadian Federal Income Tax Considerations";

"prospecting and appraisal licence" means a Russian subsoil licence for prospecting and appraisal of a subsoil plot;

"prospecting, appraisal, exploration and mining licence" means a Russian subsoil licence for prospecting, appraisal, detailed exploration and mining of minerals;

"proven mineral reserve" means, in accordance with CIM Standards as referred to in NI 43-101, the economically mineable part of a measured mineral resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified;

"Put Rights" means, collectively, the Initial Put Rights and the Additional Put Rights;

"Put Right Exercise Window" means the period commencing on the day that is the 547th day (approximately 18 months) following the Effective Date and expiring on the day that is the 912th day (approximately 30 months) following the Effective Date;

"Put Right Expiry Date" means the day that is the 912th day (approximately 30 months) following the Effective Date;

"Put Rights Indenture" means the trust indenture to be entered into as of the Effective Date, among Mercator, the Put Right Trustee, and Daselina in respect of the Put Rights;

"Put Right Trustee" means Computershare Trust Company of Canada;

"QA/QC" means quality assurance and quality control;

"QEF" has the meaning given under the heading "Certain U.S. Federal Income Tax Considerations – Passive Foreign Investment Company Considerations";

"Recapitalization" has the meaning given under the heading "Certain U.S. Federal Income Tax Considerations – Certain U.S. Federal Income Tax Consequences of the Arrangement – Characterization of the Arrangement";

"Record Date" means the close of business (Vancouver time) on February 25, 2014 the date for determining Mercator Shareholders entitled to receive notice of and vote at the Meeting;

"Regiomax" means LLC Regiomax;

"Registered Shareholder" means a Mercator Shareholder whose name appears on the records in the central securities register of Mercator maintained by Computershare;

"Regulation S" means Regulation S promulgated under the U.S. Securities Act;

"Relevant Shares" has the meaning given under the heading "Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Taxable Canadian Property";

"Representative" means, with respect to Intergeo or Mercator, as the case may be, any officer, director, employee, consultant, financial advisor, legal counsel, representative or agent of such entity or any of its Subsidiaries;

"Resident Holder" has the meaning given under the heading "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada";

"Response Period" has the meaning given to such term in Subsection 6.3(a)(ii) of the Arrangement Agreement;

"Resulting Issuer" means Mercator after completion of the Arrangement, which will be renamed "Intergeo Mining Ltd.";

"Resulting Issuer Common Shares" means common shares in the capital of the Resulting Issuer, being the re-designated Class B Common Shares;

"Reviewable Transaction" has the meaning given under the heading "The Arrangement – Investment Canada Act Approval";

"RMB Facility" means the corporate debt facility agreement entered into by Mercator, certain of its subsidiaries, RMB Australia Holdings Limited and RMB Resources Inc. dated December 20, 2012;

"RRIF" has the meaning given under the heading "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment";

"RRSP" has the meaning given under the heading "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment";

"RSU" means a restricted share unit issuable pursuant to the New LTIP entitling the holder to receive one Resulting Issuer Common Share in accordance therewith;

"RSU Election Date" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to the Long Term Incentive Plan";

"RSU Final Settlement Date" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to the Long Term Incentive Plan";

"RSU Grant Price" has the meaning given under "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Compensation of Directors and Officers of the Resulting Issuer – Employment Agreements";

"RSU Participant" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to the Long Term Incentive Plan";

"RSU Vesting Amendments" has the meaning given under the heading "Particulars of Matter – Amendments to the Long Term Incentive Plan";

"Russia" means the Russian Federation;

"Russian Government Commission" has the meaning given under "Appendix Q – Background Information on Russian Legal Framework – Strategic Entities";

"Russian LLC Law" means Russian Federal Law No. 14-FZ dated February 8, 1998, "On Limited Liability Companies", as amended;

"Russian Tax Code" has the meaning given under "Appendix Q – Background Information on Russian Legal Framework – Russian Tax System";

"SEC" means the United States Securities and Exchange Commission;

"Section 3(a)(10) Exemption" means the exemption from the registration requirements of the U.S. Securities Act provided under Section 3(a)(10) thereof;

"Section 721" has the meaning given under the heading "The Arrangement – Section 721 Approval";

"Securities Laws" means the U.S. Exchange Act, the U.S. Securities Act and the "blue sky" or securities laws of the states of the United States, each as now enacted or as amended, and the applicable rules, regulations, rulings, orders, instruments and forms made or promulgated under such laws, and the Canadian Securities Laws;

"Security", or **"Securities"** has the meaning given under the heading "Certain Canadian Federal Income Tax Considerations";

"SEDAR" means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Authorities, which can be accessed at www.sedar.com;

"Separation Time" has the meaning given under the heading "The Arrangement – Termination of Mercator Shareholder Rights Plan";

"Share Exchange" means the exchange by the Intergeo Shareholders of all of the outstanding Intergeo Shares for Resulting Issuer Common Shares pursuant to the Plan of Arrangement;

"Share Exchange Agreement" means the share exchange agreement dated December 12, 2013 between Mercator and the Intergeo Shareholders;

"Silver Purchase Agreement" means the forward silver purchase agreement entered into by Mercator, Mercator Minerals (Barbados) Ltd. and Silver Wheaton (Caymans) Ltd. dated March 17, 2008, as amended and restated or supplemented, from

time to time, and, where the context requires, including all other related agreements, waivers, amendments, consents, documents, undertakings or instruments related thereto;

"Soviet Union" means the Union of Soviet Socialist Republics;

"Special Share" has the meaning given under the heading "Information Concerning the Resulting Issuer – Governance Arrangements with Principal Shareholders";

"Special Share Holders" has the meaning given under the heading "Information Concerning the Resulting Issuer – Governance Arrangements with Principal Shareholders";

"Sportscomplex" means LLC "Sports complex named after E. A. Streltsov";

"SRK Russia" means SRK Russia Consulting (Russia) Ltd, the author of the Ak-Sug Technical Report;

"Stock Option Plan Amendments" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to Stock Option Plans";

"strategic approval" has the meaning given under "Appendix Q – Background Information on Russian Legal Framework – Strategic Entities";

"Strategic Entities" has the meaning given under "Appendix Q – Background Information on Russian Legal Framework – Strategic Entities";

"Strategic Investment Law" has the meaning given under "Appendix Q – Background Information on Russian Legal Framework – Strategic Entities";

"Strategic Plots" has the meaning given under "Appendix Q – Background Information on Russian Legal Framework – Strategic Plots";

"Subscription Price" means US\$0.1224 per Class B Common Share;

"Subscription Shares" has the meaning given under "Appendix K – Intergeo Management's Discussion and Analysis for the Year Ended December 31, 2012 and for the Period from Incorporation (June 9, 2011) to December 31, 2011 – Results of Operations – Results for the year ended December 31, 2012 – Loss on disposal of Uralmining";

"Subsidiary" has that meaning given to such term under the BCBCA;

"Subsoil Law" has the meaning given under "Appendix Q – Background Information on Russian Legal Framework – Subsoil Licencing Regime in Russia";

"Superior Acquisition Proposal" means any bona fide written Acquisition Proposal, other than pursuant to the Arrangement Agreement, made by an arm's length third party after December 12, 2013 which was not solicited or encouraged by or on behalf of Mercator and did not otherwise result from a breach of Mercator's obligations under Sections 6.1, 6.2 or 6.3 of the Arrangement Agreement to acquire 100% of the outstanding Mercator Shares not beneficially owned by the third party making such Acquisition Proposal and any joint actor and any of their respective Affiliates or all or substantially all of the assets of Mercator (on a consolidated basis) and: (i) that is reasonably capable of being completed without undue delay, taking into account all financial, legal, regulatory, timing and other aspects of such proposal and the Person making such proposal, including, the creditworthiness of such Person; (ii) that is not subject to any due diligence or access condition; (iii) that is not subject to any financing condition and in respect of which adequate arrangements have been made to ensure the required funds will be available to effect payment under such Acquisition Proposal; (iv) the Person making the Acquisition Proposal has irrevocably and unconditionally agreed in writing, in favour of Daselina, Intergeo and Mercator, to pay, or cause Mercator to pay, the principal amount, together with all accrued and unpaid interest, outstanding under the Bridge Loan in immediately available funds contemporaneously with or prior to the time of payment of the Mercator Termination Payment under Section 6.5 of the Arrangement Agreement in accordance with Subsection 7.3(d)(i) thereof; and (v) in respect of which the Mercator Board determines, in its good faith judgment, after receiving advice from its outside legal and financial advisors, that: (A) failure to recommend such Acquisition Proposal to the Mercator Shareholders would be inconsistent with its fiduciary duties under applicable Law; and (B) having regard to all of its terms

and conditions, such Acquisition Proposal (including all financial, legal, regulatory, timing and other aspects thereof and the Person making such Acquisition Proposal), would, if completed in accordance with its terms (taking into account any and all risks of non-completion, result in a transaction which is more favourable to the Mercator Shareholders (other than Intergeo and any joint actor and any of their respective Affiliates) from a financial point of view than the transactions contemplated by the Arrangement Agreement, after taking into account any amendment to the Arrangement Agreement proposed by Intergeo pursuant to Subsection 6.3(b) thereof;

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time;

"**taxable capital gain**" has the meaning given under the heading "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses";

"**Technoexim**" means LLC Technoexim;

"**TEO**" means Russian technical-economic characterization reports;

"**Term Increase Amendment**" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to Stock Option Plan";

"**TFSA**" has the meaning given under the heading "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment";

"**Travallation**" means Travallation Holdings Ltd.;

"**TSX**" means the Toronto Stock Exchange;

"**Tyvamed**" means LLC Tyvamed;

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

"**Upper Kingash**" has the meaning given under the heading "Information Concerning Intergeo – Description of the Business";

"**Upper Kingash/Kuyo Licence**" means prospecting and appraisal licence KRR No 13780 TP for prospecting and appraisal of the Upper Kingash and Kuyo nickel copper-platinum ore deposits registered with the FASU on October 11, 2006;

"**Uralmining**" means Uralmining, Ltd.;

"**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations made thereunder, as promulgated or amended from time to time;

"**U.S. Holder**" has the meaning given under the heading "Certain U.S. Federal Income Tax Considerations – Scope of this Disclosure – U.S. Holders";

"**U.S. Participant Amendments**" has the meaning given under the heading "Particulars of Matters to be Acted Upon – Amendments to the Long Term Incentive Plan";

"**U.S. Person**" means a "U.S. person" as such term is defined in Rule 902(k) of Regulation S;

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended, and the rules and regulations made thereunder, as promulgated or amended from time to time;

"**U.S. Tax Code**" means the U.S. Internal Revenue Code, as amended;

"**VAT**" has the meaning given under "Appendix Q – Background Information on Russian Legal Framework – Russian Tax System – Value Added Tax";

"**Whole Shareholders**" has the meaning given under the heading "Certain U.S. Federal Income Tax Considerations – Certain U.S. Federal Income Tax Consequences of the Arrangement – Consolidation"; and

"**Window Period**" has the meaning given under "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Compensation of Directors and Officers of the Resulting Issuer – Employment Agreements".

NOTE TO UNITED STATES SECURITYHOLDERS

THE RESULTING ISSUER COMMON SHARES AND PUT RIGHTS ISSUABLE IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, NOR HAS THE SEC OR ANY STATE SECURITIES REGULATORY AUTHORITY PASSED ON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

The Resulting Issuer Common Shares and Put Rights issuable to Mercator Shareholders and holders of Mercator RSUs and Mercator DSUs in exchange for their Mercator Shares, Mercator RSUs and Mercator DSUs, as applicable, under the Arrangement have not been and will not be registered under the U.S. Securities Act or applicable state Securities Laws. The Resulting Issuer Common Shares and Put Rights will be issued in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof and exemptions available under applicable state Securities Laws. Section 3(a)(10) of the U.S. Securities Act exempts the issuance of any securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration under the U.S. Securities Act where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the fairness of the terms and conditions of such issuance and exchange at which all persons to whom it is proposed to issue the securities have the right to appear and receive timely notice thereof. The solicitation of proxies for the Meeting is not subject to the requirements of Section 14(a) of the U.S. Exchange Act by virtue of an exemption applicable to proxy solicitations by "foreign private issuers", as such term is defined in Rule 3b-4 under the U.S. Exchange Act. Accordingly, the solicitations and transactions contemplated in this Circular are being made in the United States for securities of a Canadian issuer in accordance with Canadian corporate laws and Securities Laws, and this Circular has been prepared solely in accordance with applicable Canadian disclosure requirements. Mercator Shareholders in the United States should be aware that such requirements differ from those of the United States applicable to proxy statements under the U.S. Exchange Act and registration statements under the U.S. Securities Act.

Information concerning the properties and operations of Mercator and Intergeo has been prepared in accordance with Canadian standards under applicable Canadian Securities Laws, and may not be comparable to similar information for United States companies. In particular, data on mineral reserves and resources included or incorporated by reference in this Circular has been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards.

For example, the definitions of "**proven mineral reserves**" and "**probable mineral reserves**" under CIM Standards differ in certain respects from the SEC standards, so disclosure of such information in this Circular may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC.

In addition, the terms "**mineral resource**", "**measured mineral resource**", "**indicated mineral resource**" and "**inferred mineral resource**" used in documents incorporated by reference herein, are Canadian mining terms as defined in accordance with NI 43-101 under guidelines set out in the CIM Standards.

While the terms "**mineral resource**", "**measured mineral resource**", "**indicated mineral resource**" and "**inferred mineral resource**" are recognized and required by Canadian regulations, they are not defined terms under standards of the SEC. As such, certain information contained in this Circular concerning a description of mineralization and resources under Canadian standards is not comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC. An "**inferred mineral resource**" has a great amount of uncertainty as to its existence and as to its economic and legal feasibility. It cannot be assumed that all or any part of an "**inferred mineral resource**" will ever be upgraded to a higher category. Under Canadian rules, estimates of "**inferred mineral resources**" may not form the basis of feasibility or other economic studies. **Mercator Shareholders are cautioned not to assume that all or any part of "measured mineral resources", "indicated mineral resources" or**

"inferred mineral resources" will ever be converted into "mineral reserves". Investors are also cautioned not to assume that all or any part of an "inferred mineral resource" exists, or is economically or legally mineable.

Financial statements included or incorporated by reference herein have been prepared in accordance with the IFRS, as issued by the IASB, and are subject to Canadian generally accepted auditing standards, which differ from United States generally accepted accounting principles in certain material respects, and thus are not directly comparable to financial statements of United States companies.

The Resulting Issuer Common Shares and Put Rights issuable to Mercator Shareholders and holders of the Mercator RSUs and Mercator DSUs pursuant to the Arrangement will be, following the Effective Date, freely tradable under the U.S. Securities Act, except by persons who will be "affiliates" of the Resulting Issuer after the Effective Date or were affiliates of Mercator within 90 days before the Effective Date. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract, or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer. Any resale of such Resulting Issuer Common Shares and Put Rights by such an affiliate (or former affiliate) may be subject to the registration requirements of the U.S. Securities Act, absent an exemption therefrom. See "Securities Laws Considerations – U.S. Securities Laws" in this Circular.

Mercator Shareholders and holders of Mercator RSUs and Mercator DSUs should be aware that the exchange of their Mercator Shares, Mercator RSUs and Mercator DSUs, as applicable, for Resulting Issuer Common Shares and Put Rights as described herein may have tax consequences in both the United States and Canada. Such consequences for Mercator Securityholders who are resident in, or citizens of, the United States may not be described fully herein. Mercator Securityholders are advised to consult their tax advisors to determine the particular tax consequences to them of participating in the Arrangement and the acquisition, ownership and disposition of Resulting Issuer Common Shares and Put Rights acquired pursuant to the Arrangement. See "Certain Canadian Federal Income Tax Considerations" and "Certain U.S. Federal Income Tax Considerations" in this Circular.

The enforcement by Mercator Securityholders of civil liabilities under the United States federal Securities Laws may be affected adversely by the fact that Mercator and Intergeo are each incorporated or organized under the laws of a country other than the United States, that a majority of their respective officers and directors are residents of a country other than the United States, that many of the experts named in this Circular (or in documents incorporated by reference herein) are residents of countries other than the United States, and that a substantial portion of the assets of Mercator and Intergeo are located outside the United States.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Circular, constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian Securities Laws (collectively, "**forward-looking information**") concerning the business, operations and financial performance and condition of each of Mercator, Intergeo and the Resulting Issuer. Often, but not always, forward-looking information can be identified by words such as "pro forma", "plans", "expects", "may", "should", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", and similar expressions or variations including negative variations of such words and phrases that refer to certain actions, events or results that may, could, would, might or will occur or be taken or achieved. No assurance can be given that these expectations will prove to be correct and such forward-looking information included in this Circular should not be unduly relied upon. This forward-looking information speaks only as of February 25, 2014, except that forward-looking information in documents incorporated by reference is given as of the date or dates given therein. Without limitation, this Circular contains forward-looking information concerning: the listing of the Resulting Issuer Common Shares and the Put Rights; the anticipated benefits of the Arrangement to Mercator Shareholders; strategic benefits, and operational, competitive and cost synergies related to the Arrangement; the Resulting Issuer's financial position and growth prospects; the anticipated tax treatment of the Arrangement for Mercator Shareholders; the use of proceeds from the Daselina Private Placement and the benefits to the Resulting Issuer's projects from such use of proceeds; planned investments in the Mineral Park Mine and the benefits to the Mineral Park Mine from such investments, including without limitation, becoming cash flow positive, servicing outstanding financial obligations, reducing operating unit costs and increasing production; composition of the Board and management of the Resulting Issuer and their compensation; the Resulting Issuer's proposed corporate governance procedures and policies, including without limitation, the creation, re-constitution or composition of committees of the Board; the timing of the Meeting; fees, costs and expenses related to the Arrangement; estimated termination payments payable if the Arrangement is completed and if any Employment Agreements are terminated; the Effective Date of the Arrangement; the timing to obtain any required

approvals or the ability to satisfy any conditions imposed by regulators; the potential of Mercator's and Intergeo's assets, including without limitation statements regarding probable mineral reserves, inferred mineral resources and mineral resource estimates; anticipated capital expenditures, operating costs, cash costs, cash flow estimates, mineral resource estimates, production estimates and similar statements relating to the preliminary economic assessment of the economic viability of the Ak-Sug Project; the anticipated challenges relating to the Resulting Issuer's projects, business and operations, including potential for disruption and constraints; and plans for activities at the Resulting Issuer's projects.

Actual results could differ materially from those anticipated in forward-looking information as a result of, among other reasons, the risk factors set out in the Mercator AIF and each of the MD&As of Mercator for the year ended December 31, 2012 and the period ended September 30, 2013, which are incorporated by reference in this Circular, and the risk factors set forth in this Circular. See "Risk Factors – Risks Related to the Arrangement"; "Appendix T – Risks Related to Intergeo"; and "Appendix U – Risks Related to the Resulting Issuer".

Such material risks, uncertainties and other factors include: closing the Arrangement is uncertain and subject to approval by the Court, shareholders, and regulators; the Mercator Termination Payment may discourage other parties from attempting to acquire Mercator; reliability of information regarding Intergeo; the trading price of the Resulting Issuer Common Shares may be highly volatile; the impact of Mr. Prokhorov's significant equity interest, through Daselina, in the Resulting Issuer on the trading price and liquidity of the Resulting Issuer Common Shares; the Resulting Issuer's share structure; potential dilution of the shareholders of the Resulting Issuer; volatility of the Resulting Issuer's share price; risks inherent in the Resulting Issuer's international operations; risks related to operating in Russia and Mexico, as applicable; weaknesses in the Russian legal system; obtaining regulatory approvals in Russia; selective or arbitrary action by the Russian government; economic, political and social instability in Russia; the relatively undeveloped nature of Russian tax legislation; stricter enforcement of Russian environmental laws and regulations; crime and corruption in Russia; liquidation as a result of non-compliance with certain Russian law; nationalization or expropriation of the Resulting Issuer's assets; compliance with health and safety laws; obtaining required permits and licences; the undeveloped nature of Russian tax legislation; challenges associated with integration; failure to realize the benefits of new projects; fluctuations in the global economy; obtaining financing; limited operating history; insufficient capital resources; a reduction in operating revenues; the Resulting Issuer's dependence on a single property; volatility in metal prices; conflicts of interest for the Resulting Issuer's directors and officers; operating hazards in mineral exploration, development and production; the speculative nature of mineral exploration and development; the increased availability of alternative metal sources; competition in the exploration and development of minerals; fluctuations in currency exchange rates; risks inherent in acquiring new properties; burdensome land reclamation requirements; global climate change; difficulties in predicting mineral production; the preliminary nature of a preliminary economic analysis; differences in U.S. and Canadian reporting of reserves and resources; volatility of metal and mineral prices; factors beyond the control of the Resulting Issuer; government regulation; the Resulting Issuer's ultimate principal shareholder's interests differing from those of its other shareholders; increases in the costs of commodities and necessary equipment; dependence on skilled contractors; compliance with health and safety laws; increased operating and capital costs; inaccuracies in estimated project timelines; the Resulting Issuer's ability to attract and retain qualified senior management and employees; compliance with and continued validity of permits and licenses; failure to obtain amendments to permits and conditions; Russian subsoil legislation being internally inconsistent and vague, which reduces certainty and may result in inconsistent and selective governmental claims or actions; challenges to acquisition of, or title to, entities or properties; failure to obtain or maintain land use rights; inadequate infrastructure, which could increase costs or result in losses and disrupt normal business activities; remote locations of certain properties; Russian strategic investment law and anti-monopoly law limiting the Resulting Issuer's ability to effect a change of control or enter into other business transactions; litigations risks; and Russia's pre-emptive right to purchase gold, silver, platinum and other precious metals.

In addition, forward-looking information herein is based on certain assumptions and involves risks related to the completion or non-completion of the Arrangement and the business and operations of the Resulting Issuer. Forward-looking information contained herein is based on the assumption that Mercator Shareholders will vote in favour of the Arrangement and that all other conditions to the Arrangement will be satisfied or waived; that there will be no changes to the tangible or intangible assets of either of Intergeo or Mercator prior to the completion of the Arrangement; that the Arrangement will be completed on or about May 1, 2014 as currently anticipated; that costs of the transaction will be approximately US\$13.8 million; and that any additional financing that is needed will be available on reasonable terms.

Although Mercator has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information herein, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There is no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-

looking information. Accordingly, readers should not place undue reliance on forward-looking information herein. All forward-looking information contained herein is qualified by these cautionary statements. Specific reference is made to the Mercator AIF and annual and quarterly MD&A and other filings of Mercator required under the Canadian Securities Laws.

Certain of the forward-looking information and other information contained herein concerning Mercator's and Intergeo's general expectations concerning the mining industry, Mercator, Intergeo and the Resulting Issuer are based on estimates prepared by Mercator or Intergeo using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which Mercator and Intergeo believe to be reasonable. However, this data is inherently imprecise. While neither Mercator nor Intergeo is aware of any misstatement regarding any industry data presented herein, the mining industry involves risks and uncertainties that are subject to change based on various factors.

Mercator undertakes no obligation to update any of the forward-looking information in this Circular or incorporated by reference herein, except as otherwise required by law.

INFORMATION CONTAINED IN THIS CIRCULAR

The information contained in this Circular is given as at February 25, 2014, except where otherwise noted and except that information in documents incorporated by reference is given as of the dates noted therein.

No person has been authorized to give any information or to make any representation in connection with the Arrangement and other matters described herein, other than information and representations contained in this Circular and, if given or made, any such information or representation should be considered not to have been authorized by Mercator.

This Circular does not constitute the solicitation of an offer to purchase any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation is not authorized or in which the person making such solicitation is not qualified to do so or to any person to whom it is unlawful to make such solicitation. Information contained in this Circular should not be construed as legal, tax or financial advice and Mercator Shareholders are urged to consult their own professional advisors in connection therewith.

Descriptions in this Circular of the provisions of the Arrangement Agreement and the Plan of Arrangement are merely summaries of the terms of those documents. Mercator Shareholders should refer to the full text of each of the Arrangement Agreement and the Plan of Arrangement for complete details of those documents. The full text of the Arrangement Agreement may be viewed under Mercator's profile on SEDAR at www.sedar.com. The Plan of Arrangement is appended hereto as Appendix B.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed by Mercator with the Canadian Securities Authorities in those jurisdictions in which it is a reporting issuer are specifically incorporated by reference into, and form an integral part of, this Circular on the basis set forth under the heading "Information Concerning Mercator":

- (a) the Mercator AIF, excluding the Technical Information (as defined in the AIF) relating to:
 - (i) the Mineral Park Mine therein and under the heading "The Mineral Park Mine" commencing at page 14 of the Mercator AIF (because such disclosure has been updated as provided herein and in particular as set out under "Appendix G – Mineral Park Mine Technical Disclosure"); and
 - (ii) the El Creston Project therein and under the heading "El Creston" commencing at page 58 of the Mercator AIF (because, as at the date of this Circular, the El Creston Project is no longer a material property of Mercator);
- (b) the Mineral Park Technical Report;
- (c) the audited consolidated financial statements of Mercator for the years ended December 31, 2012 and December 31, 2011, together with the notes thereto and the auditors' report thereon and related MD&A;

- (d) the unaudited consolidated interim financial statements of Mercator for the nine months ended September 30, 2013 and the notes thereto and related MD&A;
- (e) the Mercator AGM Circular;
- (f) the material change report dated December 23, 2013, in respect of the announcement of the transactions relating to the Arrangement;
- (g) the material change report dated December 6, 2013, in respect of the extension of the forbearance in exercising remedies under the Credit Facility and the waiver of certain other covenants;
- (h) the material change report dated November 29, 2013, in respect of the extension of the forbearance in exercising remedies under the Credit Facility and the waiver of certain other covenants;
- (i) the material change report dated November 15, 2013, in respect of the extension of the forbearance in exercising remedies under the Credit Facility and the waiver of certain other covenants;
- (j) the material change report dated October 31, 2013, in respect of amending and ancillary documentation with respect to the Credit Facility and the extension of the forbearance in exercising remedies thereunder;
- (k) the material change report dated September 30, 2013, in respect of Mercator's exploration of strategic alternatives and the amendment of the Credit Facility;
- (l) the material change report dated August 27, 2013, in respect of the appointment of Roman Friedrich III to the Mercator Board;
- (m) the material change report dated July 23, 2013, in respect of the resignation of Colin Benner from the Mercator Board; and
- (n) the material change report dated July 5, 2013, in respect of the resignation of Joseph Keane from the Mercator Board.

Any annual information form, material change report (other than a confidential report), comparative financial statement and related MD&A, information circular, business acquisition report and all other documents of a type referred to above or required to be incorporated by reference in a short form prospectus of Mercator by Section 11.1 of Form 44-101F1 of NI 44-101 which are filed by Mercator with Canadian Securities Authorities and made publicly available under its profile on SEDAR after the date of this Circular and prior to the Meeting shall be deemed to be incorporated by reference into and form an integral part of this Circular, as shall any other documents so filed by Mercator which Mercator expressly incorporates by reference into this Circular.

Any statement contained in this Circular, or in any other document incorporated by reference in this Circular shall be deemed to be modified or superseded, for the purposes of this Circular, to the extent that a statement contained herein or in any other subsequently filed document, which also is or is deemed to be incorporated by reference in this Circular modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a Misrepresentation, an untrue statement of a Material Fact or an omission to state a Material Fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this Circular except as so modified or superseded.

INTERPRETATION

All references to "**this Circular**" refer, collectively, to this management information circular, all attached appendices and all documents incorporated by reference herein.

If the context requires, references in this Circular to "**Intergeo**" refer to Intergeo MMC Ltd and the Intergeo Subsidiaries.

Unless otherwise indicated, references to "**Intergeo management**" in this Circular mean the executive officers of Intergeo MMC Ltd. Any statements in this Circular made by or on behalf of Intergeo management are made in such persons' capacities as executive officers of Intergeo and not in their personal capacities.

References in this Circular to "**US\$**" or "**\$**" are to United States dollars. The financial statements included herein are reported in United States dollars. References in this Circular to "**C\$**", "**RUB**" and "**EUR**" are to Canadian dollars, Russian roubles and European Euros, respectively.

Certain capitalized terms used in this Circular are defined herein. See "Glossary of Terms".

Disclosure in this Circular regarding the number of issued and outstanding Resulting Issuer Common Shares was calculated based on the following assumptions: (a) that no Dissent Rights are exercised; (b) an Effective Date of May 1, 2014; and (c) US\$14 million has been drawn under the Bridge Loan as at the Effective Date, including US\$8 million having been drawn under the Bridge Loan as of February 25, 2014. In the event the Effective Date occurs on a date earlier than May 1, 2014, the number of issued and outstanding Resulting Issuer Common Shares will be less than the number disclosed in this Circular. See "Information Regarding the Resulting Issuer – Pro Forma Capitalization".

Disclosure in this Circular regarding the number of Resulting Issuer Common Shares on a fully diluted basis was calculated based on the following assumptions: (a) that no Dissent Rights are exercised; (b) an Effective Date of May 1, 2014; (c) US\$14 million has been drawn under the Bridge Loan as at the Effective Date, including US\$8 million having been drawn under the Bridge Loan as of February 25, 2014; (d) the exercise in full of all outstanding Mercator Warrants, Mercator Options and Creston Options (excluding 76,062 Creston Options which have an expiry date prior to May 1, 2014, assuming such Creston Options are not exercised prior to the assumed Effective Date of May 1, 2014); (e) the exercise in full of all Options to be issued to each of Messrs. Lill, Wickham and Shchetinin, and each of the directors of the Resulting Issuer as disclosed herein; (f) the vesting in full of all Mercator DSUs held by Messrs. Bowles and Quin; and (g) the aggregate number of RSUs issuable to Messrs. Lill, Wickham and Shchetinin, following completion of the Arrangement, will be 225,538 RSUs, calculated on the basis of a volume weighted average trading price of Resulting Issuer Common Shares, calculated in respect of the 30 calendar days immediately following the Effective Date (which cannot be determined as at the date of this Circular), equal to C\$6.50. In the event the Effective Date occurs on a date earlier than May 1, 2014, the number of Resulting Issuer Common Shares on a fully diluted basis will be less than the number disclosed in this Circular. See "Information Regarding the Resulting Issuer – Pro Forma Fully Diluted Share Capital".

EXCHANGE RATE DATA

Russian Rouble Exchange Rate

The following table sets forth certain exchange rates based on the Bank of Canada noon exchange rate (the "**noon exchange rate**") for one Russian rouble, expressed in Canadian dollars.

	Year Ended December 31,				Nine Months Ended September 30,
	2012	2011	2010	2009	2013
	C\$	C\$	C\$	C\$	C\$
Highest rate during the period.....	0.03441	0.03525	0.03557	0.04117	0.03376
Lowest rate during the period.....	0.03049	0.03161	0.03216	0.03358	0.03115
Average noon spot rate for the period.....	0.03222	0.03369	0.03392	0.03595	0.03238
Rate at the end of the period.....	0.03259	0.03161	0.03258	0.03453	0.03178

On February 25, 2014, the noon exchange rate for conversion of Russian roubles into Canadian dollars was RUB1.00 equals C\$0.03108.

The following table sets forth certain exchange rates based on the noon exchange rate for one Russian rouble, expressed in United States dollars.

	Year Ended December 31,				Nine Months Ended September 30,
	2012	2011	2010	2009	2013
	US\$	US\$	US\$	US\$	US\$
Highest rate during the period	0.03452	0.03664	0.03455	0.03489	0.03349
Lowest rate during the period	0.02967	0.03055	0.03145	0.02751	0.02986
Average noon spot rate for the period.....	0.03224	0.03410	0.03295	0.03160	0.03165
Rate at the end of the period.....	0.03276	0.03108	0.03276	0.03299	0.03090

On February 25, 2014, the noon exchange rate for conversion of Russian roubles into United States dollars was RUB1.00 equals US\$0.02797.

U.S. Dollar Exchange Rate

The following table sets forth certain exchange rates based on the noon exchange rate for one United States dollar, expressed in Canadian dollars.

	Year Ended December 31,				Nine Months Ended September 30,
	2012	2011	2010	2009	2013
	C\$	C\$	C\$	C\$	C\$
Highest rate during the period.....	1.0418	1.0604	1.0778	1.3000	1.0576
Lowest rate during the period	0.9710	0.9449	0.9946	1.0292	0.9839
Average noon spot rate for the period.....	0.9995	0.9891	1.0299	1.1420	1.0235
Rate at the end of the period	0.9949	1.0170	0.9946	1.0466	1.0285

On February 25, 2014, the noon exchange rate for conversion of United States dollars into Canadian dollars was \$1.00 equals C\$1.1084.

Market and Industry Data

This Circular contains certain statistical, market and industry data obtained from government or other industry publications and Mercator management's and Intergeo management's knowledge of, and experience in, the markets in which Intergeo operates. Government and industry publications and reports generally indicate that information has been obtained from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. None of the authors of such publications and reports has provided any form of consultation, advice or counsel regarding any aspect of, or is in any way whatsoever associated with, the Arrangement. Further, certain of these organizations are participants in, or advisors to participants in, the mining industry, and they may present information in a manner that is more favourable to the industry than would be presented by an independent source. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect of material variation can be expected to increase as the length of the forecast period increases. While Mercator and Intergeo believe this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Neither Mercator nor Intergeo have independently verified any of the data from third party sources referred to in this Circular or ascertained the underlying assumptions relied upon by such sources. In addition, Mercator has not independently verified any of the industry data prepared by Intergeo management.

Non-IFRS Financial Measures

This Circular includes references to financial measures commonly used in the mining industry. These financial measures are not defined by IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. Although such non-IFRS measures are calculated according to accepted industry practice, non-IFRS measures used in this Circular may not be directly comparable to those of other base metal producers. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Readers are cautioned that these non-IFRS measures are not alternatives to measures determined in accordance with IFRS and should not, on their own, be construed as indicators of future performance or profitability. Where a non-IFRS measure is used in this Circular, the measure has been and its relevance has been explained.

INFORMATION PERTAINING TO INTERGEO

INFORMATION IN THIS CIRCULAR PERTAINING TO INTERGEO HAS BEEN PROVIDED BY INTERGEO FOR INCLUSION HEREIN. INTERGEO HAS REVIEWED THIS CIRCULAR AND CONFIRMED THE ACCURACY AND COMPLETENESS OF THE INFORMATION RESPECTING INTERGEO HEREIN. ALTHOUGH MERCATOR DOES NOT HAVE ANY KNOWLEDGE THAT WOULD INDICATE THAT SUCH INFORMATION IS UNTRUE OR INCOMPLETE, NEITHER MERCATOR NOR ANY OF ITS DIRECTORS OR OFFICERS ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION INCLUDING ANY OF INTERGEO'S FINANCIAL STATEMENTS, OR FOR THE FAILURE BY INTERGEO TO DISCLOSE EVENTS OR INFORMATION THAT MAY AFFECT THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION.

SUMMARY

The following summarizes the principal features of the Arrangement and certain other matters and should be read together with and is qualified in its entirety by the more detailed information and financial data and statements contained elsewhere in this Circular. Capitalized terms in this Summary have the respective meanings set out in the Glossary of Terms or as set out in this Summary. The terms of the Arrangement Agreement are summarized in this Circular and the full text of the Arrangement Agreement may be viewed on SEDAR at www.sedar.com under Mercator's profile.

The Meeting

Date, Time and Place of Meeting

The Meeting will be held on April 7, 2014, at 10:00 a.m. (Vancouver time) in the Bowden Room at the Rosewood Hotel Georgia, 801 West Georgia Street, Vancouver, British Columbia, Canada.

The Record Date

The Record Date for determining the Mercator Shareholders entitled to receive notice of and to vote at the Meeting, or any adjournments or postponements thereof, is as of the close of business (Vancouver time) on February 25, 2014.

Purpose of the Meeting

The purpose of the Meeting is for Mercator Shareholders to consider, and if thought advisable, to pass, the Arrangement Resolution, with or without variation, authorizing, approving and adopting the Arrangement. At least 66²/₃% of the votes cast on the Arrangement Resolution in person or by proxy at the Meeting must be voted FOR the Arrangement Resolution in order for it to be passed.

Mercator Shareholders will also be asked to consider, and if thought advisable, to pass an ordinary resolution approving the amending and restating of the Mercator Stock Option Plan to increase the number of common shares issuable under the plan, to increase the term of stock options and certain other amendments, all as described in this Circular, such amendments to be subject to the completion of the Arrangement. At least a simple majority of the votes cast on such ordinary resolution in person or by proxy at the Meeting must be voted for the ordinary resolution in order for it to be passed.

In addition, Mercator Shareholders will be asked to consider, and if thought advisable, to pass an ordinary resolution approving the amending and restating of the Mercator LTIP to increase the number of common shares issuable under the plan and certain other amendments, all as described in this Circular, such amendments to be subject to the completion of the Arrangement. At least a simple majority of the votes cast on such ordinary resolution in person or by proxy at the Meeting must be voted for the ordinary resolution in order for it to be passed.

See "Particulars of Matters to be Acted Upon".

The Arrangement

Purpose

The purpose of the Arrangement is to create a copper-focused base metals company with world class asset growth potential and a strengthened balance sheet and greater liquidity to realize near-term growth potential by effecting a business combination between Mercator and Intergeo. The Arrangement is to be carried out pursuant to the Arrangement Agreement and the Plan of Arrangement.

As a result of the Arrangement, each Mercator Shareholder will be entitled to receive, for every Mercator Share held, one Resulting Issuer Common Share and one Initial Put Right, all subject to the Consolidation. See "The Arrangement – Consolidation" and "The Arrangement - Treatment of Fractional Securities". Each Put Right will entitle its holder to sell one Resulting Issuer Common Share to the Resulting Issuer at a price of C\$5.00 per share at any time during the Put Right Exercise Window. Any purchaser of Resulting Issuer Common Shares following the Effective Date will not be entitled to Put Rights. Such purchaser will need to purchase a Put Right separately in order to be entitled to sell such

Resulting Issuer Common Shares to the Resulting Issuer at a price of C\$5.00 per share during the Put Right Exercise Window.

The TSX has conditionally approved the listing of the Resulting Issuer Common Shares under the new symbol "ITG" and has conditionally approved the listing of the Put Rights under the symbol "ITG.RT.P" subject to fulfilling all of the requirements of the TSX on or before July 12, 2014.

In connection with the Arrangement, immediately prior to the Effective Time, Mercator RSUs and Mercator DSUs (excluding those Mercator DSUs held by Messrs. Bowles and Quin, current directors of Mercator and proposed directors of the Resulting Issuer), will vest and holders of Mercator RSUs and Mercator DSUs (other than Messrs. Bowles and Quin) shall receive Mercator Shares, in accordance with the terms of the Mercator RSUs and Mercator DSUs, and will thereafter be entitled to receive, for every Mercator Share issued pursuant to such Mercator RSUs and Mercator DSUs, one Resulting Issuer Common Share and one Initial Put Right, all subject to the Consolidation. See "The Arrangement – Consolidation" and "The Arrangement - Treatment of Fractional Securities". Each such vested Mercator RSU and Mercator DSU (other than those Mercator DSUs held by Messrs. Bowles and Quin) will thereafter be immediately cancelled pursuant to the Arrangement.

In accordance with the Mercator Stock Option Plan, each holder of a Mercator Option outstanding immediately prior to the Effective Time will be entitled to receive (and such holder shall accept), upon the exercise of such holder's Mercator Option, in lieu of every Mercator Share to which such holder would have been entitled, and for the same aggregate consideration payable therefor, one Resulting Issuer Common Share and one Initial Put Right if exercise occurs prior to the Effective Date (or one Additional Put Right if exercise occurs following the Effective Date but prior to the Put Right Expiry Date). The actual number of Resulting Issuer Common Shares and Put Rights received by a holder of Mercator Options upon exercise will be subject to adjustment in accordance with the terms of the Mercator Stock Option Plan and will reflect the Consolidation. See "The Arrangement – Consolidation" and "The Arrangement - Treatment of Fractional Securities". Mercator Options shall terminate on the earlier of: (i) the expiry date specified for such Mercator Option in the original grant, and (ii) 90 days after such optionee's position with Mercator terminates (or 30 days, in the case of an optionee providing investor relations activities).

In accordance with the Creston Option Plan, each holder of a Creston Option outstanding immediately prior to the Effective Time will be entitled to receive (and such holder shall accept), upon the exercise of such holder's Creston Option, in lieu of every Mercator Share to which such holder would have been entitled, and for the same aggregate consideration payable therefor, one Resulting Issuer Common Share and one Initial Put Right if exercise occurs prior to the Effective Date (or one Additional Put Right if exercise occurs following the Effective Date but prior to the Put Right Expiry Date). The actual number of Resulting Issuer Common Shares and Put Rights received by a holder of Creston Options upon exercise will be subject to adjustment in accordance with the terms of the Creston Option Plan and will reflect the Consolidation. See "The Arrangement – Consolidation" and "The Arrangement - Treatment of Fractional Securities". Each such Creston Option shall continue to be governed by and be subject to the terms and conditions of the Creston Option Plan and any applicable agreement thereunder.

In accordance with the certificate or documentation governing the terms and conditions of the Mercator Warrants (excluding the Bridge Loan Warrants, which will be cancelled upon completion of the Arrangement), each holder of a Mercator Warrant outstanding immediately prior to the Effective Time will be entitled to receive (and such holder shall accept), upon the exercise of such holder's Mercator Warrants, in lieu of every Mercator Share to which such holder would have been entitled, and for the same aggregate consideration payable therefor, one Resulting Issuer Common Share and one Initial Put Right if exercise occurs prior to the Effective Date (or one Additional Put Right if exercise occurs following the Effective Date but prior to the Put Right Expiry Date). The actual number of Resulting Issuer Common Shares and Put Rights received by a holder of Mercator Warrants upon exercise will be subject to adjustment in accordance with the terms of the Mercator Warrants and will reflect the Consolidation. See "The Arrangement – Consolidation" and "The Arrangement - Treatment of Fractional Securities". Each such Mercator Warrant shall continue to be governed by and be subject to the terms of the certificate or documentation governing the terms and conditions of the Mercator Warrants.

The Arrangement Agreement provides that the Arrangement will be achieved by way of a statutory arrangement. As part of the Arrangement the Dissenting Shares will be deemed to have been transferred to Mercator and the Dissenting Shareholders will cease to have any rights as Mercator Shareholders other than the right to be paid the fair value of their Dissenting Shares.

Steps in the Arrangement

At the Meeting, Mercator Shareholders will be asked to consider and, if thought advisable, approve the Arrangement Resolution, the full text of which is set out in Appendix A of this Circular, in respect of the Arrangement, whereby, subject to the terms and conditions thereof, Intergeo and Mercator have agreed to effect a business combination by way of a plan of arrangement, which will effectively result in, among other things, (a) Daselina purchasing by way of private placement approximately US\$100 million of Resulting Issuer Common Shares (see "The Arrangement – Daselina Private Placement"); (b) Mercator Shareholders receiving one Resulting Issuer Common Share and one Initial Put Right for every Mercator Share, all subject to the Consolidation; (c) the Share Exchange, which pursuant to the Plan of Arrangement will result in Intergeo becoming a wholly-owned subsidiary of Mercator and Intergeo Shareholders owning Resulting Issuer Common Shares; (d) the Consolidation; and (e) Daselina and Kirkland each receiving one Special Share. See "The Arrangement – Consolidation" and "The Arrangement - Treatment of Fractional Securities".

Upon completion of the Arrangement, Daselina and Kirkland will collectively own approximately 85% of the Resulting Issuer Common Shares and Mercator Shareholders will own approximately 15% of the outstanding Resulting Issuer Common Shares. Finally, the Resulting Issuer's name will be changed to "Intergeo Mining Ltd.".

Put Rights

The Put Rights will be exercisable commencing on the day that is the 547th day (approximately 18 months) following the Effective Date and expiring on the day that is the 912th day (approximately 30 months) following the Effective Date. The Put Rights provide Shareholders with downside risk protection. The Exercise Price under the Put Rights represents a 122% premium to the closing price of Mercator Shares on the TSX as at December 10, 2013 (calculated on a post-Consolidation basis). **If a substantial number of holders of the Put Rights elect to exercise their Put Rights during the Exercise Window, the Resulting Issuer would be obliged, subject to the requirements, if any, under the BCBCA, to purchase a substantial number of Resulting Issuer Common Shares, thereby reducing or eliminating its public float. If the Resulting Issuer fails to meet the applicable public distribution listing requirements of the TSX, it could result in the Resulting Issuer Common Shares being delisted from the TSX. The TSX will normally consider the delisting of securities if, in the opinion of the TSX, it appears that the public distribution, price, or trading activity of the securities has been so reduced as to make further dealings in the securities on TSX unwarranted. See "Risk Factors – Risks Related to the Arrangement – The Resulting Issuer may not meet TSX listing requirements where Put Rights are exercised by a substantial number of Shareholders".**

Treatment of Fractional Securities

To the extent the Consolidation results in a Mercator Shareholder holding fractional Resulting Issuer Common Shares, such Resulting Issuer Common Shares will be treated as follows: each fractional Resulting Issuer Common Share that represents less than ½ of a Resulting Issuer Common Share will be rounded **down**, and each fractional Resulting Issuer Common Share that is at least ½ of a Resulting Issuer Common Share will be rounded **up**. To the extent the Consolidation results in a Mercator Shareholder holding fractional Put Rights, such Put Rights will be rounded **down** to the closest whole Put Right. For example, where a Mercator Shareholder holds (after giving effect to the Arrangement) 74 Resulting Issuer Common Shares and 74 Initial Put Rights prior to the Consolidation, such Mercator Shareholder will receive one Resulting Issuer Common Share and one Initial Put Right following the Consolidation. Where a Mercator Shareholder holds (after giving effect to the Arrangement) 76 Resulting Issuer Common Shares and 76 Initial Put Rights prior to the Consolidation, such Mercator Shareholder will receive two Resulting Issuer Common Shares and one Initial Put Right following the Consolidation.

Daselina Private Placement

In connection with the Arrangement, Daselina has agreed to invest approximately US\$100 million (which includes up to US\$14 million to be advanced under the Bridge Loan; see "The Arrangement – Bridge Loan") plus an amount equal to the accrued interest under the Bridge Loan by way of a private placement at a subscription price of US\$0.1224 per share (approximately C\$0.13 per share based on the noon exchange rate on December 11, 2013 of US\$1 equals C\$1.0607), which, pursuant to the Plan of Arrangement, will result in Daselina owning Resulting Issuer Common Shares.

Bridge Loan

Also in connection with the Arrangement, Daselina has agreed to advance up to US\$14 million to MPI by way of the Bridge Loan to provide it with funding to stabilize its operations until the Arrangement is completed. The initial commitment under the Bridge Loan is US\$10 million and became available upon satisfaction of certain conditions precedent on December 20, 2013. As at February 25, 2014, US\$8 million of the US\$10 million initial commitment has been advanced to MPI. The commitment will increase to US\$12 million on March 1, 2014 and US\$14 million on April 1, 2014 if the Arrangement has not yet been completed by these dates and upon satisfaction or waiver of certain conditions precedent. The Bridge Loan will mature and be payable in the event the Arrangement Agreement is terminated. Outstanding principal and accrued and unpaid interest in respect of the Bridge Loan will accrue interest at a rate of 15% per annum.

On the Effective Date, Daselina will assign to Mercator its rights to the principal and interest owing to it under the Bridge Loan to Mercator, as partial payment of the aggregate Subscription Price under the Daselina Private Placement.

On December 20, 2013, as partial consideration for the Bridge Loan, Mercator issued to Daselina 50,962,676 Bridge Loan Warrants, which only vest and become exercisable as described below and only if the Arrangement is not completed. All Bridge Loan Warrants will be cancelled upon the completion of the Arrangement.

Each Bridge Loan Warrant entitles the holder thereof to purchase one Mercator Share at the Subscription Price until December 20, 2018. Initially, 34,685,741 Bridge Loan Warrants, representing 9.9% of the outstanding Mercator Shares on a partially diluted basis (assuming the exercise in full of such Bridge Loan Warrants), vested and will become exercisable only if the Arrangement Agreement is terminated.

If and when the commitment under the Bridge Loan is increased to US\$12 million, an additional 7,953,712 Bridge Loan Warrants will vest such that, in aggregate, Daselina would be able to exercise Bridge Loan Warrants representing 11.9% of the outstanding Mercator Shares on a partially diluted basis (assuming the exercise in full of such Bridge Loan Warrants). The additional 7,953,712 Bridge Loan Warrants will become exercisable only if the Arrangement Agreement is terminated.

If and when the commitment under the Bridge Loan is increased to US\$14 million, the remaining 8,323,223 Bridge Loan Warrants will vest such that, in aggregate, Daselina would be able to exercise 50,962,676 Bridge Loan Warrants representing 13.9% of the outstanding Mercator Shares on a partially diluted basis (assuming the exercise in full of all Bridge Loan Warrants). The remaining 8,323,223 Bridge Loan Warrants will become exercisable only if the Arrangement Agreement is terminated.

Reasons for the Arrangement and Recommendation of the Mercator Board

In the course of its evaluation of the Arrangement, the Mercator Board consulted senior management, its legal counsel and the Financial Advisor, reviewed a significant amount of information, including the results of the due diligence conducted on Intergeo, and considered a number of factors including, among others, the following:

- *Consideration to be Received by Mercator Shareholders.* The Resulting Issuer Common Shares provide Mercator Shareholders with the opportunity to participate in the future potential of the Resulting Issuer. The Put Rights provide Mercator Shareholders with downside risk protection.
- *Mercator's Immediate Financial and Liquidity Challenges.* The Arrangement addresses Mercator's immediate need for external funding to stabilize its operations in a challenging commodity price and capital markets environment.
- *Most Compelling Alternative Available.* The Arrangement is the result of a comprehensive process undertaken by Mercator to review its strategic alternatives. Taking into account the perceived value, timing and risks associated with the strategic alternatives available to Mercator, Mercator's immediate financial and liquidity challenges, and the current market environment, the Mercator Special Committee and the Mercator Board unanimously determined that the Arrangement represents the most compelling alternative available to Mercator, the Mercator Shareholders and Mercator's other stakeholders.
- *Ongoing Ownership in the Resulting Issuer's Common Shares.* Immediately following completion of the Arrangement, Mercator Shareholders will own approximately 15% of the outstanding Resulting Issuer Common Shares. The Mercator Special Committee and Mercator Board believe this ownership position in the Resulting Issuer represents the most compelling opportunity available to Mercator Shareholders. An interest in the Resulting Issuer will provide Mercator Shareholders with a number of potential benefits, including the following:
 - a copper-focused base metals company with an attractive existing production and substantial growth potential;
 - an improved balance sheet and greater liquidity;

- geographic diversification with cornerstone assets in the U.S., Mexico and Russia;
- a complementary asset mix with producing and attractive short and medium-term development properties, including Mercator's El Pilar Project and Intergeo's Ak-Sug Project;
- an experienced and highly accomplished management team and board of directors with deep and relevant knowledge of the mining industry;
- a committed strategic and financial partner in Intergeo's principal shareholder, Daselina. Mikhail Prokhorov, the shareholder of Daselina, has, since 2001, a record of developing and operating large mining companies; and
- a compelling re-rating opportunity based on an attractive market valuation, a strong combined asset portfolio, complementary management capabilities and an improved financial position.

For more information regarding these and other reasons for the Arrangement, see "The Arrangement – Reasons for the Arrangement and Recommendation of the Mercator Board". See also "The Arrangement – Opinion of the Financial Advisor".

After careful consideration, the Mercator Board has unanimously determined that the Arrangement is fair to Mercator Shareholders and in the best interests of Mercator. Accordingly, the Mercator Board unanimously recommends that Mercator Shareholders vote FOR the Arrangement Resolution.

Lock-Up Agreements

The Locked-up Shareholders, being all of the directors and all of the officers of Mercator, have each entered into a Lock-up Agreement pursuant to which such Locked-up Shareholders have agreed to vote the Mercator Shares beneficially owned or controlled by them in favour of the Arrangement Resolution and to act otherwise in support of the Arrangement at the Meeting. See "The Arrangement – Lock-up Agreements".

Opinion of Mercator's Financial Advisor

In deciding to approve the Arrangement, the Mercator Special Committee and the Mercator Board considered, among other things, the Fairness Opinion.

On December 11, 2013, the Financial Advisor delivered the Fairness Opinion, stating that as of the date thereof, and based on, and subject to the scope of review, assumptions and limitations and qualifications described in the Fairness Opinion, the consideration to be received by the Mercator Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Mercator Shareholders. See "The Arrangement – Opinion of the Financial Advisor" in this Circular and the full text of the Fairness Opinion, which is attached as Appendix C hereto.

The Companies

Mercator Minerals Ltd.

Mercator is a corporation existing under the laws of the Province of British Columbia. The registered office of Mercator is located at 10th Floor – 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5, and Mercator's head office is located at Suite 1050 – 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6. Mercator's principal focus is the expansion of copper production and molybdenum concentrate production at the Mineral Park Mine to generate cash flow to fund its business plans and the development of the El Pilar Project located in the Cananea copper trend of Sonora, Mexico. The Mercator Shares are listed for trading on the TSX under the symbol "ML". See "Information Concerning Mercator" and "Information Concerning the Resulting Issuer" in this Circular for a description of Mercator before and after giving effect to the Arrangement.

Intergeo MMC Ltd

Intergeo is a company incorporated under the laws of BVI. Its registered office is Totalserve Trust Company Limited, 19 Waterfront Drive, P.O. Box 3540, Road Town, Tortola, VG1110, British Virgin Islands. Intergeo is a copper-focused mineral resource company currently developing, exploring and acquiring base metal properties in Russia. Intergeo's objective is to become a premier base metals producer. Intergeo's current portfolio includes licences covering one development, one study stage and two exploration properties containing various polymetallic elements and spanning a total area of more than 12,000 square kilometres.

Selected Financial Information of Intergeo

The following sets out selected consolidated financial information of Intergeo as at December 31, 2012 and as at September 30, 2013. This selected financial information has been derived from Intergeo's audited consolidated financial statements for the year ended December 31, 2012 and unaudited consolidated financial statements for the period ended September 30, 2013 included elsewhere in this Circular.

	As at December 31, 2012 (in US\$000's)	As at September 30, 2013 (in US\$000's)
Cash and cash equivalents	\$13,076	\$17,819
Exploration and evaluation assets	\$183,731	\$144,379
Borrowings	\$7,371	-

See "Appendix K – Intergeo Management's Discussion and Analysis for the Year Ended December 31, 2012 and for the Period from Incorporation (June 9, 2011) to December 31, 2011" and "Appendix L – Intergeo Management's Discussion and Analysis for the Three and Nine Months Ended September 30, 2013 and 2012".

In addition to the audited consolidated financial statements of Intergeo, Mercator Shareholders should also read the following financial statements and notes thereto included in this Circular:

- the audited consolidated financial statements for Intergeo Russia for the years ended December 31, 2011 and 2010. See "Appendix V – Intergeo Russia Audited Consolidated Annual Financial Statements for the years ended December 31, 2011 and 2010";
- the audited consolidated financial statements for Kingash LLC for the years ended December 31, 2010 and 2009. See "Appendix X – Kingash LLC Audited Consolidated Financial Statements for the years ended December 31, 2010 and 2009";
- the audited financial statements for Intergeo Cyprus for the years ended December 31, 2010 and 2009. See "Appendix AA – Intergeo Cyprus Audited Annual Financial Statements for the years ended December 31, 2010 and 2009";
- the unaudited consolidated financial statements for Kingash LLC for the period from January 1 to July 11, 2011. See "Appendix Y – Kingash LLC Unaudited Consolidated Financial Statements for the period from January 1 to July 11, 2011"; and
- the unaudited financial statements for Intergeo Cyprus for the period from January 1 to July 18, 2011. See "Appendix BB – Intergeo Cyprus Unaudited Financial Statements for the period from January 1 to July 18, 2011".

See "Information Concerning Intergeo".

Conditions of the Arrangement

The completion of the Arrangement is subject to a number of mutual conditions precedent including the approval of the Arrangement by the Mercator Shareholders, the Court, the TSX and the Key Regulatory Approvals.

Additional Conditions in Favour of Mercator

The obligations of Mercator to complete the Arrangement are subject to a number of additional conditions precedent, including the representations and warranties made by Intergeo qualified by the expression "Material Adverse Change" or "Material Adverse Effect" being true and correct, all other representations and warranties of Intergeo being true and correct in all material respects; there being no Material Adverse Effect in respect of Intergeo; all covenants of Intergeo being complied with in all material respects; the deposit of funds by Daselina pursuant to the terms of the Put Rights Indenture; termination or amendment, to Mercator's satisfaction, of the amended and restated shareholders' rights agreement among Daselina, Kirkland, Intergeo and Intergeo Cyprus dated as of January 31, 2013; and termination or amendment, to Mercator's satisfaction, of the option agreement entered into between Daselina and Kirkland, dated as of March 21, 2012, as amended on January 23, 2013.

Additional Conditions in Favour of Intergeo

The obligation of Intergeo to complete the Arrangement is subject to a number of additional conditions precedent, including, the representations and warranties made by Mercator, qualified by the expression "Material Adverse Change" or "Material Adverse Effect" being true and correct, all other representations and warranties of Mercator being true and correct in all material respects; there being no Material Adverse Effect in respect of Mercator; all covenants of Mercator being complied with in all material respects; Mercator Shareholders holding no more than 5% of issued Mercator Shares having exercised Dissent Rights; receipt of Mercator director and officer resignations and releases; no "Flip-In Event" under the Mercator Shareholder Rights Plan (as defined therein) having occurred; and no defaults under the Bridge Loan Agreement having occurred.

See "The Arrangement – Shareholder and Court Approvals", and "The Arrangement Agreement – Conditions to the Arrangement Becoming Effective".

Non-Solicitation Covenants of Mercator, Superior Acquisition Proposal and Mercator Termination Payment

The Arrangement Agreement contains customary obligations on the part of Mercator to not solicit, initiate, encourage any proposals in respect of an Acquisition Proposal; to not enter into any discussions regarding any Acquisition Proposal; and to not recommend or agree to any Acquisition Proposal, subject to the right of Mercator to agree to an unsolicited proposal that constitutes a Superior Acquisition Proposal in certain circumstances as set out in the Arrangement Agreement, including compliance with its non-solicitation obligations, providing Intergeo with a right to match, payment of the Mercator Termination Payment and repayment of the Bridge Loan.

See "The Arrangement Agreement – Conditions to the Arrangement Becoming Effective – Non-Solicitation Covenants of Mercator and Superior Acquisition Proposal"; and "The Arrangement Agreement – Additional Terms of the Arrangement Agreement – Break Fee and Repayment of Bridge Loan" in this Circular.

Amendments to or Termination of Arrangement Agreement

The Arrangement Agreement may be amended or terminated at any time before the Effective Date, in the circumstances specified in the Arrangement Agreement.

See "The Arrangement Agreement – Amendment of the Arrangement Agreement" and "The Arrangement Agreement – Termination of the Arrangement Agreement".

Dissent Rights

Mercator Shareholders have Dissent Rights with respect to the Arrangement. These Dissent Rights must be strictly complied with in order for a Mercator Shareholder to receive cash representing the fair value of their Dissenting Shares. It is a condition to the Arrangement that the aggregate number of Mercator Shares held, directly or indirectly, by Dissenting Shareholders and who have not withdrawn such exercise in connection with the Arrangement (or instituted proceedings to exercise Dissent Rights) shall not exceed 5% of the aggregate number of Mercator Shares outstanding as at the day immediately preceding the Effective Date (without giving effect to any of the transactions contemplated by the Arrangement).

See "Rights of Dissenting Shareholders".

Procedure and Terms and Conditions for Exchange of Mercator Shares

Letter of Transmittal

A Letter of Transmittal is being mailed, together with this Circular, to each person who was a Registered Shareholder on the Record Date. Each such Registered Shareholder must forward a properly completed and signed Letter of Transmittal, with the accompanying Mercator Share certificate(s) or DRS Advice, in order to receive the Resulting Issuer Common Shares and the Initial Put Rights to which such Mercator Shareholder is entitled under the Arrangement. It is recommended that Registered Shareholders complete, sign and return the Letter of Transmittal with the accompanying Mercator Share certificate(s) or DRS Advice to the Depositary as soon as possible.

Beneficial Shareholders whose Mercator Shares are registered in the name of an Intermediary should contact that Intermediary for assistance in depositing their Mercator Shares and should follow the instructions of such Intermediary in order to deposit their Mercator Shares.

See "The Arrangement – Procedure and Terms and Conditions for Exchange of Mercator Shares – Letter of Transmittal".

Cancellation of Rights

To the extent that a Mercator Shareholder has not tendered its Mercator Shares before the end of the Put Right Exercise Window, such Mercator Shareholder shall lose its rights to the Initial Put Rights. To the extent that a Mercator Shareholder has not complied with the provisions of the Arrangement described under the heading "The Arrangement – Procedure and Terms and Conditions for Exchange of Mercator Shares – Letter of Transmittal" on or before the date that is six years after the Effective Date, then the Resulting Issuer Common Shares that such Mercator Shareholder was entitled to receive will be automatically cancelled without any repayment of capital in respect thereof and the right of the Mercator Shareholder to receive such Resulting Issuer Common Shares will be deemed to be surrendered to the Resulting Issuer and any right or interest of the Mercator Shareholder in such Resulting Issuer Common Shares to which it was entitled will be terminated.

Income Tax Considerations

Mercator Securityholders should consult their own tax advisors about the applicable Canadian or United States federal, provincial, state and local tax consequences of the Arrangement.

Certain Canadian Federal Income Tax Considerations

For a Mercator Shareholder that is a Resident Holder that participates in the Arrangement, the capital of Mercator will be reorganized, resulting in the Resident Holder exchanging each Mercator Share held for one Class B Common Share and one Initial Put Right. **Provided that the fair market value of the Initial Put Right distributed on the reorganization of capital does not exceed the paid-up capital for the purposes of the Tax Act of a Mercator Share, a Resident Holder will not realize a deemed dividend on the reorganization of capital.**

As a step in the Arrangement, the Consolidation will take effect in respect of all Class B Common Shares and all Put Rights. See "The Arrangement – Consolidation" and "The Arrangement - Treatment of Fractional Securities". **The Consolidation will not give rise to a disposition for the purposes of the Tax Act and Mercator Shareholders will not realize a capital gain or a capital loss with respect to their Class B Common Shares or Put Rights.**

A Resident Holder whose Mercator Shares are exchanged for Class B Common Shares and Initial Put Rights will be considered to have disposed of the Mercator Shares for proceeds of disposition equal to the greater of the adjusted cost base to the Resident Holder of the Mercator Shares immediately before the exchange and the aggregate fair market value of the Initial Put Rights distributed to the Resident Holder on the exchange. A Resident Holder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base to the Resident Holder of the Mercator Shares immediately before the exchange and any reasonable costs of disposition.

The adjusted cost base to a Resident Holder of Class B Common Shares acquired on the exchange will be equal to the amount, if any, by which the aggregate adjusted cost base to the Resident Holder of the Resident Holder's Mercator Shares immediately before the exchange exceeds the aggregate fair market value at the time of the exchange of the Initial Put Rights distributed to the Resident Holder on the exchange. The cost, immediately following the exchange, to a Resident Holder of Initial Put Rights acquired on the exchange will be equal to the fair market value of the Initial Put Rights at the time of the exchange.

The Canadian federal income tax consequences under the Arrangement will generally be the same for a Non-Resident Holder, except that a Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on the exchange of Mercator Shares for Class B Common Shares and Initial Put Rights unless such Mercator Shares constitute "taxable Canadian property", as defined in the Tax Act, to such Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief from Canadian taxation under an applicable income tax treaty or convention between Canada and the country of residence of the Non-Resident Holder.

A summary of certain Canadian federal income tax considerations in respect of the proposed Arrangement is included under the heading "Certain Canadian Federal Income Tax Considerations" and the foregoing is qualified in full by the information in such section.

Certain U.S. Federal Income Tax Considerations

The exchange by Mercator Shareholders of Mercator Shares for Resulting Issuer Common Shares and Initial Put Rights pursuant to the Arrangement should qualify as a tax-deferred "recapitalization" within the meaning of Section 368(a) of the U.S. Tax Code. Assuming the Arrangement is treated as a tax-deferred recapitalization then, subject to the discussion under "Passive Foreign Investment Company Considerations" below: (a) the U.S. Holders (as defined below) who receive Resulting Issuer Common Shares and Initial Put Rights will recognize gain (but not loss) to the extent of the lesser of (1) the excess of the fair market value of the Resulting Issuer Common Shares and the fair market value of the Initial Put Rights received on the date of receipt over the adjusted tax basis of the Mercator Shares surrendered, and (2) the fair market value of the Initial Put Rights on the date of receipt; (b) a U.S. Holder's aggregate tax basis in the Resulting Issuer Common Shares received in the Arrangement will be equal to such U.S. Holder's aggregate tax basis in the Mercator Shares surrendered in exchange therefor, increased by the amount of gain recognized on such exchange and decreased by the fair market value of the Initial Put Rights on the date of receipt; (c) a U.S. Holder's holding period for the Resulting Issuer Common Shares received in the Arrangement will include such U.S. Holder's holding period for the Mercator Shares surrendered in exchange therefor; (d) a U.S. Holder's aggregate tax basis in the Initial Put Rights received will be equal to the fair market value of the Initial Put Rights on the date of receipt; and (e) the holding period of the Initial Put Rights will begin on the day after the Effective Date.

Passive Foreign Investment Company Considerations

Based on the composition of Mercator's gross income, the composition and value of Mercator's gross assets and the amounts of Mercator's liabilities during each of 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011 and 2012, Mercator does not believe that it was a passive foreign investment company, or PFIC, for U.S. federal income tax purposes during any of such tax years. Mercator has not made a determination regarding its PFIC status for 2013. However, based on currently available information, Mercator expects that it was not a PFIC in 2013. It is likely, however, that Mercator was a PFIC for 2002 and prior years and may have been a PFIC for 2003. In addition, there can be no assurance that Mercator (or after the Arrangement, the Resulting Issuer) will not be deemed a PFIC for the current tax year or any future tax year. If Mercator (or after the Arrangement, the Resulting Issuer) is a PFIC for any tax year, a U.S. Holder who owns Mercator Shares (or after the Arrangement, Resulting Issuer Common Shares) during such year may be subject to increased U.S. federal income tax liabilities and reporting requirements for such year and succeeding years, even if Mercator (or after the Arrangement, the Resulting Issuer) is no longer a PFIC in such succeeding years. Under legislation enacted by the U.S., a U.S. Holder of Mercator Shares (or after the Arrangement, Resulting Issuer Common Shares) will be required to file an information return containing certain information required by the IRS for each year in which Mercator is treated as a PFIC.

The foregoing description of U.S. federal income tax considerations of the Arrangement to U.S. Holders is qualified in its entirety by the longer form discussion under "Certain U.S. Federal Income Tax Considerations" below, and neither this description nor the longer form discussion is intended to be legal or tax advice to any particular U.S. Holder. Mercator has not sought or obtained either a ruling from the IRS or an opinion of counsel regarding any of the tax consequences of the Arrangement. Accordingly, there can be no assurance that the IRS will not challenge such tax treatment of the Arrangement or that the U.S. courts will uphold such tax treatment in the event of an IRS challenge. Accordingly, U.S. Holders should consult their own tax advisors with respect to their particular circumstances. See "Certain U.S. Federal Income Tax Considerations".

Post-Arrangement Organization

Upon completion of the Arrangement, the primary properties of the Resulting Issuer will be the Mineral Park Mine, the El Pilar Project and the Ak-Sug Project.

On completion of the Arrangement, it is proposed that the directors of the Resulting Issuer will be Maxim Finskiy, Dmitry Razumov, John Lill, Richard Evans, Walter Murray, Patrick Garver, John Bowles, Stephen Quin and Christophe Charlier. The officers of the Resulting Issuer will be John Lill, Robert Wickham, Andrey Shchetinin, William Jupp, Mark Distler, Michael Broch and Marc LeBlanc.

See also "Information Concerning the Resulting Issuer" and "Risk Factors".

Unaudited Pro Forma Financial Information

See the unaudited pro forma condensed consolidated financial statements of the Resulting Issuer, attached as "Appendix M – Unaudited Pro Forma Condensed Consolidated Financial Information of the Resulting Issuer", the audited and unaudited

financial statements of Mercator (which are incorporated by reference herein) and the audited and unaudited financial statements of Intergeo attached as "Appendix I – Intergeo Audited Consolidated Annual Financial Statements for the Years Ended December 31, 2012 and for the Period from Incorporation (June 9, 2011) to December 31, 2011" and "Appendix J – Intergeo Unaudited Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2013 and 2012".

The unaudited pro forma condensed consolidated financial statements are based on certain assumptions and adjustments and are not necessarily indicative of the Resulting Issuer's consolidated financial position and results from operations if the events reflected therein were in effect on September 30, 2013 for the pro forma consolidated statement of financial position and both September 30, 2013 and January 1, 2012 for the pro forma consolidated statements of comprehensive loss, nor do they purport to project the Resulting Issuer's consolidated financial position or results from operations for any future period.

	As at September 30, 2013 US\$
(In thousands of dollars, except per share amounts)	
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
Assets	
Current	177,038
Non-current	362,344
Total Assets	539,382
Liabilities	
Current	77,499
Non-current	183,396
Total Liabilities	260,895
Total Equity	277,757
Total Liabilities and Equity	539,382

	For the 9 months ended September 30, 2013 US\$	For the fiscal year ended December 31, 2012 US\$
(In thousands of dollars, except per share amounts)		
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS		
Total revenue	168,165	262,621
Total cost of sales	173,155	225,741
Gross loss/profit	(4,990)	36,880
Results from operating activities	(236,937)	(118,796)
Income/(loss) before income taxes	(232,692)	(154,758)
Net Loss attributable to common shareholders	(204,111)	(170,037)
Net Loss per Share		
Basic	(4.88)	(4.16)
Diluted	(4.88)	(4.16)

See also "Information Concerning the Resulting Issuer"; "Risk Factors"; and "Appendix U – Risks Related to the Resulting Issuer".

Risk Factors

There are a number of risk factors relating to the Arrangement, Mercator, Intergeo and the Resulting Issuer all of which should be carefully considered by Mercator Shareholders. See "Risk Factors"; "Appendix T – Risks Related to Intergeo"; and "Appendix U – Risks Related to the Resulting Issuer" and other information included in this Circular.

RISK FACTORS

In assessing the Arrangement, Mercator Shareholders should carefully consider the risks described herein, together with the other information contained in this Circular. Additional risks and uncertainties, including those currently unknown to or considered to be not material by Mercator or Intergeo, may also adversely affect the business of the Resulting Issuer. In particular, the Arrangement and the operations of the Resulting Issuer are subject to the following risks.

Risks Related to the Arrangement

The Arrangement Agreement may be terminated by Mercator or Intergeo in certain circumstances and completion of the Arrangement is subject to several conditions that must be satisfied or waived.

Each of Mercator and Intergeo has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly, there can be no assurance that the Arrangement Agreement will not be terminated by either Mercator or Intergeo before the completion of the Arrangement. See “The Arrangement Agreement – Termination of the Arrangement Agreement”.

Completion of the Arrangement is also subject to a number of conditions precedent, certain of which are outside the control of Mercator or Intergeo, including, but not limited to, approval of the Arrangement by at least 66⅔% of the votes cast by Mercator Shareholders, in person or by proxy, at the Meeting, Mercator Shareholders holding no more than 5% of issued Mercator Shares having exercised Dissent Rights, Court approval and the Key Regulatory Approvals, and other necessary consents, orders, regulations and approvals. There can be no assurance that all conditions precedent will be satisfied or otherwise waived. See “The Arrangement Agreement – Conditions to the Arrangement Becoming Effective”.

If the Arrangement Agreement is terminated or the conditions precedent are not satisfied or otherwise waived, Mercator may be unable to meet its obligations under the Credit Facility and the trading price of Mercator Shares may be materially adversely affected. In addition, there can be no assurance that the Mercator Board will be able to find a party willing to submit a proposal that is as attractive to Mercator Shareholders as the Arrangement in such circumstances or that Mercator will have the financial resources necessary to identify and realize on such a proposal. If the Arrangement Agreement is terminated, Mercator may be required to pay the Mercator Termination Payment. The Mercator Termination Payment and Mercator’s obligation to repay the Bridge Loan if the Arrangement Agreement is terminated may discourage other parties from attempting to transact with Mercator. In addition, the existence of the vested Bridge Loan Warrants that will become exercisable if the Arrangement Agreement is terminated may discourage other parties from attempting to transact with Mercator. See “The Arrangement Agreement – Additional Terms of the Arrangement Agreement – Break Fee and Repayment of Bridge Loan”.

In the event that the Arrangement is not completed, Mercator may be required to pursue other alternatives that could have a negative effect on Mercator and its stakeholders, including the sale of core assets or non-consensual proceedings under creditor protection legislation. Mercator’s secured creditors will be entitled to receive proceeds from any sale of core assets in priority to Mercator’s unsecured creditors and thereafter to Mercator Shareholders. As a result, there can be no assurance that any of such proceeds from the sale of core assets or other realization of value of assets will be available for payment to unsecured creditors or Mercator Shareholders.

In addition, if the Arrangement is not completed, Mercator would need to access external capital to stabilize its operations, as its recent liquidity challenges (in particular, its working capital deficit of US\$94.4 million as at September 30, 2013) have negatively impacted production and cash flow. If Mercator is able to access the external capital it needs and its liquidity is restored, production and cash flow are expected to return to normalized levels; however, there can be no assurances that Mercator will be able to access the external capital it needs. Failure to complete the Arrangement may cause Mercator to no longer meet certain listing standards in connection with the current listing of the Mercator Shares on the TSX. A delisting could negatively impact Mercator by reducing the number of investors willing to hold or acquire the Mercator Shares, which could negatively impact its ability to access the external capital it needs. Mercator’s inability to obtain additional capital, if and when needed, would have a material adverse effect on Mercator’s financial condition.

If the Arrangement Agreement is terminated, Mercator will be required to repay the principal amount, together with all accrued and unpaid interest, outstanding under the Bridge Loan and the Credit Facility. Any ensuing insolvency proceedings resulting from Mercator's inability to meet its obligations under the Bridge Loan and/or Credit Facility will trigger cross-defaults under the RMB Facility, the Silver Purchase Agreement and the Bluefish Loan Agreement. See "The Arrangement Agreement – Additional Terms of the Arrangement Agreement – Break Fee and Repayment of Bridge Loan".

The completion of the Arrangement is conditional on, among other things, the receipt of certain approvals or consents from governmental bodies and regulatory authorities.

Completion of the Arrangement is conditional upon receiving certain approvals or consents from governmental bodies and regulatory authorities. A substantial delay in obtaining such approvals or consents or the imposition of unfavourable terms or conditions in such approvals or consents could adversely affect the ability of Intergeo or Mercator to complete the Arrangement or the business, financial condition or results of operations of the Resulting Issuer. If for any reason the Arrangement is not completed, the trading price of Mercator Shares may be materially adversely affected and Mercator will be required to repay the principal amount, together with all accrued and unpaid interest, outstanding under the Bridge Loan, the Credit Facility will not be amended as proposed in the Arrangement Agreement, the MPI Lenders' current forbearance will terminate and it may be required to pay the Mercator Termination Payment. If Mercator is required to make any of the foregoing payments and Mercator is unable to access the external capital it needs, Mercator may be unable to meet such obligations and may experience serious financial hardship as a result thereof. See "The Arrangement Agreement – Additional Terms of the Arrangement Agreement – Break Fee and Repayment of Bridge Loan".

The trading price of the Resulting Issuer Common Shares may be highly volatile, which could result in substantial losses.

Following the completion of the Arrangement, the trading price of the Resulting Issuer Common Shares may be volatile. Some factors that could influence the volatility in the trading price of the Resulting Issuer Common Shares include failure to achieve anticipated production levels at the Resulting Issuer's properties; actual or anticipated changes in metal prices; fluctuations in quarterly and annual financial results; changes in earnings estimates or recommendations by research analysts; a sale of Resulting Issuer Common Shares by the Resulting Issuer's major shareholders; the success or failure of competitor mining companies; changes in the Resulting Issuer's capital structure; announcements by the Resulting Issuer or its competitors of significant developments, contracts or acquisitions; changes in the regulatory requirements and the political climate in Canada, Russia, Mexico or the United States; additions or departures of key personnel; litigation involving the Resulting Issuer or any of its subsidiaries; accidents at mining properties; natural disasters; and changes in the economic, industry and market conditions.

In addition, if the market for stocks in the mining industry, or the stock market in general, were to experience a loss of investor confidence, the trading price of the Resulting Issuer Common Shares could decline for reasons unrelated to the Resulting Issuer's business, financial condition or results of operations. If any of the foregoing occurs, it could cause the Resulting Issuer's share price to fall and may expose the Resulting Issuer to lawsuits that, even if unsuccessful, could be both costly and a distraction to management to defend.

The Resulting Issuer may be prohibited by applicable laws from purchasing the Resulting Issuer Common Shares upon exercise of a Put Right.

If the Arrangement is completed, Mercator Securityholders will receive, among other securities, Put Rights. Each Put Right will entitle its holder to sell one Resulting Issuer Common Share to the Resulting Issuer at a price of C\$5.00 per share during the Put Right Exercise Window. Pursuant to section 78 of the BCBCA, a company must not make a payment or provide any other consideration to purchase any of its shares if there are reasonable grounds for believing that (a) the company is insolvent, or (b) making the payment or providing the consideration would render the company insolvent. Although a Mercator Securityholder may be entitled to request the purchase of its Resulting Issuer Common Shares upon exercising a Put Right, the financial position of the Resulting Issuer may prohibit it from satisfying the request in full or from completing a request for purchase at all or may permit the Resulting Issuer to decline the request for such purchase and in such circumstances the Escrowed Funds nor other funds would not be permitted to be used to pay the Exercise Price. In connection with its application for the Final Order, Mercator anticipates seeking relief from the application of section 78 of the BCBCA to the Resulting Issuer's purchase of Resulting Issuer Common Shares upon the exercise of Initial Put Rights. There can be no assurance that such relief will be obtained as part of the Court's approval of the Final Order.

There is currently no market for the Put Rights and any market that does develop may not be liquid.

There is currently no public market through which any of the Put Rights may be sold and there is no assurance that the Put Rights will be listed for trading on a stock exchange, or if listed, that there will be a liquid market for such securities. Until the Put Rights are listed on a stock exchange, holders of the Put Rights may not be able to sell their Put Rights. Even if a listing is obtained, there can be no assurance that an active public market for the Put Rights will develop, or if developed, that such a market will be sustained after completion of the Arrangement.

The Resulting Issuer may not meet TSX listing requirements where Put Rights are exercised by a substantial number of Shareholders.

If the Arrangement is completed, Mercator Securityholders will receive, among other securities, Put Rights. Each Put Right will entitle its holders to sell one Resulting Issuer Common Share to the Resulting Issuer at a price of C\$5.00 per share during the Put Right Exercise Window. If a substantial number of holders of the Put Rights elect to exercise their Put Rights during the Exercise Window, the Resulting Issuer would be obliged, subject to the requirements, if any, under the BCBCA, to purchase a substantial number of Resulting Issuer Common Shares, thereby reducing or eliminating its public float. If the Resulting Issuer fails to meet the applicable public distribution listing requirements of the TSX, it could result in the Resulting Issuer Common Shares being delisted from the TSX. The TSX will normally consider the delisting of securities if, in the opinion of the TSX, it appears that the public distribution, price, or trading activity of the securities has been so reduced as to make further dealings in the securities on TSX unwarranted.

Purchases of Resulting Issuer Common Shares by Daselina, Kirkland and/or the Resulting Issuer may result in the Resulting Issuer failing to meet the continued listing distribution requirements of the TSX and may result in delisting of the Resulting Issuer Common Shares.

If the Arrangement is completed, Daselina will own approximately 84.38% of the issued and outstanding Resulting Issuer Common Shares and Kirkland will own approximately 0.45% of the issued and outstanding Resulting Issuer Common Shares. If Resulting Issuer Common Shares are purchased by Daselina and/or Kirkland, the Resulting Issuer may fail to meet the applicable public distribution listing requirements of the TSX, which could result in the Resulting Issuer Common Shares being delisted from the TSX. The TSX will normally consider the delisting of securities if, in the opinion of the TSX, it appears that the public distribution, price, or trading activity of the securities has been so reduced as to make further dealings in the securities on TSX unwarranted.

The Resulting Issuer Common Shares may trade at prices that exceed their intrinsic value while the Put Rights are outstanding.

Each Put Right will entitle its holder to sell one Resulting Issuer Common Share to the Resulting Issuer at the Exercise Price at any time during the Put Right Exercise Window. The Exercise Price may exceed the intrinsic value of the Resulting Issuer Common Shares and, if the intrinsic value of the Resulting Issuer Common Shares is below the Exercise Price the trading price of the Resulting Issuer Common Shares may be supported by the Exercise Price such that the Resulting Issuer Common Shares may trade at prices that exceed their intrinsic value while the Put Rights are outstanding.

Mr. Prokhorov's significant interest in the Resulting Issuer, through Daselina, may affect the trading price and liquidity of the Resulting Issuer Common Shares, among other things.

Mr. Prokhorov, through Daselina, will be the Resulting Issuer's ultimate principal shareholder. Daselina will have the voting power to control the outcome of most matters to be decided at future meetings of the Resulting Issuer's shareholders. This concentration of beneficial ownership in the Resulting Issuer Common Shares by Daselina may:

- delay or deter a change of control of the Resulting Issuer (including deterring a third party from making a takeover offer for the Resulting Issuer);
- deprive shareholders of an opportunity to receive a premium for their Resulting Issuer Common Shares as part of a future change of control transaction (such as a takeover bid offer for the Resulting Issuer); and/or
- affect the trading price and liquidity of the Resulting Issuer Common Shares generally.

If Daselina were to sell a substantial number of Resulting Issuer Common Shares, the trading price of the Resulting Issuer Common Shares could decline significantly. Market perceptions regarding Daselina's propensity to effect a sale could also cause a significant decline in trading price of the Resulting Issuer Common Shares.

In addition, pursuant to the Arrangement, each of Daselina and Kirkland will receive one Special Share to which are attached certain special rights and restrictions, which will be contained in the Resulting Issuer's notice of articles and articles. See "Appendix B – Plan of Arrangement" and "Information Concerning the Resulting Issuer – Governance Arrangements with Principal Shareholders". The Special Shares will provide that, for so long as the Daselina Group and the Kirkland Group collectively hold at least 33% of the outstanding Resulting Issuer Common Shares, the Resulting Issuer shall not make any decision or take any action with respect to certain corporate matters without the approval of a majority of the Board and the approval of the nominee director(s) of the Daselina Group Share Holder (if any). Moreover, for so long as the Daselina Group and the Kirkland Group collectively hold at least 10% of the outstanding Resulting Issuer Common Shares, and the Daselina Group holds more Resulting Issuer Common Shares than the Kirkland Group, Mr. Prokhorov, through Daselina, has the right to nominate at least one director to the Board. See "Appendix B – Plan of Arrangement" and "Information Concerning the Resulting Issuer – Governance Arrangements with Principal Shareholders".

Risks Related to Mercator

In addition to considering the other information in this Circular, Mercator Shareholders should consider carefully the risk factors set forth in the Mercator AIF and in the MD&As of Mercator for the period ended December 31, 2012 and the period ended September 30, 2013, which are incorporated by reference into this Circular, pertaining to the business and operations of Mercator. Such risks will also apply to the Resulting Issuer.

Risks Related to Intergeo

For a description of risk factors related to Intergeo, please refer to "Appendix T – Risks Related to Intergeo". In addition to considering the other information in this Circular, Mercator Shareholders should consider carefully the risk factors set forth in Appendix T pertaining to the business and operations of Intergeo. Such risks will also apply to the Resulting Issuer.

Risks Related to the Resulting Issuer

For a description of additional risk factors specifically related to the Resulting Issuer, refer to "Appendix U – Risks Related to the Resulting Issuer".

GENERAL PROXY INFORMATION

Mercator management is using this Circular to solicit proxies from Mercator Shareholders for use at the Meeting to be held on April 7, 2014.

Solicitation of Proxies

Proxies will be solicited primarily by mail, but proxies may also be solicited personally, by telephone or through electronic means (including via the internet, e-mail or facsimile) by directors, officers and employees of Mercator. In accordance with NI 54-101, arrangements have been made to forward proxy-related materials for the Meeting to the Beneficial Shareholders. Mercator is not sending the Meeting materials to Mercator Shareholders using "notice-and-access" as defined under NI 54-101. In addition, Mercator has retained the services of Georgeson Shareholder Communications Canada Inc. ("**Georgeson**") to assist with Mercator's shareholder communication and solicitation of proxies. In connection with these services, Georgeson will receive a fee of C\$25,000 plus a per call fee for retail shareholder calls and will be reimbursed for its reasonable out-of-pocket expenses. Interested Mercator Shareholders may contact Georgeson at Toll Free (North America): 1-866-656-4104 or Outside North America Call Collect: 1-781-575-2421 or Email: askus@georgeson.com. Mercator will pay the cost of all solicitation.

The Meeting is being called pursuant to the Interim Order to seek the requisite approval of Mercator Shareholders to the Arrangement Resolution in accordance with the provisions of Division 5 of Part 9 of the BCBCA.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors or officers of Mercator. A Mercator Shareholder has the right to appoint a person or company (who need not be a Mercator Shareholder) other than the persons designated in the form of proxy provided by Mercator to represent the Mercator Shareholder at the Meeting. To exercise this right, the Mercator Shareholder should strike out the name of the management designees in the enclosed form of proxy and insert the name of the desired representative in the blank space provided in the form of proxy or submit another appropriate form of proxy. In order to be effective, a form of proxy must be forwarded so as to reach, or be deposited with, Computershare, at 100 University Ave., 8th Floor, Toronto, ON, M5J 2Y1, Attention: Proxy Department, or by toll free North American fax number 1-866-249-7775, or by international fax number 1-416-263-9529, no later than 10:00 a. m. (Vancouver time) on April 3, 2014, or 48 hours (other than a Saturday, Sunday or any other holiday in Vancouver) prior to any adjournments or postponements of the Meeting or delivered to the chair of the Meeting at the Meeting or any adjournments or postponements thereof. The form of proxy must be in writing and executed by the Mercator Shareholder, or such Mercator Shareholder's attorney authorized in writing, or if such Mercator Shareholder is a corporation, by a duly authorized officer or attorney.

In addition to revocation in any other manner permitted by law, a form of proxy may be revoked by an instrument in writing executed by the Mercator Shareholder or the Mercator Shareholder's attorney authorized in writing, or if the Mercator Shareholder is a corporation, by a duly authorized officer or attorney thereof, and deposited either at the registered office of Mercator (10th Floor – 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5, Attention: Corey Dean or Lucy Schilling) at any time up to and including the last Business Day in Vancouver preceding the day of the Meeting, or any adjournments or postponements thereof, or, as to any matter in respect of which a vote shall not already have been cast pursuant to such form of proxy, with the chair of the Meeting at the Meeting, or any adjournments or postponements thereof, and upon either of such deposits the form of proxy is revoked.

Proxy Voting

All Mercator Shares represented at the Meeting by properly completed and executed forms of proxy will be voted on any ballot that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the form of proxy, Mercator Shares represented by the form of proxy will be voted in accordance with such instructions. **In the absence of any such instruction, the persons whose names appear on the applicable printed forms of proxy will vote in favour of all the matters set out thereon. If any other business or amendments or variations to matters identified in the Notice of Special Meeting properly come before the Meeting, then discretionary authority is conferred upon the persons appointed in the forms of proxy to vote in the manner they see fit.**

Advice to Beneficial Holders of Mercator Shares

The information set forth in this section is of significant importance to many Mercator Shareholders, as a substantial number of Mercator Shareholders do not hold their Mercator Shares in their own names. Beneficial Shareholders should note that only forms of proxy deposited by Registered Shareholders can be recognized and acted upon at the Meeting. If Mercator Shares are listed in an account statement provided to a Mercator Shareholder by an Intermediary, then in almost all cases those Mercator Shares will not be registered in the Mercator Shareholder's name on the records of Mercator. Such Mercator Shares will more likely be registered under the name of such shareholder's Intermediary or an agent thereof. In Canada, the majority of such Mercator Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian Intermediaries). Mercator Shares held through Intermediaries can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries are prohibited from voting Mercator Shares for Beneficial Shareholders. The directors and officers of Mercator do not know for whose benefit the Mercator Shares registered in the name of CDS & Co. or of other Intermediaries are held. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Mercator Shares are communicated to the appropriate person in advance of the Meeting.**

Applicable regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of Mercator Shareholder meetings. Every Intermediary has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Mercator Shares are voted at the Meeting. The voting instruction form supplied to a Beneficial Shareholder by its Intermediary is similar to the form of proxy provided to Registered Shareholders. However, its purpose is limited to instructing the Intermediary, who is the Registered Shareholder, how to vote on behalf of the Beneficial Shareholder. In Canada, the majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor

Communications ("**Broadridge**"). Broadridge typically mails a scannable voting instruction form instead of the form of proxy. The Beneficial Shareholder is asked to complete the voting instruction form and return it to Broadridge by mail or facsimile. Alternatively, the Beneficial Shareholder may call a toll-free number to vote the Mercator Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Mercator Shares to be represented at the applicable meeting.

If a Beneficial Shareholder wishes to attend and vote in person at the Meeting, such Beneficial Shareholder must insert his, her or its own name in the space provided on the voting instruction form sent by the Intermediary. By doing so, the Beneficial Shareholder is instructing the Intermediary to appoint the Beneficial Shareholder as proxyholder. The Beneficial Shareholder should then follow the signing and return instructions provided by the Intermediary. Beneficial Shareholders appointing themselves as proxyholders should not otherwise complete the voting instruction form, and should register with Computershare upon arrival at the Meeting.

Beneficial Shareholders who have not objected to their Intermediary disclosing certain ownership information about themselves to Mercator are referred to as "non-objecting beneficial owners" (or "**NOBOs**"). Those Beneficial Shareholders who have objected to their Intermediary disclosing ownership information about themselves to Mercator are referred to as "objecting beneficial owners" (or "**OBOs**"). **Mercator is forwarding meeting materials directly to NOBOs. If a Beneficial Shareholder is a NOBO and Mercator or an agent has sent these materials directly to a Beneficial Shareholder (instead of through a nominee such as a broker or other custodian), the name and address and information about the Beneficial Shareholder's holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the nominee holding such securities on the Beneficial Shareholder's behalf. By choosing to send these materials to the Beneficial Shareholder directly, Mercator (and not the nominee holding such securities on the Beneficial Shareholder's behalf) has assumed responsibility for (i) delivering these materials to the Beneficial Shareholder and (ii) executing the Beneficial Shareholder proper voting instructions. Please return the voting instructions as specified in the request for voting instructions. Mercator does not intend to pay for Nominees to deliver the meeting materials and Form 54-101F7 – Request for Voting Instructions Made by Intermediary to OBOs. As a result, OBOs will not receive meeting materials unless their Nominee assumes the costs of delivery.**

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

Record Date

The Record Date for determining persons entitled to receive notice of and vote at the Meeting is February 25, 2014. Only persons who are Mercator Shareholders as of the close of business (Vancouver time) on February 25, 2014 are entitled to vote at the Meeting, or any adjournments or postponements thereof, in the manner and subject to the procedures described in this Circular. A quorum for the Meeting is one Mercator Shareholder present in person or by proxy.

Outstanding Securities

At the close of business (Vancouver time) on February 25, 2014, 315,675,277 Mercator Shares were issued and outstanding. Each Mercator Shareholder is entitled, on a poll, to one vote per Mercator Share held on all matters to come before the Meeting, including the Arrangement Resolution. Mercator Shares are the only securities of Mercator which will have voting rights at the Meeting.

Principal Holders of Mercator Shares

To the knowledge of the directors and executive officers of Mercator, no person or company beneficially owned, or controlled or directed, directly or indirectly, Mercator Shares carrying 10% or more of the voting rights attached to all issued and outstanding Mercator Shares as of the Record Date except as follows (based on information available to Mercator at the date of this Circular):

Name	No. of Mercator Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly	Percentage of Issued and Outstanding Mercator Shares
Nevada Copper Corp.	46,000,000	14.57%

PARTICULARS OF MATTERS TO BE ACTED UPON

The Arrangement

At the Meeting, Mercator Shareholders will be asked to consider and, if thought advisable, approve the Arrangement Resolution, the full text of which is set out in Appendix A of this Circular, in respect of the Arrangement, whereby, subject to the terms and conditions thereof, Intergeo and Mercator have agreed to effect a business combination by way of a plan of arrangement, which will effectively result in, among other things, (a) Daselina purchasing by way of private placement approximately US\$100 million of Resulting Issuer Common Shares (see "The Arrangement – Daselina Private Placement"); (b) Mercator Shareholders receiving one Resulting Issuer Common Share and one Initial Put Right for every Mercator Share, all subject to the Consolidation; (c) the Share Exchange, which pursuant to the Plan of Arrangement will result in Intergeo becoming a wholly-owned subsidiary of Mercator and Intergeo Shareholders owning Resulting Issuer Common Shares; (d) the Consolidation; and (e) Daselina and Kirkland each receiving one Special Share. See "The Arrangement – Consolidation" and "The Arrangement - Treatment of Fractional Securities".

Upon completion of the Arrangement, Daselina and Kirkland will collectively own approximately 85% of the Resulting Issuer Common Shares and Mercator Shareholders will own approximately 15% of the outstanding Resulting Issuer Common Shares. Finally, the Resulting Issuer's name will be changed to "Intergeo Mining Ltd.".

Pursuant to the Put Rights Indenture, the Facility Fee (equal to 5% per annum on the undrawn amount of the Escrowed Funds outstanding at the time at which there are no longer any Put Rights outstanding) will be payable by the Resulting Issuer to Daselina promptly following the time at which there are no longer any Put Rights outstanding, which Facility Fee will be paid in cash by the Resulting Issuer, if permitted pursuant to applicable credit agreements, failing which Daselina will have the right to elect within three Business Days following the time at which there are no longer any Put Rights outstanding to receive, in settlement of the Facility Fee: (i) Resulting Issuer Common Shares at a subscription price of C\$6.50 per share having an aggregate subscription price equal to the Facility Fee; (ii) an unsecured promissory note issued by the Resulting Issuer bearing interest at 10% per annum for a term of two years in the principal amount of the Facility Fee; or (iii) any combination thereof, failing which Daselina shall be irrevocably deemed to have elected to receive Resulting Issuer Common Shares pursuant to clause (i) above. Assuming that no Escrowed Funds are drawn and that Daselina elects only to receive Resulting Issuer Common Shares, up to approximately 609,737 Resulting Issuer Common Shares will be issuable to Daselina on account of the Facility Fee.

In the event that any Escrowed Funds are drawdown by the Resulting Issuer, Daselina will have the right to elect within three Business Days following the time at which there are no longer any Put Rights outstanding to receive, in settlement of the Resulting Issuer's obligation to repay to Daselina the drawdown Escrowed Funds: (i) Resulting Issuer Common Shares at a subscription price of C\$6.50 per share having an aggregate subscription price equal to the drawdown amount of the Escrowed Funds; (ii) an unsecured promissory note issued by the Resulting Issuer bearing interest at 10% per annum for a term of two years in the principal amount of the drawdown Escrowed Funds; or (iii) any combination thereof, failing which Daselina shall be irrevocably deemed to have elected to receive Resulting Issuer Common Shares pursuant to clause (i) above. Assuming that all of the Escrowed Funds are drawn and that Daselina elects only to receive Resulting Issuer Common Shares, up to approximately 4,880,573 Resulting Issuer Common Shares will be issuable to Daselina on account of drawdown Escrowed Funds.

Notwithstanding the foregoing, if there are reasonable grounds for believing that the Resulting Issuer is insolvent or that delivering the promissory note described in clause (ii) above would render the Resulting Issuer insolvent (for purposes of section 78 of the BCBCA), then Daselina shall be deemed to have elected to receive Resulting Issuer Common Shares in satisfaction of the payment of the drawdown amount of the Escrowed Funds.

Following completion of the Arrangement, it is anticipated that the Resulting Issuer will have approximately 41,809,361 Resulting Issuer Common Shares issued and outstanding.

Based on the foregoing, the maximum number of Resulting Issuer Common Shares issuable to Daselina pursuant to the Put Rights Indenture is 4,880,573, which will occur only if all of the Escrowed Funds are drawdown in connection with the exercise of all of the Initial Put Rights. Assuming that 6,344,746 Resulting Issuer Common Shares are purchased by the Resulting Issuer on exercise of the Initial Put Rights and cancelled, and no other Resulting Issuer Common Shares are issued between completion of the Arrangement and the issuance of the Resulting Issuer Common Shares to Daselina pursuant to the Put Rights Indenture, such Resulting Issuer Common Shares will represent approximately 12.1% of 40,345,188 issued and outstanding Resulting Issuer Common Shares.

If the Arrangement is completed and the maximum number of Resulting Issuer Common Shares are issued to Daselina pursuant to the terms of the Put Rights Indenture, Daselina will own approximately 40,158,369 Resulting Issuer Common Shares, representing approximately 99.54% of the issued and outstanding Resulting Issuer Common Shares (assuming no other Resulting Issuer Common Shares are issued between completion of the Arrangement and the issuance of the Resulting Issuer Common Shares pursuant to the Put Right Indenture). At the time the Resulting Issuer Common Shares are issued to Daselina pursuant to the Put Rights Indenture, it is anticipated that Daselina will be an “insider” of the Resulting Issuer pursuant to Canadian Securities Law. If the Resulting Issuer purchases a substantial number of Resulting Issuer Common Shares following the exercise of a substantial number of Put Rights, the Resulting Issuer may fail to meet the applicable public distribution listing requirements of the TSX, which could result in the Resulting Issuer Common Shares being delisted from the TSX. The TSX will normally consider the delisting of securities if, in the opinion of the TSX, it appears that the public distribution, price, or trading activity of the securities has been so reduced as to make further dealings in the securities on TSX unwarranted. See “Risk Factors – Risks Related to the Arrangement – *The Resulting Issuer may not meet TSX listing requirements where Put Rights are exercised by a substantial number of Shareholders*”.

The issuance of the Resulting Issuer Common Shares to Daselina in payment of the Facility Fee and/or settlement of the drawdown Escrow Funds pursuant to the Put Rights Indenture will not materially affect Daselina’s control of the Resulting Issuer.

The TSX has requested and Mercator has agreed to seek shareholder approval in respect of the issuance to Daselina of Resulting Issuer Common Shares pursuant to the Put Rights Indenture. Mercator Shareholders will be asked to approve the issuance of the Resulting Issuer Common Shares at a price of C\$6.50 per share under the terms of the Put Rights Indenture as part of the approval of the Arrangement Resolution.

The Mercator Board has unanimously determined that the Arrangement is fair to Mercator Shareholders and in the best interests of Mercator. Accordingly, the Mercator Board unanimously recommends that Mercator Shareholders vote FOR the Arrangement Resolution. The Arrangement Resolution must be passed by not less than 66²/₃% of the votes cast at the Meeting. **Unless otherwise indicated, the persons named in the accompanying form of proxy intend to vote "FOR" the Arrangement Resolution.**

For additional information concerning the Arrangement, the Arrangement Agreement, and other relevant information, see “The Arrangement”; “The Arrangement Agreement”; “Certain Canadian Federal Income Tax Considerations”; “Certain U.S. Federal Income Tax Considerations”; “Information Concerning Intergeo”; and “Information Concerning the Resulting Issuer”.

Amendments to the Mercator Stock Option Plan

The Mercator Stock Option Plan authorizes Mercator to grant stock options to Mercator's executive directors, officers, employees and service providers in accordance with the provisions of such plan and the policies of the TSX. The maximum number of Mercator Shares issuable under the Mercator Stock Option Plan is 16,500,000, representing approximately 5.23% of the issued and outstanding Mercator Shares as of the Record Date. Prior to the date of this Circular, 110,000 Mercator Shares had been issued under the Mercator Stock Option Plan, representing approximately 0.03% of the issued and outstanding Mercator Shares as of the Record Date, leaving 16,390,000 Mercator Shares issuable under the Mercator Stock Option Plan, representing approximately 5.19% of the issued and outstanding Mercator Shares as of the Record Date.

As at the Record Date, Mercator had a total of 9,501,666 Mercator Options outstanding, entitling the holders to purchase Mercator Shares representing approximately 3.01% of the issued and outstanding Mercator Shares.

Mercator is seeking shareholder approval to authorize the Mercator Board to make the following amendments to the Mercator Stock Option Plan:

- increasing the maximum number of Mercator Shares issuable upon exercise of Mercator Options (and issuable under Mercator's other previously established or proposed share compensation arrangements, including the Mercator LTIP, and assuming approval of the LTIP Amendments, the New LTIP) to 2,100,000 Resulting Issuer Common Shares upon completion of the Arrangement (the “**Option Increase Amendment**”);
- deleting the \$0.10 minimum price for the exercise price of Mercator Options (the “**Floor Price Amendment**”);

- increasing the maximum term available for grant of Mercator Options from five years to seven years from the date of grant of an option (the "**Term Increase Amendment**");
- permitting non-executive directors to participate in the Mercator Stock Option Plan and to receive options pursuant thereto (the "**Non-Executive Director Amendment**");
- replacing the definition of "Market Price" in the Mercator Stock Option Plan, which currently provides that:

"Market Price" means the price at which the last recorded sale of a board lot of Shares took place on the Exchange during the trading day immediately preceding the date of granting the Option or, if there was no such sale, the weighted average trading price of the Shares on the Exchange during the five trading days immediately preceding the date of granting the Option;

with the following (capitalized terms not otherwise defined and the defined terms below will have the definitions provided for in the Mercator Stock Option Plan):

"Market Price" means the volume weighted average trading price of the Shares on the Exchange during the five trading days immediately preceding the date of the grant of the Option (or the termination date for the purposes of Section 4.13) (calculated by dividing the total value of Shares traded during such five trading day period by the number of Shares traded in such five trading day period);

(the "**Market Price Amendment**"); and

- replacing the definition of "Change of Control" in the Mercator Stock Option Plan, which currently provides that:

"Change of Control" means the acquisition by any person or by any person and a Joint Actor, whether directly or indirectly, of voting securities (as defined in the Securities Act) of the Company, which, when added to all other voting securities of the Company at the time held by such person or by such person and a Joint Actor, totals for the first time not less than twenty percent (20%) of the outstanding voting securities of the Company or the votes attached to those securities are sufficient, if exercised, to hold a sufficient number of the voting rights to affect materially the control of the Company;

with the following (capitalized terms not otherwise defined and the defined terms below will have the definitions provided for in the Mercator Stock Option Plan):

"Change of Control" means the first to occur of any of the following events:

- (i) any event or series of related events or transaction or series of related transactions as a result of which or pursuant to which any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted (a "**Person**") or group of Persons acting jointly or in concert (excluding any Person or group of Persons beneficially owned by Mr. Mikhail Prokhorov and/or Mr. Maxim Finskiy) acquires, directly or indirectly, beneficial ownership of or control or direction over Shares (other than pursuant to a treasury issuance of Shares), or Shares are redeemed or otherwise acquired by the Company or are cancelled, where, immediately following the occurrence of such event or series of events or completion of such transaction or series of transactions, the number of Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by such Person or group of Persons acting jointly or in concert totals for the first time Shares carrying more than 50% of the votes attaching to all Shares outstanding immediately following such occurrence or completion;
- (ii) any event or series of related events or transaction or series of related transactions as a result of which or pursuant to which Shares are converted into or exercised or exchanged for securities of another Person (the "**Resulting Person**") and any Person or group of Persons acting jointly or in concert (excluding any Person or group of Persons beneficially owned by Mr. Mikhail

Prokhorov and/or Mr. Maxim Finskiy) acquires, directly or indirectly, beneficial ownership of or control or direction over Shares of such Resulting Person where, immediately following the occurrence of such event or series of events or completion of such transaction or series of transactions, the number of Shares of the Resulting Person beneficially owned, directly or indirectly, or over which control or direction is exercised by such Person or group of Persons acting jointly or in concert totals for the first time Shares of the Resulting Person carrying more than 50% of the votes attaching to all Shares of the Resulting Person outstanding immediately following such occurrence or completion;

- (iii) a change in the composition of the Board as a result of a contested election of directors of the Company, with the result that less than 50% of the directors of the Company elected in such election are comprised of the individuals who were directors of the Company prior to such contested election or (if applicable) the individuals nominated by the Board for election at the meeting of shareholders at which such election is contested (excluding any change in the composition of the Board as a result of a contested election of directors, when the election of at least 50% of the elected directors is supported by any Person or group of Persons beneficially owned by Mr. Mikhail Prokhorov and/or Mr. Maxim Finskiy);
- (iv) the sale, lease or similar transfer or alienation, in a single transaction or a series of related transactions (including by way of the liquidation, dissolution, winding-up or other distribution by the Company or any subsidiary of the Company), of assets having a fair market value equal to 50% or more of the fair market value of all of the assets of the Company on a consolidated basis, excluding (A) a transaction or series of related transactions between the Company or any subsidiary of the Company or between subsidiaries of the Company, and (B) any distribution by a subsidiary to the Company or any other subsidiary of the Company; or
- (v) the Board determines, pursuant to a simple majority vote of the directors (which majority must include all of the directors, if any, nominated by each of Daselina Investments Ltd. and Kirkland Intertrade Corp.) that a change in legal or effective control of the Company has occurred or is imminent;

(the above amendments to the definition of "Change of Control", together with the Option Increase Amendment, the Floor Price Amendment, the Term Increase Amendment, the Non-Executive Director Amendment, the Market Price Amendment, the **"Stock Option Plan Amendments"**).

On February 28, 2014, the TSX conditionally approved the Stock Option Plan Amendments, subject to shareholder approval.

Under the Mercator Stock Option Plan, the number of Mercator Shares subject to each Mercator Option is determined by the Mercator Board (or Compensation Committee) provided that the Mercator Stock Option Plan, together with all other previously established share compensation arrangements, may not result in:

- (a) the number of Mercator Shares issuable to insiders of Mercator exceeding 10% of the outstanding Mercator Shares;
- (b) the issuance to insiders of Mercator of a number of Mercator Shares exceeding, within a one year period, 10% of the outstanding Mercator Shares; or
- (c) the issuance to any one insider of Mercator and such insider's associates, within a one year period, of more than 5% of the outstanding Mercator Shares.

The foregoing restrictions will, assuming completion of the Arrangement and approval of the Stock Option Plan Amendments, remain in place under the New Plan and references to the Mercator Stock Option Plan, Mercator, Mercator Shares, Mercator Board and Mercator Options should be read as referring to the New Plan, Resulting Issuer, Resulting Issuer Common Shares, the Board and Options, respectively.

Additional material terms of the Mercator Stock Option Plan are as follows (which will, assuming completion of the Arrangement and approval of the Stock Option Plan Amendments, remain applicable under the New Plan, and references to

the Mercator Stock Option Plan, Mercator, Mercator Shares, Mercator Board and Mercator Options should be read as referring to the New Plan, Resulting Issuer, Resulting Issuer Common Shares, the Board and Options, respectively):

- (a) the exercise price of a Mercator Option may not be set at less than the Market Price;
- (b) Mercator Options may be exercised for a period of up to five years (subject to the Term Increase Amendment), such period and any vesting schedule to be determined by the Mercator Board (or Compensation Committee), and are non-assignable other than, for certain non-US optionees, to a personal trust for the benefit of a spouse, the children or grandchildren of the optionee, or to a corporation controlled by an optionee or to a registered retirement savings plan where the optionee is the sole beneficiary;
- (c) in the event that an optionee and who is a director, officer, employee or service provider of Mercator retires or resigns voluntarily, such optionee's Mercator Options can be exercised at any time before the earlier of the expiry date of that option and 90 days after such retirement or resignation. If an optionee dies, their Mercator Options can be exercised within one year from the date of the optionee's death. If the optionee ceases to be employed or engaged by Mercator or its subsidiaries for cause, each Mercator Option held by the optionee shall be cancelled effective immediately as of the date of termination. Mercator Options held by any optionee engaged in investor relations activities who retires or resigns voluntarily can be exercised within a period of not more than 30 days after the optionee ceases to be engaged in investor relations activities for Mercator;
- (d) the Mercator Board may from time to time in the absolute discretion of the Mercator Board amend, modify and change the provisions of a Mercator Option, without obtaining approval of shareholders to:
 - (i) make amendments of a grammatical, typographical, clerical and administrative nature and any amendments required by a regulatory authority;
 - (ii) change vesting provisions of a Mercator Option or the Mercator Stock Option Plan;
 - (iii) change the termination provisions of a Mercator Option or the Mercator Stock Option Plan which does not entail an extension beyond the original expiry date of the Mercator Option or the Mercator Stock Option Plan;
 - (iv) implement a cashless exercise feature, payable in cash or securities, provided that such feature provides for a full deduction of the number of shares from the number of shares reserved under the Mercator Stock Option Plan; and
 - (v) make any other amendments of a non-material nature which are approved by the TSX;
- (e) all other amendments, modifications or changes to the Mercator Stock Option Plan (including the Stock Option Plan Amendments) including:
 - (i) increase in the number of Mercator Shares reserved for issuance under the Mercator Stock Option Plan;
 - (ii) reduction in the exercise price or cancellation and reissue of Mercator Options or other entitlements;
 - (iii) amendments that extend the term of Mercator Options beyond the original expiry;
 - (iv) amendments to eligible participants;
 - (v) amendments that would permit Mercator Options granted under the Mercator Stock Option Plan to be transferable or assignable other than for normal estate settlement purposes; and
 - (vi) amendments to the Mercator Stock Option Plan amendment provisions,

shall only be effective upon such amendment, modification or change being approved by the Mercator Shareholders given by the affirmative vote of a majority of the shares represented at a meeting of the Mercator Shareholders at which a motion to approve the Mercator Stock Option Plan or an amendment thereto is presented. Any amendment, modification or change

of any provision of the Mercator Stock Option Plan shall be subject to approval, if required, by any regulatory body having jurisdiction

- (f) Mercator Options carry with them associated stock appreciation rights which allow an optionee to elect not to exercise all or a portion of the Mercator Options held and instead receive the number of Mercator Shares, disregarding fractions, which, when multiplied by the weighted average market price of the Mercator Shares on the TSX for the immediately preceding five trading days, has a value equal to the product of the number of such shares subject to the option multiplied by the difference between the market price determined as of the trading day immediately preceding the date of termination of such Mercator Option, or part thereof, and the price per share of the shares to which the Mercator Option, or part thereof, so terminated relates, less any amount (which amount may be withheld in Mercator Shares) required to be withheld on account of income taxes; and
- (g) vesting of Mercator Options is subject to the Mercator Board's discretion.

The full text of the Mercator Stock Option Plan, the Stock Option Plan Amendments and the New Plan are available for viewing up to the date of the Meeting at Mercator's offices at 1050 – 625 Howe Street, Vancouver, British Columbia, Canada and will also be available for review at the Meeting.

At the Meeting, Mercator Shareholders will be asked to pass an ordinary resolution substantially in the following form:

"BE IT RESOLVED, as an ordinary resolution, that:

1. the Mercator Stock Option Plan, as amended and restated by the Stock Option Plan Amendments (as defined and described in Mercator's Information Circular dated February 25, 2014) be and is hereby approved, and the Mercator Board be and is hereby authorized to adopt the Mercator Stock Option Plan, as amended and restated by the Stock Option Plan Amendments, upon completion of the Arrangement (as defined and described in Mercator's Information Circular dated February 25, 2014); and
2. any one director or officer of Mercator is hereby authorized, for and on behalf of Mercator, to take, or cause to be taken, any and all such acts and things and to execute and deliver, under the corporate seal of Mercator or otherwise, all such agreements, deeds, instruments, notices, consents, acknowledgments, certificates, assurances and other documents (including any documents required under applicable laws or regulatory policies) as any such director or officer in his or her sole discretion may determine to be necessary or desirable to give effect to the Stock Option Plan Amendments, such determination to be conclusively evidenced by the taking of any such action or such director's or officer's execution and delivery of any such agreement, deed, instrument, notice, consent, acknowledgement, certificate, assurance or other document."

Amendments to the Mercator LTIP

Under the Mercator LTIP, the Mercator Board is authorized to grant units which may be either (i) Mercator RSUs to an officer, director (other than a non-employee director), employee or consultant who has been designated by Mercator for participation in the Mercator LTIP and who agrees to participate in the Mercator LTIP (an **"RSU Participant"**) or (ii) deferred share units to a non-employee director who has been designated by the Mercator Board for participation in the Mercator LTIP and who agrees to participate in the Mercator LTIP (a **"DSU Participant"**). Each Mercator DSU and Mercator RSU represents the right to receive one Mercator Share in accordance with the Mercator LTIP.

As at the Record Date, Mercator had a total of 1,191,730 Mercator RSUs outstanding, 462,965 Mercator DSUs outstanding and 92,593 Mercator DSUs to be granted pending the current trading blackout being lifted. See "The Arrangement – Result of the Arrangement".

Mercator is seeking shareholder approval to authorize the Mercator Board to make the following amendments to the Mercator LTIP:

- increasing the maximum number of Mercator Shares issuable upon settlement of restricted share units and deferred share units (together with Mercator Shares issuable under Mercator's other previously established or proposed share compensation arrangements, including the Mercator Stock Option Plan, and assuming approval of the Stock Option

Plan Amendments, the New Plan) to 2,100,000 Resulting Issuer Common Shares upon completion of the Arrangement and after giving effect to the transactions contemplated by the Arrangement Agreement (the "**LTIP Increase Amendment**");

- replacing the definition of change of control in the Mercator LTIP, which currently provides that (capitalized terms not otherwise defined and the defined terms below will have the definitions provided for in the Mercator LTIP):

"Change of Control" means:

- (i) any merger or amalgamation in which voting securities of Mercator possessing more than fifty percent (50%) of the total combined voting power of Mercator's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction and the composition of the directors following such transaction is such that the directors of Mercator prior to the transaction constitute less than fifty percent (50%) of the number of directors comprising the Mercator Board following the transaction;
- (ii) any acquisition, directly or indirectly, by a person or group of persons of beneficial ownership of voting securities of Mercator possessing more than fifty percent (50%) of the total combined voting power of Mercator's outstanding securities;
- (iii) any acquisition, directly or indirectly, by a person or group of persons of the right to appoint a majority of the directors of Mercator or otherwise directly or indirectly control the management, affairs and business of Mercator;
- (iv) any sale, transfer or other disposition of all or substantially all of the assets of Mercator;
- (v) a liquidation or dissolution of Mercator; or
- (vi) any transaction or series of transactions involving Mercator or any of its affiliates that the Mercator Board in its discretion deems to be a Change of Control;

provided however, that a Change of Control shall not be deemed to have occurred if such Change of Control results solely from the issuance, in connection with a bona fide financing or series of financings by Mercator, of voting securities of Mercator or any rights to acquire voting securities of Mercator which are convertible into voting securities;

with the following (capitalized terms not otherwise defined and the defined terms below will have the definitions provided for in the Mercator LTIP):

"Change of Control" means the first to occur of any of the following events:

- (i) any event or series of related events or transaction or series of related transactions as a result of which or pursuant to which any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted (a "**Person**") or group of Persons acting jointly or in concert (excluding any Person or group of Persons beneficially owned by Mr. Mikhail Prokhorov and/or Mr. Maxim Finskiy) acquires, directly or indirectly, beneficial ownership of or control or direction over Shares (other than pursuant to a treasury issuance of Shares), or Shares are redeemed or otherwise acquired by the Company or are cancelled, where, immediately following the occurrence of such event or series of events or completion of such transaction or series of transactions, the number of Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by such Person or group of Persons acting jointly or in concert totals for the first time Shares carrying more than 50% of the votes attaching to all Shares outstanding immediately following such occurrence or completion;
- (ii) any event or series of related events or transaction or series of related transactions as a result of which or pursuant to which Shares are converted into or exercised or exchanged for securities of

another Person (the "**Resulting Person**") and any Person or group of Persons acting jointly or in concert (excluding any Person or group of Persons beneficially owned by Mr. Mikhail Prokhorov and/or Mr. Maxim Finskiy) acquires, directly or indirectly, beneficial ownership of or control or direction over Shares of such Resulting Person where, immediately following the occurrence of such event or series of events or completion of such transaction or series of transactions, the number of Shares of the Resulting Person beneficially owned, directly or indirectly, or over which control or direction is exercised by such Person or group of Persons acting jointly or in concert totals for the first time Shares of the Resulting Person carrying more than 50% of the votes attaching to all Shares of the Resulting Person outstanding immediately following such occurrence or completion;

- (iii) a change in the composition of the Board as a result of a contested election of directors of the Company, with the result that less than 50% of the directors of the Company elected in such election are comprised of the individuals who were directors of the Company prior to such contested election or (if applicable) the individuals nominated by the Board for election at the meeting of shareholders at which such election is contested (excluding any change in the composition of the Board as a result of a contested election of directors, when the election of at least 50% of the elected directors is supported by any Person or group of Persons beneficially owned by Mr. Mikhail Prokhorov and/or Mr. Maxim Finskiy);
- (iv) the sale, lease or similar transfer or alienation, in a single transaction or a series of related transactions (including by way of the liquidation, dissolution, winding-up or other distribution by the Company or any subsidiary of the Company), of assets having a fair market value equal to 50% or more of the fair market value of all of the assets of the Company on a consolidated basis, excluding (A) a transaction or series of related transactions between the Company or any subsidiary of the Company or between subsidiaries of the Company, and (B) any distribution by a subsidiary to the Company or any other subsidiary of the Company; or
- (v) the Board determines, pursuant to a simple majority vote of the directors (which majority must include all of the directors, if any, nominated by each of Daselina Investments Ltd. and Kirkland Intertrade Corp.) that a change in legal or effective control of the Company has occurred or is imminent;

(the "**LTIP Change of Control Amendment**").

- deleting (i) the maximum amount of Mercator DSUs that may be granted each calendar year to a non-employee director and (ii) the maximum number of Mercator DSU grants available to be made each calendar year (the "**DSU Amendments**");
- revising the settlement provisions in the Mercator LTIP to comply with certain timing and other requirements of Section 409A of the United States Internal Revenue Code in order for participants in the United States to receive more favourable tax treatment (the "**U.S. Participant Amendments**");
- if an RSU Participant ceases to be an eligible participant due to termination with cause or voluntary termination by the RSU Participant, all unvested Mercator RSUs previously credited to the participant's account are terminated and forfeited as of the termination date, unless otherwise determined by the Mercator Board (the "**RSU Vesting Amendments**"); and
- amending the settlement terms of future RSUs as follows:
 - (i) following vesting of a participant's RSUs, such participant is entitled to send an election notice (an "**RSU Election Notice**") to the Resulting Issuer in order for an obligation to arise on the Resulting Issuer to settle such vested RSUs (the "**RSU Election Date**");
 - (ii) vested RSUs shall be settled by way of issuance of Resulting Issuer Common Shares, unless otherwise agreed to by the Board and the participant;

- (iii) if the Board and the participant agree that any particular vested RSUs are to be settled by cash, or a combination of cash and Resulting Issuer Common Shares, the relevant date for calculation of the fair market value of Resulting Issuer Common Shares (namely the weighted average trading price of the Resulting Issuer Common Shares on the TSX for the five trading days immediately preceding the RSU Election Date), for the cash component of such settlement shall be the RSU Election Date;
- (iv) in the event that the participant has not delivered an RSU Election Notice on or prior to the date five years from the date of vesting of RSUs (the "**RSU Final Settlement Date**"), such vested RSUs shall automatically be settled in Resulting Issuer Common Shares as if the participant had delivered an RSU Election Notice on the RSU Final Settlement Date; and
- (v) in the event that the relationship of the participant with the Resulting Issuer has terminated, any vested RSUs not subject to an RSU Election Notice shall be settled as if the participant had delivered an RSU Election Notice on the date of termination of such relationship;

(the above amendments relating to vested Mercator RSU settlement terms, together with the LTIP Increase Amendment, the LTIP Change of Control Amendment, the DSU Amendments, the U.S. Participant Amendments, and the RSU Vesting Amendments, the "**LTIP Amendments**").

On February 28, 2014, the TSX conditionally approved the LTIP Amendments, subject to shareholder approval.

Under the Mercator LTIP, the number of Mercator Shares subject to Mercator RSUs and Mercator DSUs is determined by the Mercator Board (or Compensation Committee) provided that the Mercator LTIP, together with all other previously established share compensation arrangements, may not result in:

- (a) the number of Mercator Shares issuable to insiders of Mercator exceeding 10% of the outstanding Mercator Shares;
- (b) the issuance to insiders of Mercator of a number of Mercator Shares exceeding, within a one year period, 10% of the outstanding Mercator Shares; or
- (c) the issuance to any one insider of Mercator and such insider's associates, within a one year period, of more than 5% of the outstanding Mercator Shares.

The foregoing restrictions will, assuming completion of the Arrangement and approval of the LTIP Amendments, remain in place under the New LTIP and references to the Mercator LTIP, Mercator, Mercator Shares, Mercator Board, Mercator RSU and Mercator DSU should be read as referring to the New LTIP, Resulting Issuer, Resulting Issuer Common Shares, the Board, RSU and DSU, respectively.

Additional material terms of the Mercator LTIP are as follows (which will, assuming completion of the Arrangement and approval of the Stock Option Plan Amendments, remain applicable under the New LTIP and the RSUs and DSUs, and references to the Mercator LTIP, Mercator, Mercator Shares, Mercator Board, Mercator RSU and Mercator DSU should be read as referring to the New LTIP, Resulting Issuer, Resulting Issuer Common Shares, the Board, RSU and DSU, respectively):

- (a) Participation in the Mercator LTIP is voluntary and, if an eligible participant agrees to participate, the grant of Mercator RSU or Mercator DSU units will be evidenced by an agreement between the Resulting Issuer and the eligible participant.
- (b) The interest of any participant in any Mercator DSU or Mercator RSU may not be transferred or assigned except by testamentary disposition or in accordance with the laws governing the devolution of property upon death.
- (c) Mercator RSUs:
 - (i) Unless otherwise approved by the Mercator Board, a Mercator RSU will vest as to 33⅓% on each of the first, second and third anniversary dates of the grant date, provided that all Mercator RSUs granted under a particular award shall vest on or before December 31 of the calendar year that is three years following

the calendar year in which the service was performed in respect of which the particular award was made (the "**Final Vesting Date**").

- (ii) In the event that a vesting date occurs within a blackout period or within five business days thereafter, the vesting date shall be 10 business days after the blackout period ends (the "**Extension Period**"). If an additional blackout period is subsequently imposed during the Extension Period, then the Extension Period will commence following the end of such additional blackout period. Despite the foregoing, a vesting date will not be extended beyond the Final Vesting Date.
 - (iii) If an RSU Participant ceases to be an eligible participant under the Mercator LTIP due to termination without cause, death, total or permanent long-term disability or retirement, any unvested Mercator RSUs previously credited to the participant's account will continue to vest in accordance with their terms or, at the discretion of the Mercator Board, be terminated and forfeited as of the termination date.
 - (iv) In the event the Resulting Issuer pays a dividend on the Resulting Issuer Common Shares subsequent to the granting of a Mercator RSU award, the number of Mercator RSUs relating to such award shall be increased to reflect the amount of the dividend.
- (d) Mercator DSUs
- (i) All Mercator DSUs awarded to a DSU Participant will vest on the date on which the DSU Participant ceases to be a director of the Resulting Issuer (the "**DSU Termination Date**").
 - (ii) On the DSU Termination Date, payment in respect of a DSU Participant's Mercator DSU becomes payable and the Resulting Issuer will decide, in its sole discretion, whether to make the payment in cash, Resulting Issuer Common Shares issued from treasury or a combination thereof based on the fair market value of the Resulting Issuer Common Shares as at the DSU Termination Date.
 - (iii) In the event the Resulting Issuer pays a dividend on the Resulting Issuer Common Shares subsequent to the granting of a Mercator DSU award, the number of Mercator DSUs relating to such award shall be increased to reflect the amount of the dividend.
- (e) The Mercator Board may, from time to time, make the following amendments to the Mercator LTIP, or any Mercator RSUs or Mercator DSUs without obtaining approval of the shareholders of the Resulting Issuer:
- (i) amendments of a grammatical, typographical, clerical and administrative nature and any amendments required by a regulatory authority;
 - (ii) changes to the vesting provisions of the Mercator LTIP or any Mercator RSUs or Mercator DSUs; or
 - (iii) any other amendments of a non-material nature.
- (f) The Mercator Board may also, from time to time, without shareholder approval, suspend, terminate or discontinue the terms and conditions of the New LTIP and the Mercator RSUs and Mercator DSUs granted under the Mercator LTIP provided that:
- (i) no such amendment to the Mercator LTIP shall cause the Mercator LTIP in respect of Mercator RSUs to cease to be a plan described in: (i) paragraph (k) of the definition of "salary deferral arrangement" in subsection 248(1) of the Tax Act or any successor to such provision; or (ii) section 7 of the Tax Act or any successor to such provision;
 - (ii) no such amendment to the Mercator LTIP shall cause the Mercator LTIP in respect of Mercator DSUs to cease to be a plan described in regulation 6801(d) of the Tax Act or any successor to such provision; and
 - (iii) any amendment shall be subject to the prior consent of any applicable regulatory bodies, including the TSX, as may be required.

- (g) Any amendments to the Mercator LTIP that change the vesting provisions of the Mercator LTIP or any Mercator RSUs and Mercator DSUs or suspend, terminate or discontinue the terms and conditions of the Mercator LTIP and the Mercator RSUs and Mercator DSUs granted under the Mercator LTIP, shall take effect only with respect to awards granted after the effective date of such amendment, provided that it may apply to any outstanding award with the mutual consent of the Resulting Issuer and the participants to whom such awards have been granted.
- (h) Any amendment to the Mercator LTIP other than as described above shall require the approval of the shareholders of the Resulting Issuer given by the affirmative vote of a majority of holders of the Resulting Issuer Common Shares (or, where required, "disinterested" shareholder approval) represented at a meeting of the shareholders of the Resulting Issuer at which a motion to approve the Mercator LTIP or an amendment to the Mercator LTIP is presented. Specific amendments requiring shareholder approval include:
 - (i) to increase the number of Resulting Issuer Common Shares reserved in respect of Mercator RSUs or Mercator DSUs;
 - (ii) to change the definition of RSU Participants or DSU Participants;
 - (iii) to permit Mercator RSUs or Mercator DSUs to be transferred otherwise than by testamentary disposition or in accordance with the laws governing the devolution of property in the event of death;
 - (iv) to permit awards other than Mercator RSUs and Mercator DSUs under the Mercator LTIP; and
 - (v) amendments to the amendment provisions of the New LTIP so as to increase the ability of the Mercator Board to amend the New LTIP without shareholder approval.

The full text of the Mercator LTIP, the LTIP Amendments and the New LTIP are available for viewing up to the date of the Meeting at Mercator's offices at 1050 – 625 Howe Street, Vancouver, British Columbia, Canada and will also be available for review at the Meeting.

At the Meeting, Mercator Shareholders will be asked to pass an ordinary resolution substantially in the following form:

"BE IT RESOLVED, as an ordinary resolution, that:

1. the Mercator LTIP, as amended and restated by the LTIP Amendments (as defined and described in Mercator's Information Circular dated February 25, 2014) be and is hereby approved, and the Mercator Board be and is hereby authorized to adopt the Mercator LTIP, as amended and restated by the LTIP Amendments, upon completion of the Arrangement (as defined and described in Mercator's Information Circular dated February 25, 2014); and
2. any one director or officer of Mercator is hereby authorized, for and on behalf of Mercator, to take, or cause to be taken, any and all such acts and things and to execute and deliver, under the corporate seal of Mercator or otherwise, all such agreements, deeds, instruments, notices, consents, acknowledgments, certificates, assurances and other documents (including any documents required under applicable laws or regulatory policies) as any such director or officer in his or her sole discretion may determine to be necessary or desirable to give effect to the LTIP Amendments, such determination to be conclusively evidenced by the taking of any such action or such director's or officer's execution and delivery of any such agreement, deed, instrument, notice, consent, acknowledgement, certificate, assurance or other document."

The following table sets forth the number of Resulting Issuer Common Shares which are issuable under the New Plan and the New LTIP as at the Effective Date assuming: (i) the approval of the Stock Option Plan Amendments and the LTIP Amendments; and (ii) 41,809,361 Resulting Issuer Common Shares issued and outstanding, as at the Effective Date:

	Resulting Issuer Common Shares subject to Mercator Options and Creston Options outstanding on the Effective Date	Resulting Issuer Common Shares subject to DSUs outstanding on the Effective Date⁽¹⁾	Total number of Resulting Issuer Common Shares subject to Options expected to be granted after the Effective Date to directors and officers of the Resulting Issuer⁽²⁾	Total number of Resulting Issuer Common Shares estimated subject to RSUs expected to be granted to officers after the Effective Date⁽³⁾	Total number of Resulting Issuer Common Shares estimated subject to Mercator Options, Creston Options, DSUs and RSUs expected to be outstanding after the Effective Date	Estimated number of Resulting Issuer Common Shares expected to be available for future Option, DSU and RSU grants	Maximum number of Resulting Issuer Common Shares subject to and available for Option, RSU and DSU grants
Total	193,584	3,704	497,700	225,538	920,526	1,179,474	2,100,000
Percentage of outstanding Resulting Issuer Common Shares as at the Effective Date	0.46%	0.009%	1.19%	0.54%	2.20%	2.82%	5.02%

Notes:

- (1) Messrs. Bowles and Quin (current directors of Mercator and proposed directors of the Resulting Issuer) will continue to hold, in aggregate, 185,186 Mercator DSUs following completion of the Arrangement, which shall vest when each of Messrs. Bowles and Quin ceases to be a director of the Resulting Issuer, as applicable. On vesting of their respective Mercator DSUs, Messrs. Bowles and Quin will be entitled to receive, in lieu of every Mercator Share to which such holder would have been entitled pursuant to such Mercator RSUs and Mercator DSUs, one Resulting Issuer Common Share and Additional Put Right (provided vesting occurs prior to the Put Right Expiry Date), all subject to the Consolidation. The number of Resulting Issuer Common Shares subject to DSUs outstanding on the Effective Date disclosed in the table above has been adjusted to account for the Consolidation. See "The Arrangement – Consolidation" and "The Arrangement – Treatment of Fractional Securities".
- (2) See "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Incentive Plan Awards".
- (3) The number of RSUs to be granted to certain officers of the Resulting Issuer is based on a formula. See "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Employment Agreements". The exact number of RSUs to be granted cannot be calculated as at the date of this Circular since it is based on the volume weighted average trading price of Resulting Issuer Common Shares calculated in respect of the 30 calendar days immediately following the Effective Date. For the purposes of this table, it has been assumed that the 30-day weighted average trading price will be C\$6.50.

THE ARRANGEMENT

The Arrangement will be carried out pursuant to the Arrangement Agreement and the Plan of Arrangement. A summary of the principal terms of the Arrangement Agreement and Plan of Arrangement is provided in this section. This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement, which has been filed by Mercator on SEDAR at www.sedar.com and to the Plan of Arrangement that is appended hereto as Appendix B. Capitalized terms have the meanings set out in the Glossary of Terms, or are otherwise defined herein.

Background to the Arrangement

The terms of the Arrangement Agreement and the ancillary agreements executed in connection therewith (the "**Ancillary Agreements**") are the result of a comprehensive process undertaken by Mercator to review its strategic alternatives and the negotiations conducted amongst Mercator, Intergeo, Daselina, the MPI Lenders, and their respective financial and legal advisors. The following is a summary of the principal events leading up to the public announcement of the entering into of the Arrangement Agreement and the Ancillary Agreements.

In July 2013, Mercator initiated a process to review strategic alternatives. A special committee (the "**Mercator Special Committee**") of the Mercator Board (comprised of Robert Quinn, Stephen Quin and Ron Vankoughnett) oversaw the process on behalf of and in consultation with the full Mercator Board. The Financial Advisor was engaged as financial advisor to Mercator and the Mercator Board, and specifically to design, implement and coordinate the process to review strategic alternatives, including a process to solicit proposals from interested parties. Stikeman Elliott LLP was retained as legal advisor to the Mercator Special Committee and DuMoulin Black LLP and Blake, Cassels & Graydon LLP were retained as legal advisors to Mercator.

As part of the strategic review process, the Mercator Special Committee and Mercator Board considered many different alternatives including, business combinations with other entities, a sale of Mercator, asset sales, strategic investments in Mercator, and combinations thereof. Over 50 parties were contacted as part of the strategic review process. A significant number of interested parties, including Intergeo, entered into confidentiality and standstill agreements with Mercator and conducted due diligence on Mercator and its assets via an online data site, physical site visits and meetings with (and presentations from) Mercator's management.

The Mercator Special Committee met on numerous occasions throughout the process with the Financial Advisor and the legal advisors to the Mercator Special Committee and Mercator to discuss and consider the various strategic alternatives, the status of the process to solicit proposals from interested parties, the discussions conducted with interested parties, the proposals received from interested parties and other related matters. In addition, Mercator, its legal advisors and the Financial Advisor maintained weekly dialogue with, and provided regular updates to, the MPI Lenders regarding the status of the process to solicit proposals from, the discussions conducted with and proposals received from interested parties.

During the week of October 22, 2013, in advance of Mercator receiving final proposals, Bruce McLeod, President and CEO of Mercator, and Michael Broch, Vice-President, Exploration & Evaluations of Mercator, travelled to Russia to meet with Intergeo executives and to conduct a physical site visit of the Ak-Sug Project.

Final proposals from interested parties, including Intergeo, were submitted during the week of November 4, 2013. The Mercator Special Committee and Mercator Board met on several occasions during the weeks of November 4, 2013, November 11, 2013 and November 18, 2013, to review Mercator's strategic alternatives and the final proposals submitted by interested parties, including Intergeo. During this period, Mercator, its legal advisors and the Financial Advisor also conducted extensive discussions with the MPI Lenders regarding Mercator's strategic alternatives and the final proposals submitted by interested parties. During the week of November 11, 2013, the Financial Advisor discussed certain issues concerning the final proposals with, and received certain clarifications regarding the final proposals from, interested parties. On November 12, 2013, representatives of Intergeo met with representatives of the MPI Lenders to present Intergeo's business plan for the combined company. On November 18, 2013, Mercator received a letter from Intergeo providing certain clarifications and amendments to the Intergeo proposal submitted on November 4, 2013.

Following the submission of final proposals and after having carefully reviewed, considered and deliberated on the strategic alternatives available to Mercator, the Mercator Board, based on the recommendation of the Mercator Special Committee, determined that the Intergeo proposal submitted on November 4, 2013, as clarified and amended on November 18, 2013, represented the most compelling alternative for Mercator and its stakeholders.

On November 22, 2013, the Financial Advisor contacted Intergeo, on behalf of Mercator, to inform Intergeo that it had been selected as the preferred bidder and would be granted a limited window during which to seek to negotiate definitive agreements and complete reciprocal due diligence.

During the period of November 22, 2013 through to December 11, 2013, representatives of Mercator, Intergeo, Daselina and the MPI Lenders, and their respective financial and legal advisors, engaged in negotiations in relation to the Arrangement Agreement and the Ancillary Agreements. During this period, Mercator also completed due diligence on Intergeo and its assets with the assistance of the Financial Advisor, the legal advisors to the Mercator Special Committee and Mercator, and legal firms engaged in Russia and BVI for this purpose.

In the afternoon (Eastern Standard Time) of December 11, 2013, Mercator became aware of certain premature disclosure regarding the Arrangement and immediately called market surveillance to have the trading of its shares halted. The shares resumed trading on December 12, 2013.

The Mercator Special Committee met with the Financial Advisor and the legal advisors to the Mercator Special Committee and the legal advisors to Mercator on the evening of December 11, 2013 to consider the Arrangement Agreement and the Ancillary Agreements and the results of the due diligence conducted on Intergeo and its assets. At that meeting, the Financial Advisor provided the Mercator Special Committee with a verbal opinion (which was subsequently confirmed in writing in the form of the Fairness Opinion) to the effect that the consideration to be received pursuant to the Arrangement by Mercator Shareholders was fair, from a financial point of view, to Mercator Shareholders. After due and careful consideration, the Mercator Special Committee unanimously determined to recommend to the Mercator Board that the Mercator Board authorize and approve the execution of the Arrangement Agreement and the Ancillary Agreements, and that they resolve to recommend that Mercator Shareholders vote in favour of the special resolution authorizing and approving the Arrangement.

That same evening of December 11, 2013, the Mercator Board met with the Financial Advisor and the legal advisors to the Mercator Special Committee and the legal advisors to Mercator to consider the final proposed terms of the Arrangement Agreement and the Ancillary Agreements and the results of the due diligence conducted on Intergeo and its assets, to receive the report and recommendation of the Mercator Special Committee and to receive the verbal opinion of the Financial Advisor. After due and careful consideration, the Mercator Board unanimously determined that the Arrangement Agreement and the Ancillary Agreements were fair to Mercator Shareholders and in the best interests of Mercator. Accordingly, the Mercator Board recommends that Mercator Shareholders vote in favour of the Arrangement Resolution and has unanimously authorized and approved the execution of the Arrangement Agreement and the Ancillary Agreements.

Mercator and Intergeo entered into the Arrangement Agreement and Ancillary Agreements late in the evening of December 11, 2013 and early in the morning of December 12, 2013. On December 12, 2013, prior to the opening of trading on the TSX, Mercator and Intergeo jointly announced the entering into of the Arrangement Agreement and Ancillary Agreements.

Daselina Private Placement

In connection with the Arrangement, Daselina has agreed to invest approximately US\$100 million (which includes up to US\$14 million to be advanced under the Bridge Loan; see "The Arrangement – Bridge Loan") plus an amount equal to the accrued interest under the Bridge Loan by way of a private placement at a subscription price of US\$0.1224 per share (approximately C\$0.13 per share based on the noon exchange rate on December 11, 2013 of US\$1 equals C\$1.0607) (the "**Subscription Price**"), which pursuant to the Plan of Arrangement will result in Daselina owning Resulting Issuer Common Shares.

Approximately US\$50 million (which includes the amount advanced under the Bridge Loan up to the Effective Date, which amount may be up to US\$14 million) of the proceeds from the Daselina Private Placement will be advanced to MPI to fund principal payments under MPI's existing credit facility (as set out below), trade payables and deferred maintenance and capital expenditures. The remainder of the proceeds from the Daselina Private Placement will be used to fund closing costs related to the Arrangement, to advance the El Pilar Project and the Ak-Sug Project and for general working capital.

Bridge Loan

Also in connection with the Arrangement, Daselina has agreed to advance up to US\$14 million to MPI by way of the Bridge Loan to provide it with sufficient funding to stabilize its operations until the Arrangement is completed. The initial commitment under the Bridge Loan is US\$10 million and became available upon satisfaction of certain conditions

precedent on December 20, 2013. As at February 25, 2014, US\$8 million of the US\$10 million initial commitment has been advanced to MPI. The commitment will increase to US\$12 million on March 1, 2014, and US\$14 million on April 1, 2014, if the Arrangement has not yet been completed by these dates and upon satisfaction or waiver of certain conditions precedent. The Bridge Loan will mature and be payable in the event that the Arrangement Agreement is terminated. Outstanding principal and accrued and unpaid interest in respect of the Bridge Loan will accrue interest at a rate of 15% per annum.

On the Effective Date, Daselina will assign to Mercator its rights to the principal and interest owing to Daselina under the Bridge Loan, as partial payment of the aggregate Subscription Price under the Daselina Private Placement.

On December 20, 2013, as partial consideration for the Bridge Loan, Mercator issued to Daselina 50,962,676 Bridge Loan Warrants, which only vest and become exercisable as described below and only if the Arrangement is not completed. All Bridge Loan Warrants will be cancelled upon the completion of the Arrangement.

Each Bridge Loan Warrant entitles the holder thereof to purchase one Mercator Share at the Subscription Price until December 20, 2018. Initially, 34,685,741 Bridge Loan Warrants, representing 9.9% of the outstanding Mercator Shares on a partially diluted basis (assuming the exercise in full of such Bridge Loan Warrants), vested and will become exercisable only if the Arrangement Agreement is terminated.

If and when the commitment under the Bridge Loan is increased to US\$12 million, an additional 7,953,712 Bridge Loan Warrants will vest such that, in aggregate, Daselina would be able to exercise Bridge Loan Warrants representing 11.9% of the outstanding Mercator Shares on a partially diluted basis (assuming the exercise in full of such Bridge Loan Warrants). The additional 7,953,712 Bridge Loan Warrants will become exercisable only if the Arrangement Agreement is terminated.

If and when the commitment under the Bridge Loan is increased to US\$14 million, the remaining 8,323,223 Bridge Loan Warrants will vest such that, in aggregate, Daselina would be able to exercise 50,962,676 Bridge Loan Warrants representing 13.9% of the outstanding Mercator Shares on a partially diluted basis (assuming the exercise in full of all Bridge Loan Warrants). The remaining 8,323,223 Bridge Loan Warrants will become exercisable only if the Arrangement Agreement is terminated.

Revisions to Existing Credit Facilities

MPI, which owns the Mineral Park Mine, has entered into an amended and restated credit agreement (the "**Amended Credit Agreement**") with the MPI Lenders, which is expected to become effective upon the completion of the Arrangement.

Pursuant to the Amended Credit Agreement, US\$86.8 million will be outstanding in the form of a term loan. MPI has agreed to make principal payments on the term loan at the time of completion of the Arrangement equal to (i) US\$9.5 million, and (ii) the greater of the funds remaining in the debt service reserve account and US\$3 million. The remaining principal outstanding under the term loan will be repaid over a fixed amortization schedule of 13 quarters, subject to certain quarterly prepayments if MPI realizes a molybdenum price greater than US\$12.00 per pound, both of which will commence in December 2014.

Pursuant to the Amended Credit Agreement, the MPI Lenders have agreed to eliminate certain financial and reporting covenants, as well as the debt service and maintenance reserve accounts which currently exist under the Credit Facility. Under the Amended Credit Agreement, the LIBOR interest margin under the term loan will be 4.50% and the term loan will be subject to a minimum LIBOR rate of 1.00%. The existing security package will remain in place but Mercator's parent guarantee will be discharged upon completion of the Arrangement. The MPI Lenders have agreed to waive certain fees payable under past amendments to the Credit Facility and to compromise certain amounts owing under past interest rate swaps and copper hedges.

In addition, the Amended Credit Agreement establishes a termination claim facility to deal with the termination liability created by the close out of certain copper hedge positions by the MPI Lenders. The amount of the outstanding balance (which may be up to US\$19.9 million) under the termination claim facility entered into by MPI and the MPI Lenders will depend on the weighted average strike price of certain replacement copper hedge positions. The outstanding balance under the termination claim facility will be amortized over 30 months from the proceeds of the replacement copper hedge positions entered into by MPI and the MPI Lenders. Interest will not be payable under the termination claim facility.

The MPI Lenders have waived certain existing events of default and compliance with certain restrictive covenants under the Credit Facility until the earlier of (i) the date upon which the Arrangement is completed, and (ii) the date upon which the Arrangement Agreement is terminated.

Termination of Mercator Shareholder Rights Plan

In connection with the signing of the Arrangement Agreement, the Mercator Board has irrevocably deferred the "Separation Time" (as defined below) for rights issued under the Mercator Shareholder Rights Plan in respect of the Arrangement, until May 31, 2014.

The Mercator Shareholder Rights Plan provides that the public announcement of certain proposed changes of control of Mercator, other than "**Permitted Bids**" (as defined in the Mercator Shareholder Rights Plan), will automatically result in rights becoming exercisable (and additional Mercator Shares becoming issuable) on the tenth trading day following such announcement, or such later time as may be determined by the Mercator Board in good faith, which is referred to as the "**Separation Time**". The Arrangement is not a Permitted Bid. As such, in the absence of the deferral, the Separation Time would occur prior to the Meeting.

As part of the Plan of Arrangement, the Mercator Shareholder Rights Plan will be terminated (and all rights issued thereunder will expire) and will cease to be of any force or effect. See the Plan of Arrangement attached as Appendix B for additional information.

Reasons for the Arrangement and Recommendation of the Mercator Board

After due and careful consideration, the Mercator Board has unanimously determined that the Arrangement is fair to Mercator Shareholders and in the best interests of Mercator. Accordingly, the Mercator Board unanimously approved the Arrangement and unanimously recommends that Mercator Shareholders vote FOR the Arrangement Resolution.

In the course of its evaluation of the Arrangement, the Mercator Board consulted senior management, its legal counsel and the Financial Advisor, reviewed a significant amount of information, including the results of the due diligence conducted on Intergeo, and considered a number of factors including the following:

- ***Consideration to be Received by Mercator Shareholders.*** The Resulting Issuer Common Shares provide Mercator Shareholders with the opportunity to participate in the future potential of the Resulting Issuer, a new copper-focused base metals company with world class asset growth potential and a strengthened balance sheet and greater liquidity to realize near-term growth potential. The Subscription Price under the Daselina Private Placement represents a 189% premium to the closing price of Mercator Shares on the TSX as at December 10, 2013 (the last trading day prior to the Mercator Shares being halted on December 11, 2013 and the announcement of the Arrangement on December 12, 2013). The TSX has conditionally approved the listing of the Put Rights under the symbol "ITG.RT.P". The Put Rights provide Mercator Shareholders with downside risk protection. The exercise price under the Put Rights represents a 122% premium to the closing price of Mercator Shares on the TSX as at December 10, 2013.
- ***Mercator's Immediate Financial and Liquidity Challenges.*** The Arrangement addresses Mercator's immediate need for external funding to stabilize its operations in a challenging commodity price and capital markets environment. Approximately US\$50 million (which includes up to US\$14 million which may be advanced under the Bridge Loan prior to the completion of the Arrangement) of the proceeds from the Daselina Private Placement will be advanced to MPI. These funds will allow MPI to make principal payments under the existing Credit Facility, and to fund past-due trade payables and deferred maintenance and capital expenditures. Moreover, the Arrangement significantly reduces the financing risk associated with Mercator's business plan. In addition to stabilizing operations, the proceeds from the Daselina Private Placement will allow the Resulting Issuer to invest in the optimization of the Mineral Park Mine, to expedite the development of the El Pilar Project, to advance the Ak-Sug Project and to provide for general working capital. The Mineral Park Mine is anticipated to be the Resulting Issuer's primary focus following completion of the Arrangement. With the planned investments at the Mineral Park Mine, the project is expected to increase metal production, reduce operating unit costs and become cash flow positive while servicing its outstanding financial obligations at current spot commodity prices.
- ***Most Compelling Alternative Available.*** The terms of the Arrangement Agreement are the result of a comprehensive process undertaken by Mercator to review its strategic alternatives. Taking into account the perceived value, timing and risks associated with the strategic alternatives available to Mercator, Mercator's immediate financial and liquidity challenges and the current market environment, the Mercator Special Committee and the Mercator Board unanimously determined that the Arrangement represents the most compelling alternative available to Mercator, the Mercator Shareholders and Mercator's other stakeholders.

- ***Ongoing Ownership in the Resulting Issuer's Common Shares.*** Immediately following completion of the Arrangement, Mercator Shareholders will own approximately 15% of the outstanding Resulting Issuer Common Shares. The Mercator Special Committee and Mercator Board believe this ownership position in the Resulting Issuer represents the most compelling opportunity available to Mercator Shareholders. An interest in the Resulting Issuer will provide Mercator Shareholders with a number of potential benefits, including the following:
 - *Copper-Focused with Substantial Growth Potential.* The Arrangement will result in the creation of a new copper-focused base metals company with world class asset growth potential and a strengthened balance sheet and greater liquidity to realize near-term growth potential. The Mineral Park Mine is expected to become cash flow positive and able to service MPI's outstanding financial obligations;
 - *Improved Balance Sheet.* The Resulting Issuer will have improved financial strength and greater liquidity. With approximately US\$100 million of proceeds from the Daselina Private Placement, the Resulting Issuer will have greater liquidity to stabilize and optimize the Mineral Park Mine. The Amended Credit Agreement will provide greater flexibility for the Resulting Issuer, including, but not limited to: i) the elimination of certain financial and reporting covenants; ii) the discharge of Mercator's parental guarantee upon completion of Arrangement; iii) the waiver of certain fees payable under the existing Credit Facility; and iv) the compromise of certain amounts owing under past interest rate swaps and copper hedges;
 - *Geographic Diversification.* The Resulting Issuer will benefit from an attractive geopolitical risk profile given that its three cornerstone assets will be located in the United States in respect of the Mineral Park Mine, Mexico in respect of the El Pilar Project, and Russia in respect of the Ak-Sug Project;
 - *Complementary Asset Mix.* The Resulting Issuer will control a portfolio of producing and short and medium-term development properties. MPI's Mineral Park Mine is expected to become cash flow positive and able to service MPI's outstanding financial obligations at current spot commodity prices. Mercator's El Pilar Project represents an attractive near-term development asset to be advanced in a financially responsible manner and is expected to provide an attractive return on investment at current spot commodity prices. In the medium-term, Intergeo's Ak-Sug Project provides a compelling growth opportunity, with a geologic profile similar to other recent high-profile discoveries and operating assets in central Asia. In addition, Mercator and Intergeo have other development and exploration opportunities that will continue to be evaluated and could be advanced if the expected financial return is attractive;
 - *Experienced Management Team and Board.* John Lill will lead the combined management team as CEO and will bring together the management skill, experience and depth of both organizations. The combined management capabilities will provide the Resulting Issuer with proven experience and expertise in mine operation, expansion/optimization and development, and will enable it to realize on the full potential of the combined asset portfolio. The Resulting Issuer will also benefit from a highly-accomplished and knowledgeable board of directors comprised of eight Intergeo nominees and one continuing Mercator director. See "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer";
 - *Committed Strategic and Financial Partner.* Upon completion of the Arrangement, Intergeo's principal shareholder, Daselina, will be the largest shareholder of the Resulting Issuer. Mikhail Prokhorov, the shareholder of Daselina, has, since 2001, a record of developing and operating large mining companies; and
 - *Compelling Re-rating Opportunity.* The Resulting Issuer will be an attractive base metals producer well positioned for future share price performance based on current market valuation, a strong combined asset portfolio, complementary management capabilities and an improved financial position.

In addition to the foregoing, the Mercator Board considered the presentations of the Financial Advisor, as well as the Fairness Opinion, as to the fairness, from a financial point of view, to Mercator Shareholders of the consideration to be received by Mercator Shareholders pursuant to the Arrangement. The Mercator Board also considered the following required approvals and rights to be protective of the rights of Mercator Shareholders:

- the Mercator Board's ability to respond, in accordance with its fiduciary duties, to unsolicited, *bona fide* Superior Acquisition Proposals under the Arrangement Agreement;
- the Arrangement must be approved by at least 66²/₃% of the votes cast in person or by proxy at the Meeting;

- the Arrangement must be approved by the Court which will consider, among other things, the fairness of the Arrangement to Mercator Shareholders; and
- Mercator Shareholders have Dissent Rights in respect of the Arrangement.

In the course of its deliberations, the Mercator Board also identified and considered a variety of risks including potentially negative factors in connection with the Arrangement. See "Risk Factors".

The Mercator Board's reasons for recommending the Arrangement include certain assumptions relating to forward-looking information, and such information and assumptions are subject to various risks. See "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors" (including "Appendix T – Risks Related to Intergeo" and "Appendix U – Risks Related to the Resulting Issuer") in this Circular and "Risk Factors" in the Mercator AIF and in the most recent annual MD&A of Mercator, which are filed on SEDAR and incorporated by reference herein.

The foregoing summary of the information and factors considered by the Mercator Board is not intended to be exhaustive. In view of the variety of factors and the amount of information considered in connection with its evaluation of the Arrangement, the Mercator Board did not find it practical to, and did not, quantify or otherwise attempt to assign any relative weight to each specific factor considered in reaching its conclusion and recommendation. In addition, individual members of the Mercator Board may have assigned different weights to different factors. The Mercator Board's recommendation was made after considering all of the above-noted factors and in light of the Mercator Board's knowledge of the business, financial condition and prospects of Mercator, and was also based on the advice of Mercator's legal counsel and that of the Financial Advisor.

Lock-up Agreements

The following description of certain provisions of the Lock-up Agreements entered into by the Locked-up Shareholders is a summary only and is qualified in its entirety by reference to the full text of the Lock-up Agreements, the form of which is attached to the Arrangement Agreement filed on SEDAR at www.sedar.com under Mercator's profile.

The Locked-up Shareholders have entered into Lock-up Agreements with Intergeo pursuant to which they have agreed, subject to the terms and conditions outlined in the Lock-up Agreements, to support the Arrangement and among other things:

- to exercise all voting rights attached to the Mercator Shares owned or controlled (including voting control) by them to vote in favour of the Arrangement Resolution and any other resolution to be considered by the Mercator Shareholders that, if approved, could reasonably be considered to increase the likelihood of success of the Plan of Arrangement;
- to exercise all voting rights attached to the Mercator Shares owned or controlled (including voting control) by them to vote against any resolution to be considered by the Mercator Shareholders that, if approved, could reasonably be considered to reduce the likelihood of success of the Plan of Arrangement;
- not to sell, transfer, assign, convey, loan, otherwise dispose of or create any encumbrance affecting any of their Mercator Shares or relinquish or restrict their right to vote any of their Mercator Shares, other than pursuant to the Plan of Arrangement;
- except for the Lock-up Agreements, their Mercator Shares will not be subject to any shareholders' agreement, voting trust or other similar agreement or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming a shareholders' agreement, voting trust or other similar agreement affecting their Mercator Shares; and
- not to do indirectly that which they may not do directly in respect of the restrictions on their rights with respect to their Mercator Shares pursuant to the Lock-up Agreements by the sale of any direct or indirect holding company or the granting of a proxy on the shares of any direct or indirect holding company and which would have, indirectly, any effect prohibited by the Lock-up Agreements.

Nothing in the Lock-up Agreements prevents, restricts, limits or prohibits any director or officer from acting in accordance with his or her fiduciary duties as a director or officer of Mercator or any of its Subsidiaries.

The obligations under the Lock-up Agreements will terminate automatically on the earlier of: (i) the termination of the Arrangement Agreement in accordance with its terms; and (ii) immediately after the Effective Time. In addition, each Lock-up Agreement may be terminated without any liability to either party, by notice in writing:

- (a) at any time by mutual consent of Intergeo and the Locked-up Shareholder;
- (b) by Intergeo if the Locked-up Shareholder is in default of any covenant or obligation in the Lock-up Agreement in any material respect or if any representation or warranty of the Locked-up Shareholder under the Lock-up Agreement shall have been untrue or incorrect in any material respect, provided that, in the case of a default of any representation, warranty, covenant or obligation thereunder, such default is not curable or, if curable, not cured by the earlier of the date which is seven days from the date the Locked-up Shareholder receives written notice of such default from Intergeo and the Business Day prior to the Effective Date; or
- (c) by the Locked-up Shareholder if any representation or warranty of Intergeo under the Lock-up Agreement or the Arrangement Agreement shall have been untrue or incorrect in any material respect or if Intergeo is in default of any covenant or obligation thereunder in any material respect and, in each case, such inaccuracy or non-compliance is not curable or, if curable, not cured by the earlier of the date which is seven days from the date Intergeo receives written notice of such breach from the Locked-up Shareholder and the Business Day prior to the Effective Date.

Result of the Arrangement

The purpose of the Arrangement is to effect a business combination between Mercator and Intergeo. Among other things, the following key steps will occur as part of the Arrangement:

- the Notice of Articles and Articles will be amended to change the designation of existing Mercator Shares to Class A Common Shares and to create the Class B Common Shares;
- the Daselina Private Placement pursuant to which Daselina will acquire Class B Common Shares will be completed;
- the current directors of Mercator (other than Messrs. Bowles and Quin) shall cease to be directors;
- the individuals listed in Appendix 4 to the Plan of Arrangement will become the directors of the Resulting Issuer;
- holders of Mercator RSUs and Mercator DSUs (excluding those Mercator DSUs held by Messrs. Bowles and Quin, each of whom will remain a director of the Resulting Issuer) will receive Class A Common Shares as payment in respect of each vested award of Mercator RSUs and Mercator DSUs outstanding;
- each Class A Common Share will be exchanged for one Class B Common Share and one Put Right;
- the Class A Common Shares, Mercator RSUs and Mercator DSUs (excluding those Mercator DSUs held by Messrs. Bowles and Quin), will be cancelled;
- Intergeo Shareholders will receive approximately 8.35 Class B Common Shares in exchange for each Intergeo Share;
- the Consolidation will take effect in respect to all Class B Common Shares and all Initial Put Rights. A holder of a Mercator convertible security will receive Resulting Issuer Common Shares and Additional Put Rights (provided such convertible security is exercised or vests, as the case may be, prior to the Put Right Expiry Date) subject to adjustment in accordance with the terms of such Mercator convertible security and will reflect the Consolidation;
- the Class B Common Shares will be redesignated as Resulting Issuer Common Shares;
- Daselina and Kirkland will each receive one Special Share (which will provide certain special rights and restrictions. See "Information Concerning the Resulting Issuer – Governance Arrangements with Principal Shareholders"); and
- the Resulting Issuer will be renamed "Intergeo Mining Ltd."

As part of the Arrangement, the Dissenting Shares will be deemed to have been transferred to Mercator and the Dissenting Shareholders will cease to have any rights as Mercator Shareholders other than the right to be paid the fair value of their Dissenting Shares.

Approximately 16,417,971 Resulting Issuer Common Shares will be issued as a result of the Daselina Private Placement (assuming that no Dissent Rights are exercised, an Effective Date of May 1, 2014 and US\$14 million having been drawn under the Bridge Loan as at the Effective Date), a further 6,344,748 Resulting Issuer Common Shares will be issued to holders of Mercator Shares (assuming that no Dissent Rights are exercised), Mercator RSUs and Mercator DSUs (excluding those Mercator DSUs held by Messrs. Bowles and Quin, current directors of Mercator and proposed directors of the Resulting Issuer), a further 19,046,642 Resulting Issuer Common Shares will be issued to the Intergeo Shareholders in exchange for their Intergeo Shares and a further 528,012 Resulting Issuer Common Shares will be issuable upon exercise of Mercator Options, Creston Options (excluding 76,062 Creston Options which have an expiry date prior to May 1, 2014, assuming such Creston Options are not exercised prior to the assumed Effective Date of May 1, 2014), Mercator Warrants and Mercator DSUs held by Messrs. Bowles and Quin. Upon completion of the Arrangement, there will be approximately 43,064,315 Resulting Issuer Common Shares issued and outstanding on a fully diluted basis. Assuming no exercise of Mercator Options, Creston Options or Mercator Warrants, Mercator Shareholders will hold approximately 15% of the outstanding Resulting Issuer Common Shares and the Intergeo Shareholders will hold approximately 85% of the outstanding Resulting Issuer Common Shares.

See the Plan of Arrangement attached as Appendix B for additional information.

Consolidation

Pursuant to the Arrangement, following completion of the Daselina Private Placement and the Share Exchange, the Consolidation will take effect in respect to all Resulting Issuer Common Shares and Put Rights as follows:

- (i) Resulting Issuer Common Shares: the consolidation of the issued and outstanding Resulting Issuer Common Shares on the Effective Date on the basis of 50 Resulting Issuer Common Shares for one Resulting Issuer Common Share, subject to the treatment of fractional securities pursuant to the Plan of Arrangement. See “The Arrangement – Treatment of Fractional Securities”; and
- (ii) Put Rights: the consolidation of the issued and outstanding Put Rights on the Effective Date on the basis of 50 Put Rights for one Put Right, subject to the treatment of fractional securities pursuant to the Plan of Arrangement, such that the exercise price of the Put Rights will be adjusted from C\$0.10 per Resulting Issuer Common Share to C\$5.00 per Resulting Issuer Common Share pursuant to the Plan of Arrangement. See “The Arrangement – Treatment of Fractional Securities”.

Treatment of Fractional Securities

To the extent the Consolidation results in Mercator Shareholders holding fractional Resulting Issuer Common Shares, such Resulting Issuer Common Shares will be treated as follows: each fractional Resulting Issuer Common Share that represents less than $\frac{1}{2}$ of a Resulting Issuer Common Share will be rounded down, and each fractional Resulting Issuer Common Share that is at least $\frac{1}{2}$ of a Resulting Issuer Common Share will be rounded up. To the extent the Consolidation results in Mercator Shareholders holding fractional Put Rights, such Put Rights will be rounded down to the closest whole Put Right. For example, where a Mercator Shareholder holds (after giving effect to the Arrangement) 74 Resulting Issuer Common Shares and 74 Initial Put Rights prior to the Consolidation, such Mercator Shareholder will receive one Resulting Issuer Common Share and one Initial Put Right following the Consolidation. Where a Mercator Shareholder holds (after giving effect to the Arrangement) 76 Resulting Issuer Common Shares and 76 Initial Put Rights prior to the Consolidation, such Mercator Shareholder will receive two Resulting Issuer Common Shares and one Initial Put Right following the Consolidation.

Put Rights

The following is a summary of the terms that will be included in the Put Rights Indenture when it is signed and delivered in connection with Closing. The Put Rights Indenture will be filed on Mercator’s profile on SEDAR at www.sedar.com in connection with Closing, and readers are directed to the full text of the Put Rights Indenture for additional information.

Following the Effective Date, each Put Right will, upon the due exercise thereof, entitle its holder, at such holder’s option, to require the Resulting Issuer to purchase one Resulting Issuer Common Share from the holder at a price of C\$5.00 per

share (on a post-Consolidation basis) (the "**Exercise Price**") during the Put Right Exercise Window. All then outstanding Put Rights shall expire on the Put Right Expiry Date. In addition, in the event of (i) a takeover bid, issuer bid or insider bid, where an acquiror offers to purchase and takes up and pays for all of the Resulting Issuer Common Shares at a price per share in cash equal to or greater than the Exercise Price; (ii) a merger, reorganization, amalgamation, arrangement, consolidation, business combination or other similar transaction (including a compulsory acquisition pursuant to the BCBCA), in each case where a holder of Resulting Issuer Common Shares will receive cash equal to or greater than the Exercise Price for each share held at the effective time of such transaction and thereafter the shareholders of the Resulting Issuer will no longer hold any equity interest in the Resulting Issuer or its successor; or (iii) any court ordered dissolution or liquidation of the Resulting Issuer (provided that the holders of Put Rights have been provided notice and an opportunity to make submissions to the court), the Put Rights will automatically expire and be cancelled as of the effective time of the completion of any such transaction.

Pursuant to the terms of the Arrangement Agreement, Daselina will, as of the Effective Date deposit cash in the amount of approximately C\$31.7 million (the "**Escrowed Funds**") with the Put Right Trustee to be available to support the Resulting Issuer's payment obligation in relation to the Initial Put Rights, but excluding, for greater certainty, the Additional Put Rights. The Put Rights Indenture will provide that the Escrowed Funds will be under the sole dominion and control of the Put Right Trustee as trustee for the holders of the Initial Put Rights and will not be subject to any set-offs, counterclaims, or security held by any creditors of either Daselina or the Resulting Issuer or their respective affiliates. The Escrowed Funds will be held by the Put Right Trustee in an interest-bearing account at an approved financial institution and the Put Right Trustee will pay to the Resulting Issuer interest on the Escrowed Funds at an annual rate which is equal to two percent less than the prime rate of interest announced from time to time by The Bank of Nova Scotia on Canadian dollar loans made to its most credit worthy customers in Canada. Any Escrowed Funds which are not drawdown will be returned by the Put Right Trustee to Daselina forthwith following the time at which there are no longer any Put Rights outstanding.

Pursuant to the Put Rights Indenture, the Initial Put Rights may be in either certificated or uncertificated form and held through the book-based securities transfer system administered by CDS or its equivalent. Registered Shareholders at the Effective Time will receive their Initial Put Rights in certificated form, which certificated Initial Put Rights will be delivered concurrently with the certificates and/or DRS Advice, as applicable, representing the Resulting Issuer Common Shares issued to each such Registered Shareholder under the Plan of Arrangement. All Additional Put Rights will be issued in certificated form and shall bear such legends as may be required by applicable securities laws. All Put Rights shall rank *pari passu*, except that the Escrowed Funds will not be used to pay the Exercise Price of any Additional Put Rights, and no fractional Put Rights shall be issued or otherwise provided for under the Put Rights Indenture. The Put Rights Indenture will terminate at the later of the time at which there are no longer any Put Rights outstanding pursuant to the Put Rights Indenture, as a result of the expiration of the Put Right Exercise Window or otherwise, and Daselina has made its elections in respect of payment of both the Facility Fee (as defined below) and Escrowed Funds, if any, drawdown by the Resulting Issuer to fund its payment obligation in relation to the Initial Put Rights (as further described below).

The Put Right Trustee will keep a register for the Put Rights which will include the names and addresses of the holders thereof, the date of issuance and the number of Put Rights held, which register will be open at all reasonable times and upon reasonable notice for inspection by any holder of Put Rights. If listed on the TSX, the Put Rights are transferable as permitted through the facilities of the TSX. In addition, the Put Rights may only be transferred by registered holders on the register kept by the Put Right Trustee by the holder thereof or its legal representatives or its duly appointed attorney upon compliance with the conditions of the Put Rights Indenture, such reasonable requirements as the Put Right Trustee may prescribe and all applicable securities legislation and requirements of applicable regulatory authorities. Transfers of Put Rights that are held by or on behalf of beneficial holders through CDS will be made within the CDS system and will not be noted on the register maintained by the Put Right Trustee.

In any given month during the Put Right Exercise Window, a registered holder of Put Rights has the right to exercise Put Rights by providing written notice in the form attached to the Put Rights Indenture (the "**Exercise Notice**") to the Put Right Trustee by no later than 5:00 p.m. (Vancouver time) on the last Business Day of such month or the Put Right Expiry Date (each, an "**Exercise Date**"), as the case may be. The Exercise Notice shall be irrevocable and must state, among other things, the number of Resulting Issuer Common Shares to be purchased by the Resulting Issuer and must, in the case of Put Rights not held by CDS, be accompanied by the certificated Put Rights (together with all necessary endorsements) and certificates, or DRS Advice, as the case may be, representing the Resulting Issuer Common Shares to be purchased (registered in the same name as the Put Rights being exercised), in order for the holder to receive the applicable Exercise Price therefor. The form of Exercise Notice may be obtained after Closing from the Put Right Trustee and will also be available on Mercator's profile on SEDAR at www.sedar.com as an attachment to the Put Rights Indenture when it is filed on SEDAR in connection with Closing. The exercise of Put Rights and deposit of Resulting Issuer Common Shares held in

book-entry form with CDS will be completed in accordance with the applicable rules and policies of CDS participants. All purchases by the Resulting Issuer of Resulting Issuer Common Shares duly deposited pursuant to the exercise of Put Rights shall be made in accordance with, applicable laws and the rules and policies of the TSX.

Prior to 5:00 p.m. (Vancouver time) on the third Business Day of each month during the Put Right Exercise Window, the Resulting Issuer must deliver a written notice setting out its Available Cash to Daselina and the Put Right Trustee. By 5:00 p.m. (Vancouver time) on the second Business Day following an Exercise Date, the Put Right Trustee will provide the Resulting Issuer with a written notice setting out, among other things, the aggregate number of Put Rights that were duly exercised on or prior to 5:00 p.m. (Vancouver time) on such Exercise Date and the aggregate Exercise Price to be paid to the holders thereof on the fifth Business Day following such Exercise Date (the "**Payment Date**"). By no later than 11:59 a.m. (Vancouver time) on each Payment Date, the Resulting Issuer shall deposit in immediately available funds with the Put Right Trustee (and the Put Right Trustee shall have received) an amount equal to: (i) the amount sufficient to pay the aggregate Exercise Price of the Additional Put Rights, if any, duly exercised by the Exercise Date in such month; plus (ii) the lesser of: (a) the aggregate Exercise Price of the Initial Put Rights duly exercised by the Exercise Date in such month; and (b) the amount of the Available Cash set out in the notice delivered in such month. Promptly after 12:00 p.m. (Vancouver time) and in any event no later than 3:00 p.m. (Vancouver time) on each Payment Date, the Put Right Trustee shall drawdown from the Escrowed Funds an amount sufficient to pay the aggregate exercise price of the Initial Put Rights duly exercised in such month, less the amount deposited by the Resulting Issuer above (i.e., the Put Right Trustee will drawdown on the Escrowed Funds where the amount of the Available Cash of the Resulting Issuer is not sufficient to fund the aggregate exercise price of the Initial Put Rights). If at 3:00 p.m. (Vancouver time) on a Payment Date, the Put Right Trustee holds funds that are sufficient to pay the aggregate Exercise Price on such Payment Date, then on and after such date, such Put Rights shall be cancelled and cease to be outstanding. As soon as possible following each Payment Date, and in any event within no more than three Business Days of each Payment Date, and subject to receipt by the Put Right Trustee of all necessary and duly completed documentation, the Put Right Trustee will forward by first class insured mail to each registered holder of Put Rights a cheque representing the aggregate Exercise Price (less any applicable withholdings and deductions) such registered holder has the right to receive pursuant to the exercise of Put Rights (other than payments made to CDS, which shall be by wire transfer).

As described above, in connection with the funding of the Resulting Issuer's payment obligation in relation to the Initial Put Rights in any given month, the Put Right Trustee on behalf of the Resulting Issuer will drawdown on the Escrowed Funds where the Resulting Issuer's Available Cash as at the last Business Day of the immediately preceding month is not sufficient to fund the aggregate Exercise Price of the Initial Put Rights duly exercised in such month. In the event that any Escrowed Funds are drawdown by the Resulting Issuer, Daselina will have the right to elect within three Business Days following the time at which there are no longer any Put Rights outstanding to receive, in settlement of the drawdown Escrowed Funds: (i) Resulting Issuer Common Shares at a subscription price of C\$6.50 having an aggregate subscription price amount equal to the drawdown amount of the Escrowed Funds; (ii) an unsecured promissory note issued by the Resulting Issuer bearing interest at 10% per annum for a term of two years in the principal amount of the drawdown Escrowed Funds; or (iii) any combination thereof, failing which Daselina shall be irrevocably deemed to have elected to receive Resulting Issuer Common Shares pursuant to clause (i) above. See "Particulars of Matters to be Acted Upon – The Arrangement". Notwithstanding the foregoing, if there are reasonable grounds for believing that the Resulting Issuer is insolvent or that delivering the promissory note described in clause (ii) above would render the Resulting Issuer insolvent (for purposes of section 78 of the BCBCA), then Daselina shall be deemed to have elected to receive Resulting Issuer Common Shares in satisfaction of the payment of the drawdown amount of the Escrowed Funds.

With the consent of Daselina and the prior approval of the TSX, the Put Rights Indenture may be modified pursuant to an extraordinary resolution approved: (A) by holders at a meeting at which there are present in person or by proxy holders of Put Rights holding in the aggregate more than 10% of the total number of Put Rights then outstanding and passed by the affirmative vote of holders holding in the aggregate not less than 66⅔% of the total number of Put Rights represented at the meeting and voted on the motion; or (B) by written consent of holders of Put Rights representing at least 66⅔% of the total number of Put Rights then outstanding. Without limiting the foregoing, the Put Rights Indenture can be amended by extraordinary resolution of holders holding 66⅔% of the Put Rights then outstanding (but excluding Daselina and its affiliates) to, among other things, effect a change to the Put Right Exercise Window, including an acceleration of the expiry of the Put Right Exercise Window.

A facility fee equal to 5% per annum on the undrawn amount of the Escrowed Funds outstanding at the time at which there are no longer any Put Rights outstanding (a "**Facility Fee**") will be payable by the Resulting Issuer to Daselina promptly following the time at which there are no longer any Put Rights outstanding, which Facility Fee will be paid in cash by the Resulting Issuer, if permitted pursuant to applicable credit agreements, failing which Daselina will have the right to elect

within three Business Days following the time at which there are no longer any Put Rights outstanding to receive, in settlement of the Facility Fee: (i) Resulting Issuer Common Shares at a subscription price of C\$6.50 having an aggregate subscription price amount equal to the Facility Fee; (ii) an unsecured promissory note issued by the Resulting Issuer bearing interest at 10% per annum for a term of two years in the principal amount of the Facility Fee; or (iii) any combination thereof, failing which Daselina shall be irrevocably deemed to have elected to receive Resulting Issuer Common Shares pursuant to clause (i) above. See “Particulars of Matters to be Acted Upon – The Arrangement”.

The Put Rights Indenture will contain standard commercial provisions designed to adjust the Exercise Price of the Put Rights and, where appropriate, the number of Resulting Issuer Common Shares purchasable pursuant to Put Rights, upon the occurrence of certain adjustments and events, including, without limitation, capital reorganizations, share reclassifications and consolidations and special distributions.

The TSX has conditionally approved the listing of the Resulting Issuer Common Shares under the new symbol “ITG” and has conditionally approved the listing of the Put Rights under the symbol “ITG.RT.P” subject to fulfilling all of the requirements of the TSX (including the requirements provided below) on or before July 12, 2014.

In connection with the TSX’s approval of the Arrangement and ancillary matters including the listing of the Put Rights, the TSX has requested, and each of Daselina and Kirkland has agreed that neither Daselina nor Kirkland will sell any of their respective Resulting Issuer Common Shares (excluding the Resulting Issuer Common Shares to be received by Daselina in connection with the Daselina Private Placement) for a period of six months following the Effective Date, with the result that an aggregate of approximately 19,046,642 Resulting Issuer Common Shares (approximately 45.56% of the issued and outstanding shares of the Resulting Issuer) will be subject to such six-month restriction.

Prior to the Consolidation, the number of Initial Put Rights supported by the Escrowed Funds will be equal to the number of Resulting Issuer Common Shares to be held by existing Mercator Shareholders (who have not exercised Dissent Rights) and by existing holders of Mercator RSUs and Mercator DSUs (excluding Messrs. Bowles and Quin). The Additional Put Rights will not be supported by the Escrowed Funds.

The number of Resulting Issuer Common Shares in the public float will be reduced and could be eliminated through the exercise of Put Rights. If the Resulting Issuer fails to meet applicable public distribution listing requirements of the TSX, it could result in the Resulting Issuer Common Shares being delisted from the TSX. See “Risk Factors – Risks Related to the Arrangement – *The Resulting Issuer may not meet TSX listing requirements where Put Rights are exercised by a substantial number of Shareholders*”.

Holders of Put Rights are not shareholders. Nothing in the holding of a Put Right will confer or be construed as conferring upon the holder thereof any right or interest whatsoever as a shareholder, including, but not limited to, the right to vote at, to receive notice of, or to attend, meetings of shareholders or any proceedings of the Resulting Issuer or the right to receive dividends or other distributions.

Mercator Options, Creston Options and Mercator Warrants

In accordance with the Mercator Stock Option Plan, each holder of a Mercator Option outstanding immediately prior to the Effective Time will be entitled to receive (and such holder shall accept), upon the exercise of such holder's Mercator Option, in lieu of every Mercator Share to which such holder would have been entitled, and for the same aggregate consideration payable therefor, one Resulting Issuer Common Share and one Initial Put Right if exercise occurs prior to the Effective Date (or one Additional Put Right if exercise occurs following the Effective Date but prior to the Put Right Expiry Date). The actual number of Resulting Issuer Common Shares and Put Rights received by a holder of Mercator Options upon exercise will be subject to adjustment in accordance with the terms of the Mercator Stock Option Plan and will reflect the Consolidation. See “The Arrangement – Consolidation” and “The Arrangement - Treatment of Fractional Securities”. Mercator Options shall terminate on the earlier of: (i) the expiry date specified for such Mercator Option in the original grant, and (ii) 90 days after such optionee's position with Mercator terminates (or 30 days, in the case of an optionee providing investor relations activities).

In accordance with the Creston Option Plan, each holder of a Creston Option outstanding immediately prior to the Effective Time will be entitled to receive (and such holder shall accept), upon the exercise of such holder's Creston Option, in lieu of every Mercator Share to which such holder would have been entitled, and for the same aggregate consideration payable therefor, one Resulting Issuer Common Share and one Initial Put Right if exercise occurs prior to the Effective Date (or one Additional Put Right if exercise occurs following the Effective Date but prior to the Put Right

Expiry Date). The actual number of Resulting Issuer Common Shares and Put Rights received by a holder of Creston Options upon exercise will be subject to adjustment in accordance with the terms of the Creston Option Plan and will reflect the Consolidation. See "The Arrangement – Consolidation" and "The Arrangement - Treatment of Fractional Securities". Each such Creston Option shall continue to be governed by and be subject to the terms and conditions of the Creston Option Plan and any applicable agreement thereunder.

In accordance with the certificate or documentation governing the terms and conditions of the Mercator Warrants (excluding the Bridge Loan Warrants, which will be cancelled upon completion of the Arrangement), each holder of a Mercator Warrant outstanding immediately prior to the Effective Time will be entitled to receive (and such holder shall accept), upon the exercise of such holder's Mercator Warrants, in lieu of every Mercator Share to which such holder would have been entitled, and for the same aggregate consideration payable therefor, one Resulting Issuer Common Share and one Initial Put Right if exercise occurs prior to the Effective Date (or one Additional Put Right if exercise occurs following the Effective Date but prior to the Put Right Expiry Date). The actual number of Resulting Issuer Common Shares and Put Rights received by a holder of Mercator Warrants upon exercise will be subject to adjustment in accordance with the terms of the Mercator Warrants and will reflect the Consolidation. See "The Arrangement – Consolidation" and "The Arrangement - Treatment of Fractional Securities". Each such Mercator Warrant shall continue to be governed by and be subject to the terms of the certificate or documentation governing the terms and conditions of the Mercator Warrants.

Opinion of the Financial Advisor

The Financial Advisor was formally engaged by Mercator pursuant to a letter agreement dated January 18, 2012, as amended and restated by a letter agreement executed July 15, 2013 to provide Mercator and the Mercator Board with various advisory services in connection with the Arrangement including, among other things, the provision of the Fairness Opinion.

In deciding to approve the Arrangement, the Mercator Special Committee and the Mercator Board considered, among other things, the Fairness Opinion.

On December 11, 2013, the Financial Advisor delivered the Fairness Opinion, stating that as of the date thereof and based on and subject to the scope of review, assumptions, limitations and qualifications set forth therein, the consideration to be received by Mercator Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Mercator Shareholders.

The full text of the Fairness Opinion, which sets forth, among other things, the assumptions made, information reviewed, matters considered and limitations on the review and analysis undertaken by the Financial Advisor in rendering the Fairness Opinion, is attached to this Circular as Appendix C. This summary of the Fairness Opinion is qualified in its entirety by reference to the full text of the Fairness Opinion.

The Financial Advisor provided the Fairness Opinion to the Mercator Board for its exclusive use only in considering the Arrangement. It should not be relied upon by any other person or for any other purpose. The Fairness Opinion does not constitute a recommendation as to how any Mercator Shareholder should vote or act on any matter relating to the Arrangement.

Pursuant to the terms of its engagement letter with Mercator, the Financial Advisor was paid a fee for rendering the Fairness Opinion. The Financial Advisor will also receive a fee for its advisory services under the engagement, a substantial portion of which is contingent upon the completion of the Arrangement. Mercator has also agreed to reimburse the Financial Advisor for reasonable out-of-pocket expenses and to indemnify the Financial Advisor against certain liabilities that might arise out of the engagement.

The Financial Advisor and/or its affiliated entities are also engaged in domestic and international underwriting, syndication, mergers and acquisitions, banking, trading, brokerage and swaps and derivatives activities. The Financial Advisor and/or its affiliated entities may have in the past, provided and/or may in the future provide banking, financial advisory and investment banking services to Mercator, Intergeo, and if the Arrangement is completed, the Resulting Issuer, or any of their respective associates or affiliates.

The Mercator Board urges Mercator Shareholders to read the Fairness Opinion carefully and in its entirety.

Procedure and Terms and Conditions for Exchange of Mercator Shares

The following information is a summary only. For further details, see the Plan of Arrangement attached as Appendix B to this Circular.

Letter of Transmittal

A Letter of Transmittal is being mailed, together with this Circular, to each person who was a Registered Shareholder on the Record Date. Each such Registered Shareholder must forward a properly completed and signed Letter of Transmittal, with accompanying Mercator Share certificate(s) or DRS Advice, in order to receive the Resulting Issuer Common Shares and Initial Put Rights to which such Mercator Shareholder is entitled under the Arrangement. It is recommended that Registered Shareholders complete, sign and return the Letter of Transmittal with accompanying Mercator Share certificate(s) or DRS Advice to the Depositary as soon as possible.

Copies of the Letter of Transmittal may be obtained by contacting the Depositary. The Letter of Transmittal will also be available on SEDAR at www.sedar.com under Mercator's profile.

Mercator reserves the right to waive or not to waive any and all errors or other deficiencies in any Letter of Transmittal or other document and any such waiver or non-waiver will be binding upon the affected Mercator Shareholder. The granting of a waiver to one or more Registered Shareholders does not constitute a waiver for any other Registered Shareholder. Mercator reserves the right to demand strict compliance with the terms of the Letter of Transmittal and the Plan of Arrangement. The method used to deliver the Letter of Transmittal and any accompanying certificates or DRS Advice representing Mercator Shares is at the option and risk of the holder surrendering them, and delivery will be deemed effective only when such documents are actually received by the Depositary. Mercator recommends that the necessary documentation be hand delivered to the Depositary, and a receipt obtained therefor; otherwise, the use of registered mail with return receipt requested, and with proper insurance obtained, is recommended.

Beneficial Shareholders whose Mercator Shares are registered in the name of an Intermediary should contact that Intermediary for assistance in depositing their Mercator Shares and should follow the instructions of such Intermediary in order to deposit their Mercator Shares.

Lost Certificates

If a certificate/DRS Advice representing one or more outstanding Mercator Shares has been lost, stolen or destroyed, the Letter of Transmittal should be completed as fully as possible and forwarded, together with a letter describing the loss, to the Depositary. The Depositary and/or the registrar and transfer agent for the Mercator Shares will respond with replacement requirements (which may include a bonding requirement) that must be satisfied in order for the Mercator Shareholder to receive the Resulting Issuer Common Shares and the Initial Put Rights in accordance with the terms of the Plan of Arrangement.

Cancellation of Rights

To the extent that a Mercator Shareholder has not tendered its Mercator Shares before the end of the Initial Put Right Exercise Window, such Mercator Shareholder shall lose its rights to the Initial Put Rights. To the extent that a Mercator Shareholder has not complied with the provisions of the Arrangement described under the heading "The Arrangement – Procedure and Terms and Conditions for Exchange of Mercator Shares – Letter of Transmittal" on or before the date that is six years after the Effective Date, then the Resulting Issuer Common Shares that such Mercator Shareholder was entitled to receive will be automatically cancelled without any repayment of capital in respect thereof and the right of the Mercator Shareholder to receive such Resulting Issuer Common Shares will be deemed to be surrendered to the Resulting Issuer and any right or interest of the Mercator Shareholder in such Resulting Issuer Common Shares to which it was entitled will be terminated.

Withholding Rights

Pursuant to the terms of the Plan of Arrangement, the Resulting Issuer will be entitled to deduct and withhold from any amount otherwise payable under the Plan of Arrangement to a Mercator Shareholder (including a Dissenting Shareholder), such amounts as the Resulting Issuer is required to deduct or withhold under the Tax Act or any other applicable law with

respect to the payment of such amount. To the extent that amounts are so deducted or withheld, such deducted or withheld amounts will be treated for all purposes under the Plan of Arrangement as having been paid to the Mercator Shareholder in respect of which such deduction or withholding was made, provided that such deducted or withheld amounts are actually remitted to the appropriate taxing authority. The Resulting Issuer will be authorized pursuant to the Plan of Arrangement to sell or otherwise dispose of such other portion of the consideration as is necessary to provide sufficient funds to the Resulting Issuer to enable it to comply with such deduction or withholding requirement and the Resulting Issuer will notify the Mercator Shareholder thereof and remit to the Mercator Shareholder any balance of the net proceeds of such sale that remains after such deduction or withholding requirement has been complied with.

Fees, Costs and Expenses

Mercator estimates that it will incur fees and related expenses in the aggregate amount of approximately US\$7 million if the Arrangement is completed including, without limitation, the fee of the Financial Advisor, legal and accounting fees, filing fees, proxy solicitation fees and the costs of preparing, printing and mailing this Circular.

Intergeo estimates that it will incur fees and related expenses in the aggregate amount of approximately US\$6.8 million if the Arrangement is completed including, without limitation, the fee of Intergeo's financial advisor, legal and accounting fees.

Interests of Directors and Executive Officers of Mercator in the Arrangement

In considering the recommendation of the Mercator Board, Mercator Shareholders should be aware that members of the Mercator Board and the executive officers of Mercator have interests in the Arrangement or may receive benefits that may differ from, or be in addition to, the interests of Mercator Shareholders generally.

All benefits received, or to be received, by directors or executive officers of Mercator as a result of the Arrangement are, and will be, solely in connection with their services as directors or employees of Mercator. No benefit has been, or will be, conferred for the purpose of increasing the value of consideration payable to any such person for Mercator Shares, nor is it, or will it be, conditional on the person supporting the Arrangement.

Mercator has employment agreements (collectively, the "**Employment Agreements**") with certain of its executive officers. The Employment Agreements provide for payments upon termination of the employment of such officers, including following a "change of control" of Mercator. Completion of the Arrangement will constitute a change of control of Mercator as defined in the Employment Agreements. Pursuant to the terms of the Employment Agreements, assuming the Arrangement is completed and the employment of such officers is terminated on May 1, 2014, the estimated payments would be as follows:

Officer	Position	Entitlement ⁽¹⁾⁽²⁾ (before statutory withholding taxes)
Bruce McLeod	President, Chief Executive Officer	C\$1,750,000
Mark Distler ⁽³⁾	Chief Financial Officer	C\$663,000
Michael Broch ⁽³⁾	Vice President, Exploration and Evaluation	C\$467,000
Marc LeBlanc	Corporate Secretary	C\$420,000

Notes:

- (1) The actual amounts of these entitlements will depend on the date of completion of the Arrangement and the date the employment of such executive officer is terminated.
- (2) Calculation includes value of Mercator RSUs, valued as at the date of grant.
- (3) Calculation based on noon exchange rate on December 31, 2013 of C\$1.00 equals US\$0.9402. The estimated payments to each of Messrs. Distler, and Broch would be approximately C\$691,000 and C\$487,000, respectively, if calculated using the noon exchange rate on February 25, 2014.

It is expected that as a consequence of Closing, the change of control payments for Messrs. McLeod and Distler will become payable. Intergeo management is in discussions with Messrs. McLeod and Distler regarding their respective continuing roles with the Resulting Issuer. As at February 25, 2014, the discussions have not been finalized and it is unclear if such discussions will impact the change of control payments.

Mercator Shareholdings

As of the Record Date, the directors and executive officers of Mercator beneficially owned, directly or indirectly, or exercised control or direction over, in the aggregate 1,337,321 Mercator Shares, which represented approximately 0.42% of the total number of issued and outstanding Mercator Shares. All Mercator Shares held by the directors and executive officers of Mercator will be treated identically and in the same manner under the Arrangement as Mercator Shares held by any other Mercator Shareholders.

Mercator Options, Mercator DSUs and Mercator RSUs

The directors and executive officers of Mercator beneficially owned, directly or indirectly, or exercised control or direction over, in the aggregate 3,600,000 Mercator Options, 172,950 Creston Options, 462,965 Mercator DSUs (excluding Mercator DSUs granted and to be awarded to Roman Friedrich, a director of Mercator, following the expiry of the trading black-out period and in any event, no later than the Effective Time) and 241,811 Mercator RSUs as of the close of business (Vancouver time) on the Record Date.

Effective October 15, 2013, the Mercator Board approved the award of 92,593 Mercator DSUs to Roman Friedrich, who became a director of Mercator effective August 22, 2013. Despite Mercator Board approval, such Mercator DSUs have not yet been awarded due to a trading black-out currently in place. These Mercator DSUs will be awarded following the expiry of the trading black-out period and in any event, no later than the Effective Time.

All Mercator Options, Creston Options, Mercator DSUs and Mercator RSUs held by the directors and executive officers of Mercator will be treated identically and in the same manner under the Arrangement as Mercator Options, Mercator DSUs and Mercator RSUs held by any other persons. See "The Arrangement – Result of the Arrangement".

Effective Date of the Arrangement

If the Arrangement Resolution is passed, the Final Order is obtained, every other requirement of the BCBCA relating to the Arrangement is complied with and all other conditions set forth in the Arrangement Agreement including those disclosed below (see "The Arrangement Agreement – Conditions to the Arrangement Becoming Effective") are satisfied or waived, the Arrangement will become effective on the Effective Date. Intergeo and Mercator currently expect that the Effective Date will be on or about May 1, 2014. The Effective Date could be delayed, however, for a number of reasons, including a delay in obtaining required regulatory approvals or any delay in the satisfaction or waiver of any condition in the Arrangement Agreement.

Shareholder and Court Approvals

Shareholder Approval of the Arrangement

Applicable corporate laws require that Mercator Shareholders approve the Arrangement by passing the Arrangement Resolution by at least $66\frac{2}{3}\%$ of the votes cast by Mercator Shareholders, in person or represented by proxy, at the Meeting. The complete text of the Arrangement Resolution to be presented to the Meeting is set forth in Appendix A to this Circular.

Court Approval of the Arrangement

The BCBCA requires that the Arrangement be subject to approval of the Court.

Subsequent to February 25, 2014, on March 3, 2014, Mercator obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. Copies of the Interim Order and a Notice of Petition are attached as Appendix D – Interim Order and Appendix E – Notice of Petition, respectively, to this Circular.

The Court hearing in respect of the Final Order is scheduled to take place at 9:45 a.m. (Vancouver time), on April 8, 2014, or as soon thereafter as counsel for Mercator may be heard, at the Supreme Court of British Columbia, located at 800

Smithe Street, Vancouver, British Columbia, Canada, V6Z 2E1, subject to the approval of the Arrangement Resolution at the Meeting and other required approvals.

At the Court hearing, Mercator Shareholders who wish to participate or to be represented or to present evidence or argument may do so, subject to the rules of the Court, the Interim Order and any further order of the Court. Although the authority of the Court is very broad under the BCBCA, Mercator has been advised by counsel that the Court will consider, among other things, the fairness and reasonableness of the Arrangement and the rights and interests of every person affected. The Court may approve the Arrangement as proposed or as amended in any manner the Court may direct. The Court's approval is required for the Arrangement to become effective and the Court has been informed that the Final Order, if obtained, will constitute the basis for the Section 3(a)(10) Exemption under the U.S. Securities Act with respect to the issuance of the Resulting Issuer Common Shares and Initial Put Rights issuable to Mercator Shareholders in place of their Mercator Shares, Mercator RSUs and/or Mercator DSUs, as the case may be, pursuant to the Arrangement. In addition, in order to rely on this exemption, it is necessary that the Court determine, before making the Final Order, that the terms and conditions of the Arrangement are fair to Mercator Shareholders.

Under the terms of the Interim Order, each Mercator Shareholder will have the right to appear and make submissions at the application for the Final Order. Any person desiring to appear at the hearing of the application for the Final Order is required to file with the Court and serve on Mercator's legal counsel at the address set out below, on or before 4:00 p.m. (Vancouver time) on April 4, 2014, a response to petition (the "**Response to Petition**"), including his, her or its address for service, together with all materials on which he, she or it intends to rely at the application. **Mercator Shareholders who wish to participate in or be represented at the Court hearing should consult their legal advisors as to the necessary requirements.**

The Response to Petition and supporting materials must be delivered, within the time specified, to Mercator's legal counsel at the following address:

Stikeman Elliott LLP
Suite 1700, Park Place
666 Burrard Street
Vancouver, British Columbia V6C 2X8

Facsimile: (604) 631-1825
Attention: Paula J. Price

Investment Canada Act Approval

Subject to limited exemptions, the direct acquisition of control of a Canadian business by a non-Canadian that exceeds a financial threshold prescribed under Part IV of the Investment Canada Act (a "**Reviewable Transaction**") is subject to review. In the case of a Reviewable Transaction, a non-Canadian investor must submit an application to the Director of Investments under the Investment Canada Act (an "**Application for Review**") seeking approval of the Reviewable Transaction and cannot complete the transaction until the transaction has been reviewed by the Minister responsible for the Investment Canada Act (the "**Minister**") and the Minister is satisfied or is deemed to be satisfied that the transaction is likely to be of net benefit to Canada (the "**net benefit ruling**"). The submission of the Application for Review triggers an initial review period of up to 45 days. If the Minister has not completed the review by that date, the Minister may unilaterally extend the review period for up to a further 30 days or such further period agreed to by the non-Canadian investor and the Minister.

In determining whether to issue a net benefit ruling, the Minister is required to consider, among other things, the Application for Review and any written undertakings offered by the non-Canadian investor to Her Majesty in right of Canada. The prescribed factors that the Minister must consider when determining whether to issue a net benefit ruling include, among other things, the effect of the investment on economic activity in Canada (including the effect on employment, resource processing, utilization of Canadian products and services and exports), on participation by Canadians in the acquired business, on productivity, industrial efficiency, technological development, product innovation, product variety and competition in Canada, and the compatibility of the investment with national and provincial industrial, economic and cultural policies, as well as the contribution of the investment to Canada's ability to compete in world markets.

Where the financial threshold prescribed under Part IV of the Investment Canada Act is not exceeded, the non-Canadian need only file a notification of investment within 30 days of completing the proposed transaction; no net benefit ruling is required in respect of such transactions.

In addition, under Part IV.1 of the Investment Canada Act, certain investments by non-Canadians which include Reviewable Transactions can be made subject to review on grounds that the investment could be injurious to national security. Specifically, in the case of a Reviewable Transaction, a non-Canadian investor cannot complete its investment where it has received, within the prescribed period, notice from the Minister that the investment may be or will be subject to review by the Governor in Council (the federal Cabinet) on grounds that the investment could be injurious to national security. Where such a notice has been received, a non-Canadian investor cannot complete its investment until either it has received (i) a notice from the Minister stating that no order for a review will be made, (ii) a notice from the Minister that an order for a national security review of the transaction has been made and a subsequent notice stating that no further action will be taken, or (iii) after an order for a national security review has been made and the review has been completed, a notice by the Governor in Council authorizing the transaction to proceed, with or without conditions and subject to any written undertakings provided to Her Majesty in right of Canada. In the case of a Reviewable Transaction, a national security review can be required at any time from when the Minister first becomes aware of the investment up to 45 days after an Application for Review has been submitted. Where a national security review is ordered, the net benefit ruling determination is suspended until the national security review has been completed, provided that the Governor in Council has not prohibited the transaction on grounds that it is advisable to do so for purposes of protecting national security.

The transactions contemplated by the Daselina Subscription Agreement may be a Reviewable Transaction because the financial threshold prescribed under Part IV of the Investment Canada Act may be exceeded and Daselina is a non-Canadian entity. Daselina submitted an Application for Review, and the Minister certified it complete as of January 3, 2014. On February 17, 2014 the Minister advised that he was unable to complete his review within the initial 45-day waiting period, and extended the review period for a further 30 days. If the Minister has not completed his review within this subsequent 30 days, he may request a further extension for a period to be agreed upon by Daselina and the Minister.

Section 721 Approval

Completion of the Arrangement is also conditional upon a satisfactory outcome to CFIUS review of the acquisition of control over Mercator's U.S. mining property and business by Daselina under Section 721 of the Defense Production Act of 1950, as amended by the Foreign Investment and National Security Act of 2007 ("**Section 721**"). Under Section 721, the President of the United States has the power to block the acquisition of control over a U.S. business by a foreign person where deemed to be necessary to protect U.S. national security interests. CFIUS also may impose conditions in connection with clearing such a foreign acquisition of a U.S. business. Daselina and Mercator have submitted a joint notification to CFIUS under Section 721 with respect to the Arrangement, which was filed on January 27, 2014 and on January 29, 2014, CFIUS commenced a 30-day review of the transaction, at the end of which CFIUS initiated a further 45-day investigation. At the close of the investigation period, CFIUS will either determine that there are no unresolved national security concerns with respect to the transaction or refer the transaction to the President for an ultimate decision, unless the parties withdraw the notification filing. In the rare case in which CFIUS refers a transaction to the President, he has 15 days in which to make a decision as to whether to exercise his powers under Section 721.

HSR Act Approval

Under the HSR Act and the rules promulgated thereunder by the United States Federal Trade Commission ("**FTC**") certain transactions may not be completed unless notification has been given and certain information has been furnished to the FTC and the Antitrust Division of the United States Department of Justice ("**DOJ**") and the required waiting period has expired or been terminated. The initial waiting period for a transaction of this type is 30 calendar days. The parties made their HSR filings on January 14, 2014. Early termination of the initial waiting period was granted on January 28, 2014.

Stock Exchange Approval and Listings

It is a condition to completing the Arrangement that the Resulting Issuer Common Shares to be issued to Mercator Shareholders pursuant to the Arrangement, including on exercise of Mercator Options or Mercator Warrants after the Effective Time, be approved for listing on the TSX, subject only to official notice of issuance to the TSX and other customary conditions. Mercator received conditional acceptance to list on the TSX the Resulting Issuer Common Shares to be issued or issuable in connection with the Arrangement, under the new symbol "ITG", subject to the satisfaction of the customary requirements of the TSX.

Although it is not a condition to completing the Arrangement, Mercator and Intergeo agreed to apply for a listing of the Put Rights on the TSX. The TSX has conditionally approved the listing of the Put Rights under the symbol "ITG.RT.P" subject to the satisfaction of the customary requirements of the TSX.

Directors and Officers of the Resulting Issuer

On completion of the Arrangement, it is proposed that the directors of the Resulting Issuer will be Maxim Finskiy, Dmitry Razumov, John Lill, Richard Evans, Walter Murray, Patrick Garver, John Bowles, Stephen Quin and Christophe Charlier. The officers of the Resulting Issuer will be John Lill, Robert Wickham, Andrey Shchetinin, William Jupp, Mark Distler, Michael Broch and Marc LeBlanc.

See "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer" for information relating to the proposed directors and officers of the Resulting Issuer. See also "Information Concerning the Resulting Issuer".

THE ARRANGEMENT AGREEMENT

The following description of certain provisions of the Arrangement Agreement is a summary only and is qualified in its entirety by reference to the full text of the Arrangement Agreement, which is available on SEDAR at www.sedar.com under Mercator's profile.

Conditions to the Arrangement Becoming Effective

In order for the Arrangement to become effective, certain conditions, summarized below, must have been satisfied or waived.

Mutual Conditions

The obligations of either Mercator or Intergeo to complete the transactions contemplated in the Arrangement Agreement are subject to the fulfillment of the following conditions at or before the commencement of closing of the Arrangement or such other time as is specified below (which may be waived by mutual consent of Intergeo and Mercator in writing at any time):

- (a) the Daselina Subscription Agreement shall not have been terminated in accordance with its terms;
- (b) the Share Exchange Agreement shall not have been terminated in accordance with its terms;
- (c) the Interim Order shall have been granted in form and substance satisfactory to each of Mercator and Intergeo, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to each of Mercator and Intergeo, acting reasonably, on appeal or otherwise;
- (d) the approval of Mercator Shareholders shall have been obtained at the Mercator Meeting in accordance with the provisions of the BCBCA, the Interim Order and the requirements of any applicable regulatory authority;
- (e) the Final Order shall have been granted in form and substance satisfactory to each of Mercator and Intergeo, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to each of Mercator and Intergeo, acting reasonably, on appeal or otherwise;
- (f) there shall not be in force any Law, and there shall not have been any action taken under any Law or by any Governmental Entity or other regulatory authority, that makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the completion of the Arrangement in accordance with the terms of the Arrangement Agreement;
- (g) the TSX shall have conditionally approved the listing thereon, subject to official notice of issuance, of the Resulting Issuer Common Shares to be issued pursuant to the Arrangement (including the shares which are issuable pursuant to the Daselina Subscription Agreement and the Share Exchange Agreement) as of the Effective Date, or as soon as possible thereafter, and (B) the TSX shall have, if required, accepted notice for filing of and conditionally approved all transactions of Mercator contemplated in the Arrangement Agreement or necessary to

complete the Arrangement, including the continuation of Mercator as a listed TSX company, subject only to compliance with the usual requirements of the TSX, as applicable;

- (h) all third party and other consents, waivers, permits, exemptions, orders, approvals, agreements and amendments and modifications to agreements, indentures or arrangements, the failure of which to obtain or the non-expiry of which would, or could reasonably be expected to have, a Material Adverse Effect on Mercator or Intergeo or materially impede the completion of the Arrangement, shall have been obtained or received on terms that are reasonably satisfactory to each of Mercator and Intergeo;
- (i) the Arrangement will be carried out with the intention that the securities of Mercator to be issued pursuant to the Arrangement will be issued in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) of the U.S. Securities Act (the "**Section 3(a)(10) Exemption**"). In order to ensure the availability of the Section 3(a)(10) Exemption, all requirements of the Section 3(a)(10) Exemption shall have been fulfilled prior to the Effective Time including, without limitation:
 - (i) the Arrangement will be subject to the approval of the Court;
 - (ii) the Court will be advised as to the intention of Intergeo and Mercator to rely on the Section 3(a)(10) Exemption in issuing the securities of Mercator pursuant to the Arrangement based on the Court's approval of the Arrangement prior to the hearing required to approve the Arrangement;
 - (iii) the Court will be required to approve the fairness of the Arrangement;
 - (iv) the Final Order that is obtained from the Court will expressly state that the Arrangement is fair to the securityholders of Mercator and the securityholders of Intergeo;
 - (v) the hearing of the Court to give approval of the Arrangement must be open to everyone to whom securities will be issued under the Arrangement and there will not be any improper impediments to the appearance by those Persons at the hearing;
 - (vi) each securityholder of Mercator entitled to receive securities on completion of the Arrangement will be given adequate notice advising them of their right to attend the hearing of the Court to give approval of the Arrangement and providing them with sufficient information necessary for them to exercise that right;
 - (vii) each securityholder of Mercator entitled to receive securities on completion of the Arrangement will be advised that the securities issued in the Plan of Arrangement have not been registered under the U.S. Securities Act and will be issued in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) of the U.S. Securities Act and may be subject to restrictions on resale under the securities laws of the United States, including, as applicable, Rule 144 under the U.S. Securities Act with respect to Affiliates of Intergeo and Mercator;
 - (viii) the Interim Order approving the meeting of the Mercator Shareholders to approve the Arrangement will specify that each securityholder will have the right to appear before the Court so long as they enter an appearance within a reasonable time; and
 - (ix) the Final Order shall include a statement to substantially the following effect:

"This Order will serve as a basis of a claim to an exemption, pursuant to section 3(a)(10) of the U.S. Securities Act, as amended, from the registration requirements otherwise imposed by that act, regarding the distribution of securities of Mercator, pursuant to the Plan of Arrangement."
- (j) the Key Regulatory Approvals shall have been obtained; and
- (k) the Arrangement Agreement shall not have been terminated in accordance with its terms.

See also "The Arrangement – Shareholder and Court Approvals".

Additional Conditions in Favour of Mercator

The obligation of Mercator to complete the Arrangement is subject to the fulfillment of the following additional conditions at or before the Effective Date or such other time as is specified below (which may be waived, in whole or in part, by Mercator in writing at any time, except as noted below):

- (a) the representations and warranties made by Intergeo in the Arrangement Agreement that are qualified by the expression "Material Adverse Change" or "Material Adverse Effect" shall be true and correct as of the Effective Date as if made on and as of such date (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date), and all other representations and warranties made by Intergeo in the Arrangement Agreement shall be true and correct in all material respects as of the Effective Date as if made on and as of such date (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date), in either case, except where any failures or breaches of representations and warranties would not either individually or in the aggregate, in the reasonable judgment of Mercator, have a Material Adverse Effect on Intergeo, and Intergeo shall have provided to Mercator a certificate of two officers thereof certifying such accuracy or lack of Material Adverse Effect on the Effective Date. No representation or warranty made by Intergeo thereunder shall be deemed not to be true and correct if the facts or circumstances which make such representation or warranty untrue or incorrect are disclosed or referred to, or provided for, or stated to be exceptions under the Arrangement Agreement;
- (b) Mercator being satisfied acting reasonably that, from the date of the Arrangement Agreement to the Effective Date, there shall not have occurred, and Intergeo or any of the Intergeo Subsidiaries shall not have incurred or suffered, any one or more changes, effects, events, occurrences or states of facts that, either individually or in the aggregate, have, or could reasonably be expected to have, a Material Adverse Effect on Intergeo;
- (c) Intergeo shall have complied in all material respects with its covenants outlined in the Arrangement Agreement and shall have provided to Mercator a certificate of two officers thereof, certifying that, as of the Effective Date, it has complied with the applicable covenants therein;
- (d) the Put Rights Indenture shall have been executed and delivered and Intergeo shall have caused Daselina or Daselina's designee to have deposited cash or an irrevocable letter of credit as referred to in Section 2.3 of the Arrangement Agreement in accordance with the Put Rights Indenture. The Exemptive Relief was granted on the basis that Mercator will not complete the Arrangement unless the Escrowed Funds are deposited in cash;
- (e) the Intergeo Board shall have adopted all necessary resolutions and all other necessary corporate action shall have been taken by Intergeo to permit the completion of the Arrangement;
- (f) Mercator shall have received evidence to its satisfaction, acting reasonably, that either (i) the amended and restated shareholders' rights agreement among Daselina, Kirkland, Intergeo and Intergeo Cyprus dated as of January 31, 2013 has been terminated, or (ii) Intergeo and Intergeo Cyprus are no longer parties to such amended and restated shareholders' rights agreement and that neither Intergeo nor Intergeo Cyprus has any ongoing obligations (in any respect) thereunder; and
- (g) Mercator shall have received evidence to its satisfaction, acting reasonably, that either (i) the option agreement entered into between Daselina and Kirkland, dated as of March 21, 2012 as amended on January 23, 2013 has been terminated, or (ii) such option agreement no longer applies to the Intergeo Shares.

Additional Conditions in Favour of Intergeo

The obligation of Intergeo to complete the Arrangement is subject to the fulfillment of the following additional conditions at or before the Effective Date or such other time as is specified below (which may be waived, in whole or in part, by Intergeo in writing at any time):

- (a) the representations and warranties made by Mercator in the Arrangement Agreement that are qualified by the expression "Material Adverse Change" or "Material Adverse Effect" shall be true and correct as of the Effective Date as if made on and as of such date (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date),

and all other representations and warranties made by Mercator in the Arrangement Agreement that are not so qualified shall be true and correct in all material respects as of the Effective Date as if made on and as of such date (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date), in either case, except where any failures or breaches of representations and warranties would not either, individually or in the aggregate, in the reasonable judgment of Intergeo, have a Material Adverse Effect on Mercator, and Mercator shall have provided to Intergeo a certificate of two officers thereof certifying such accuracy or lack of Material Adverse Effect on the Effective Date. No representation or warranty made by Mercator hereunder shall be deemed not to be true and correct if the facts or circumstances that make such representation or warranty untrue or incorrect are disclosed or referred to, or provided for, or stated to be exceptions under the Arrangement Agreement;

- (b) Intergeo being satisfied acting reasonably that, from the date of the Arrangement Agreement to the Effective Date, there shall not have occurred, and Mercator or any of the Mercator Subsidiaries shall not have incurred or suffered, any one or more changes, effects, events, occurrences or states of facts that, either individually or in the aggregate, have, or could reasonably be expected to have, a Material Adverse Effect on Mercator;
- (c) Mercator shall have complied in all material respects with its covenants outlined in the Arrangement Agreement and Mercator shall have provided to Intergeo a certificate of two officers thereof certifying that, as of the Effective Date, Mercator has so complied with its covenants therein;
- (d) the aggregate number of Mercator Shares held, directly or indirectly, by those holders of such Mercator Shares who have validly exercised Dissent Rights and not withdrawn such exercise in connection with the Arrangement (or instituted proceedings to exercise Dissent Rights) shall not exceed 5% of the aggregate number of Mercator Shares outstanding as at the day immediately preceding the Effective Date (without giving effect to any of the transactions contemplated by the Arrangement);
- (e) each officer and/or director of Mercator and/or the Mercator Subsidiaries designated by the Intergeo Board shall have resigned such office and shall have delivered a mutual release to Mercator in form and substance satisfactory to Intergeo acting reasonably;
- (f) a Flip-in Event for purposes of the Mercator Shareholder Rights Plan (as defined therein) shall not have occurred and the Mercator Shareholder Rights Plan shall have been terminated;
- (g) no Default or Event of Default (as defined therein) shall be existing under the Bridge Loan Agreement;
- (h) an amended and restated credit agreement, amending and restating the Credit Facility, satisfactory to Intergeo in its sole discretion, shall have been fully executed and delivered and not subsequently further amended or terminated in accordance with its terms, and that on the Effective Date, no event has occurred or is continuing that, with the giving of notice or the passage of time, could result in a termination of or default under the amended and restated credit agreement assuming that the amended and restated credit agreement is in full force and effect at the Effective Date; and
- (i) the fees and expenses of (A) the Financial Advisor and (B) the aggregate fees and expenses of Mercator's other advisors, to be paid from the proceeds of the Daselina Subscription Agreement pursuant to the Plan of Arrangement shall not exceed certain amounts, exclusive of any taxes and disbursements.

Representations and Warranties

The Arrangement Agreement contains a number of customary representations and warranties made by each of Mercator and Intergeo relating to, among other things, organization, capitalization, and the corporate authorization and enforceability of, and board approval of, the Arrangement Agreement and the Arrangement. The representations and warranties also address various matters relating to the business, operations and properties of each of Intergeo and Mercator and their respective subsidiaries. The assertions embodied in those representations and warranties were made solely for the purposes of the Arrangement Agreement and may be subject to important qualifications and limitations agreed to by each of Mercator and Intergeo in connection with negotiating its terms. Moreover, some of those representations and warranties are subject to a contractual standard of materiality or material adverse effect different from that generally applicable to public disclosure under Securities Laws or are used for the purpose of allocating risk between either Mercator or Intergeo. For the

foregoing reasons, Mercator Shareholders should not rely on the representations and warranties contained in the Arrangement Agreement as statements of factual information at the time they were made or otherwise.

Covenants

In the Arrangement Agreement, each of Mercator and Intergeo has agreed to certain customary negative and affirmative covenants including covenants relating to the operation of their respective businesses in the ordinary and regular course of business, and to use commercially reasonable efforts to satisfy, or cause to be satisfied, all conditions precedent to their respective obligations under the Arrangement Agreement. In addition, Mercator has agreed to convene the Mercator Meeting by no later than the Meeting Date Deadline or as provided in the Interim Order.

Non-Solicitation Covenants of Mercator and Superior Acquisition Proposal

No Third Party Discussions

Pursuant to the terms of the Arrangement Agreement, Mercator shall, and it shall cause the Mercator Subsidiaries and the Representatives of Mercator to, immediately cease and cause to be terminated any solicitation, encouragement, discussion or negotiation with any Person (other than Intergeo or its Affiliates) conducted before December 12, 2013 by Mercator, its Subsidiaries or any Representatives with respect to any Acquisition Proposal or potential Acquisition Proposal. In connection therewith, Mercator and its Representatives shall discontinue access by third parties to the Mercator Data Room Information (and not establish or allow access to any other data rooms, virtual or otherwise, or otherwise furnish any of its confidential information) and shall as soon as possible, but in any event within three Business Days of December 12, 2013, send a letter to all Persons who have entered into confidentiality agreements with Mercator pertaining to any Acquisition Proposal or potential Acquisition Proposal requesting, in accordance with any such confidentiality agreement signed with any such Person (and exercising all rights it has to require), the return or destruction of any confidential information provided to such Person, and Mercator will use its commercially reasonable efforts to ensure that such requests are complied with.

Mercator also covenants and agrees that (a) it shall take all necessary action to enforce each confidentiality, standstill or similar agreement or restriction to which Mercator or any of its Subsidiaries is a party, and (b) neither Mercator, nor any of its Subsidiaries or any of their respective Representatives have or will, without the prior written consent of Intergeo, release any Person from, or waive, amend, suspend or otherwise modify such Person's obligations respecting Mercator or any of its Subsidiaries under any confidentiality, standstill or similar agreement or restriction to which Mercator or any of its Subsidiaries is a party, it being acknowledged and agreed that the automatic termination of any standstill provisions of any such agreement as a result of the entering into and/or the announcement of the Arrangement Agreement by Mercator, pursuant to the express terms of any such agreement, shall not be a violation of the Arrangement Agreement.

Mercator Covenants Regarding Non-Solicitation

Mercator shall not, except as expressly provided in the Arrangement Agreement, directly or indirectly, through any Representative:

- (a) solicit, initiate, knowingly encourage or otherwise knowingly facilitate (including by way of furnishing any of its confidential information or entering into any form of agreement, arrangement or understanding) any inquiries, offers, expressions of interest or proposals that constitute, or which may reasonably be expected to constitute, an Acquisition Proposal;
- (b) participate in any discussions or negotiations regarding any Acquisition Proposal (or potential Acquisition Proposal);
- (c) approve or recommend, or propose publicly to approve or recommend, any Acquisition Proposal;
- (d) enter into any agreement related to any Acquisition Proposal (other than a confidentiality agreement permitted by and in accordance with Section 6.2(a)(vi) of the Arrangement Agreement, summarized in subparagraph (e)(i) below) or publicly propose to enter into any such agreement; or
- (e) withdraw, modify, or qualify, or publicly propose or state an intention to withdraw, modify or qualify, the Mercator Recommendation (a "**Change of Mercator Recommendation**"), it being understood that, after being

requested by Intergeo in writing, failing to affirm the Mercator Recommendation after an Acquisition Proposal has been publicly announced within five Business Days after receipt of such written request from Intergeo shall be considered an adverse modification;

provided, however, that notwithstanding any provision of the Arrangement Agreement, if at any time prior to obtaining the approval of Mercator Shareholders, Mercator receives an Acquisition Proposal, nothing shall prevent Mercator or its Representatives from:

- (i) engaging in or participating in discussions or negotiations with such Person regarding such Acquisition Proposal, and/or providing copies of, access to or disclosure of confidential information, properties, facilities, books or records of Mercator or its subsidiaries at any time prior to obtaining the approval of Mercator Shareholders, provided that: (A) the Mercator Board has determined in good faith, after consultation with financial and outside legal advisors, that such Acquisition Proposal constitutes or could reasonably be expected to constitute or lead to, a Superior Acquisition Proposal; and (B) prior to responding to and/or engaging or participating in discussions or negotiations with any Person regarding such Acquisition Proposal, Mercator has notified Intergeo of its determination that such Acquisition Proposal constitutes or could reasonably be expected to constitute or lead to, a Superior Acquisition Proposal; (C) prior to providing any such copies, access, or disclosure, Mercator has entered into a confidentiality agreement with such Person on terms which are substantively similar to the Confidentiality Agreements; and (D) Mercator is not in breach of its obligations under Subsections 6.2(a) and 6.2(b) of the Arrangement Agreement; and
- (ii) subject to compliance with Sections 6.2 and 6.3 of the Arrangement Agreement, accepting, approving, recommending or entering into a binding agreement in respect of a Superior Acquisition Proposal and/or making a Change of Mercator Recommendation prior to obtaining the approval of Mercator Shareholders.

Mercator shall promptly notify Intergeo orally (and then in writing within twenty-four (24) hours) after it or any of its Representatives has received or become aware of, any proposal, inquiry, offer or request (or any amendment thereto) relating to or constituting an Acquisition Proposal, any request for discussions or negotiations, or any request for information relating to Mercator or any of its Subsidiaries in connection with an Acquisition Proposal or a potential Acquisition Proposal or for access to the properties, information or books and records of Mercator. Such notice shall include a description of the material terms and conditions (including the offer price) of, and the identity of the Person making, any Acquisition Proposal, inquiry, offer or request. Mercator shall also promptly provide Intergeo with (i) a copy of any written notice or other written communication from any Person informing Mercator that it is considering making or has made, an Acquisition Proposal, (ii) a copy of any Acquisition Proposal (or any amendment thereof) received by Mercator, and (iii) such other details of any such Acquisition Proposal that Intergeo may reasonably request. Mercator shall keep Intergeo informed of the status of any Acquisition Proposal and keep Intergeo fully informed as to the details of any permitted discussions or negotiations.

Notice by Mercator of Superior Acquisition Proposal Determination and Right to Match

If Mercator receives an Acquisition Proposal that constitutes a Superior Acquisition Proposal prior to the approval of Mercator Shareholders being obtained, Mercator may enter into any agreement in respect of a Superior Acquisition Proposal and/or make a Change of Mercator Recommendation if:

- (a) Mercator has complied with its obligations under Sections 6.1 and 6.2 of the Arrangement Agreement; and
- (b) Mercator has provided Intergeo with written notice promptly following the Mercator Board's determination, subject only to compliance with Section 6.3 of the Arrangement Agreement, to accept, approve, recommend or enter into a binding support, acquisition, arrangement or other similar agreement with any Person and/or make a Change of Mercator Recommendation, which notice sets out the terms of a Superior Acquisition Proposal and a copy of the confidentiality agreement with such Person, and a period (the "**Response Period**") of five (5) Business Days has elapsed from the date that is the later of: (x) the date on which Intergeo receives such written notice; and (y) the date Intergeo receives from Mercator a copy of the Acquisition Proposal which the Mercator Board has determined is a Superior Acquisition Proposal.

During the Response Period, Intergeo will have the right, but not the obligation, to offer to amend the Arrangement Agreement in writing, including an increase in, or modification of, the aggregate consideration under the Arrangement. During the Response Period, Mercator shall negotiate with Intergeo in a manner consistent with the fiduciary duties of the Mercator Board. The Mercator Board shall review any such offer by Intergeo to determine whether the Superior Acquisition Proposal to which Intergeo is responding would continue to be a Superior Acquisition Proposal when assessed against the Arrangement as proposed to be amended in writing by Intergeo. If the Mercator Board determines that the Superior Acquisition Proposal no longer constitutes a Superior Acquisition Proposal, Mercator and Intergeo shall enter into an amendment to the Arrangement Agreement and the Plan of Arrangement incorporating the amendments to the Arrangement Agreement as set out in Intergeo's written offer to amend, and the Mercator Board will promptly reaffirm its recommendation of the Arrangement, as amended, by the prompt issuance of a press release to that effect. If the Mercator Board determines that the Superior Acquisition Proposal continues to be a Superior Acquisition Proposal, Mercator may approve and recommend that Mercator Shareholders accept such Superior Acquisition Proposal and shall terminate the Arrangement Agreement in accordance with Subsection 7.3(d)(i) thereof.

Each successive amendment to any Acquisition Proposal that results in an increase in, or modification of, the consideration (or value of such consideration) to be received by Mercator Shareholders shall constitute a new Acquisition Proposal for the purposes of Section 6.3 of the Arrangement Agreement and Intergeo shall be afforded a new Response Period and the rights afforded in such Section 6.3 in respect of each such Acquisition Proposal.

Where at any time before the Mercator Meeting, Mercator has provided Intergeo with a notice under Subsection 6.3(a)(ii) of the Arrangement Agreement, an Acquisition Proposal has been publicly disclosed or announced, and the Response Period has not elapsed, then, subject to applicable Laws, Mercator may (or, at Intergeo's request, will) postpone or adjourn the Mercator Meeting to a date acceptable to Intergeo, acting reasonably, which shall not be less than five and not more than ten (10) Business Days after the scheduled date of the Mercator Meeting and shall, in the event that Intergeo and Mercator amend the terms of the Arrangement Agreement pursuant to Subsection 6.3 therein, ensure that the details of such amended Arrangement Agreement are communicated to the Mercator Shareholders prior to the resumption of the adjourned Mercator Meeting.

Additional Terms of the Arrangement Agreement

Break Fee and Repayment of Bridge Loan

In the event that the Arrangement Agreement is terminated by Intergeo because (a) the Mercator Board fails to make the Mercator Recommendation, (b) the Mercator Board makes a Change of Mercator Recommendation, (c) the Mercator Board approves or recommends a Superior Acquisition Proposal, (d) Mercator enters into a definitive written agreement with respect to a Superior Acquisition Proposal, (e) there is an intentional breach of the covenants by Mercator, any of its Subsidiaries, or any of Mercator's Representatives in each case, before the Effective Date, or (f) except as permitted under the Arrangement Agreement, if Mercator fails, after being requested by Intergeo in writing, to reaffirm the Mercator Recommendation as promptly as possible (but in any event within five Business Days) after receipt of such written request from Intergeo, then Mercator shall pay to Intergeo within two Business Days of the termination of the Arrangement Agreement, an amount in cash equal to US\$6,000,000, (the "**Mercator Termination Payment**") and shall pay to Daselina the principal amount, together with all accrued and unpaid interest, outstanding under the Bridge Loan in immediately available funds and provide to Intergeo evidence of such payment having been made to Daselina. In the event that the Arrangement Agreement is terminated by Mercator pursuant to (d), above, then Mercator shall pay the Mercator Termination Payment to Intergeo and shall pay, or cause to be paid to Daselina, the principal amount, together with all accrued and unpaid interest, outstanding under the Bridge Loan, prior to, and as a condition precedent to, such termination Mercator shall not be obligated to make more than one Mercator Termination Payment pursuant to Section 6.5 of the Arrangement Agreement. Mercator shall be entitled to deduct and withhold from the Mercator Termination Payment such amounts that Mercator is required to deduct and withhold pursuant to the Tax Act and such deducted and withheld amounts shall be treated for all purposes of the Arrangement Agreement as having been paid to Intergeo. Mercator acknowledges that the Mercator Termination Payment is a payment of liquidated damages which are a genuine pre-estimate of the damages which Intergeo will suffer or incur as a result of the event giving rise to such damages and the resultant non-completion of the Arrangement and are not penalties. Mercator irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. Upon receipt of payment of the Mercator Termination Payment by Intergeo, Intergeo shall have no further claim against Mercator in respect of the failure to complete the Arrangement, provided that nothing in the Arrangement Agreement shall preclude Intergeo from seeking injunctive relief to restrain any breach or threatened breach by Mercator of any of its obligations thereunder or otherwise to obtain specific performance without the necessity of posting bond or security in connection therewith.

In addition, if the Arrangement is not completed, the Bridge Loan Warrants, which are effective at the time of termination will vest and become exercisable. See “The Arrangement – Bridge Loan” for details of the number of the 50,962,676 Bridge Loan Warrants which will be effective depending on the amount of the commitment that has been made under the Bridge Loan at the time of the termination.

Amendment of the Arrangement Agreement

The Arrangement Agreement may, at any time before or after the Meeting, be amended by mutual written agreement of Intergeo and Mercator, and any such amendment may, without limitation:

- (a) change the time for the performance of any of the obligations or acts of either Mercator or Intergeo;
- (b) waive any inaccuracies in or modify any representation or warranty contained in the Arrangement Agreement or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants contained in the Arrangement Agreement and waive or modify the performance of any of the obligations of either Mercator or Intergeo; and
- (d) waive compliance with or modify any condition contained in the Arrangement Agreement.

The Arrangement Agreement and the Plan of Arrangement may be amended in accordance with the Final Order, but in the event that the terms of the Final Order require any such amendment, certain of the rights of Intergeo and Mercator under the Arrangement Agreement shall remain unaffected.

Termination of the Arrangement Agreement

The Arrangement Agreement may be terminated at any time prior to the Effective Date:

- (a) by the mutual written consent, duly authorized by the board of directors of each of Mercator and Intergeo;
- (b) if any of the conditions under the Arrangement Agreement for the benefit of Mercator or Intergeo (as the case may be) is not satisfied or waived in accordance with those sections (provided that the terminating party is not in material breach of its obligations under the Arrangement Agreement);
- (c) by Intergeo:
 - (i) if the Mercator Board fails to make the Mercator Recommendation;
 - (ii) if the Mercator Board shall have made a Change of Mercator Recommendation;
 - (iii) if the Mercator Board approves or recommends a Superior Acquisition Proposal;
 - (iv) if Mercator enters into a definitive written agreement with respect to a Superior Acquisition Proposal;
 - (v) if Mercator has failed to hold the Mercator Meeting on or before the Meeting Date Deadline, unless such failure results from an adjournment of the Mercator Meeting for not more than ten (10) Business Days as contemplated by Subsection 6.3(d) of the Arrangement Agreement or such failure is the fault of Intergeo;
 - (vi) if there is an intentional breach of the covenants by Mercator, any of its Subsidiaries, or any of Mercator's Representatives in each case, before the Effective Date; or
 - (vii) except as permitted under Subsection 6.3(b) of the Arrangement Agreement, if Mercator shall have failed, after being requested by Intergeo in writing, to reaffirm the Mercator Recommendation as promptly as possible (but in any event within five Business Days) after receipt of such written request from Intergeo;

- (d) by Mercator:
 - (i) if Mercator proposes to enter into a definitive agreement with respect to a Superior Acquisition Proposal in compliance with Sections 6.2 and 6.3 of the Arrangement Agreement, provided that Mercator has paid the Mercator Termination Payment to Intergeo, and the principal amount, together with all accrued and unpaid interest, outstanding under the Bridge Loan have been paid to Daselina, and evidence that such payment has been made to Daselina has been provided to Intergeo; or
 - (ii) if there is an intentional breach of the covenants of Intergeo, any of its Subsidiaries or any of Intergeo's Representatives, in each case, before the Effective Date;
- (e) by Intergeo or by Mercator if the Mercator Meeting shall have been held and the approval of Mercator Shareholders shall not have been obtained; or
- (f) by Intergeo or by Mercator if the Arrangement shall not have been completed by the Completion Deadline, provided that neither Mercator or Intergeo may not terminate the Arrangement Agreement pursuant to Section 7.3(f) thereof if the failure of the Arrangement to have been completed by the Completion Deadline has been caused by, or is a result of, a breach by Mercator or Intergeo (as the case may be) of any of its representations or warranties or the failure of Mercator or Intergeo (as the case may be) to perform any of its covenants or agreements under the Arrangement Agreement,

provided that any termination in accordance with the paragraphs above shall be made by delivering written notice thereof to the other party prior to the Effective Date and specifying therein in reasonable detail the matter or matters giving rise to such termination right and provided further that any termination by Mercator in accordance with Subsection 7.3(b) of the Arrangement Agreement by reason of Intergeo not having obtained all consents, waivers, permits, exemptions, orders and approvals contemplated by Subsection 5.1(h) of the Arrangement Agreement or any applicable waiting periods relating to any of the foregoing not having expired on or before the Completion Deadline, then provided that any related order, approval, decree, ruling or other action is being contested or appealed, or such consents, waivers, permits, exemptions, orders or approvals are being actively sought, as applicable, the Completion Deadline may be extended by Intergeo, by written notice to Mercator delivered prior to 5:00 p.m. (Vancouver time) on the Completion Deadline, to a date which is no later than May 30, 2014 or such later date as either Mercator or Intergeo (as the case may be), acting reasonably, may agree. In the event of any such termination, subject to the obligations of Mercator and Intergeo contained in Article 6 of the Arrangement Agreement, including the payment required by Mercator by Section 6.5 therein, each of Mercator and Intergeo shall be deemed to have released, remised and forever discharged the other party in respect of any and all claims arising in respect of the Arrangement Agreement, except as otherwise provided therein.

In addition, as a result of the termination of the Arrangement Agreement without completion of the Arrangement, the Bridge Loan Warrants which are effective at the time of termination will vest and become exercisable. See "The Arrangement – Bridge Loan" for details of the number of the 50,962,676 Bridge Loan Warrants which will be effective depending on the amount of the commitment that has been made under the Bridge Loan at the time of the termination.

RIGHTS OF DISSENTING SHAREHOLDERS

Mercator Shareholders who wish to dissent should take note that strict compliance with the Dissent Procedures is required.

The following is a summary of the provisions of the BCBCA relating to a Mercator Shareholder's Dissent Rights in respect of the Arrangement Resolution, as noted in the Notice of Special Meeting. **The following description of the rights of Dissenting Holders is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of their Mercator Shares and is qualified in its entirety by the reference to the full text of the Plan of Arrangement, which is attached to this Circular as Appendix B, the Interim Order, which is attached to this Circular as Appendix D, the Final Order, if applicable, and the text of Division 2 of Part 8 of the BCBCA, which is attached to this Circular as Appendix F. A Dissenting Holder who intends to exercise the right to dissent should carefully consider and comply with the provisions of Division 2 of Part 8 of the BCBCA, as modified by the Interim Order, the Final Order, if applicable, and the Plan of Arrangement. Failure to comply with such provisions, as modified by the Interim Order, the Final Order, if applicable, and the Plan of Arrangement, and to adhere to the procedures established therein may result in the loss of all dissent rights thereunder.**

The statutory provisions dealing with the right of dissent are technical and complex. Any Mercator Shareholder wishing to exercise Dissent Rights should seek independent legal advice, as failure to comply strictly with the provisions of Sections 237 to 247 of the BCBCA (as modified by the Plan of Arrangement, the Interim Order, and if applicable, the Final Order) may prejudice his or her right of dissent.

Only Registered Shareholders are entitled to Dissent Rights. Any Beneficial Shareholder who wishes to dissent should arrange to have his or her Mercator Shares registered in his or her name prior to the applicable deadline for exercising the Dissent Rights or should make arrangements with the registered holder of his or her Mercator Shares to exercise Dissent Rights on his or her behalf.

Pursuant to Section 238 of the BCBCA, every Registered Shareholder who dissents from the Arrangement Resolution (referred to in this Circular as a **"Dissenting Holder"**) in compliance with Sections 237 to 247 of the BCBCA (as modified by the Interim Order, Final Order, if applicable, and the Plan of Arrangement) will be entitled to be paid the fair value of the Mercator Shares held by such Dissenting Holder determined as at the point in time immediately before the passing of the Arrangement Resolution, excluding any appreciation or depreciation in anticipation of the vote (unless such exclusion would be inequitable).

A Dissenting Holder must dissent with respect to all Mercator Shares in which the holder owns a beneficial interest. A Registered Shareholder who wishes to dissent must deliver written notice of dissent (a **"Notice of Dissent"**) to Mercator at its head office at Suite 1050 – 625 Howe Street, Vancouver, British Columbia, Canada V6C 2T6, and such Notice of Dissent must strictly comply with the requirements of Section 242 of the BCBCA (as modified by the Interim Order, the Final Order, if applicable, and the Plan of Arrangement). Pursuant to the Plan of Arrangement, the Notice of Dissent must be received by Mercator at least two Business Days before the Meeting or any date to which the Meeting may be postponed or adjourned. Any failure by a Mercator Shareholder to fully comply may result in the loss of that holder's Dissent Rights. Beneficial Shareholders who wish to exercise Dissent Rights must arrange for the Registered Shareholder holding their Mercator Shares to deliver the Notice of Dissent.

The delivery of a Notice of Dissent does not deprive a Dissenting Holder of the right to vote at the Meeting on the Arrangement Resolution; however, a Dissenting Holder is not entitled to exercise Dissent Rights with respect to any of his or her Mercator Shares if the Dissenting Holder votes in favour of the Arrangement Resolution. A vote against the Arrangement Resolution, whether in person or by proxy, does not constitute a Notice of Dissent.

A Dissenting Holder must prepare a separate Notice of Dissent for himself or herself, if dissenting on his or her own behalf, and for each other person who beneficially owns Mercator Shares registered in the Dissenting Holder's name and on whose behalf the Dissenting Holder is dissenting; and must dissent with respect to all of the Mercator Shares registered in his or her name beneficially owned by the Beneficial Shareholder on whose behalf he or she is dissenting. The Notice of Dissent must set out the number of Mercator Shares in respect of which the Notice of Dissent is to be sent (the **"Notice Shares"**) and: (a) if such Mercator Shares constitute all of the Mercator Shares of which the Dissenting Holder is the registered and beneficial owner, a statement to that effect; (b) if such Mercator Shares constitute all of the Mercator Shares of which the Dissenting Holder is both the registered and beneficial owner but the Dissenting Holder owns additional Mercator Shares beneficially, a statement to that effect and the names of the Registered Shareholders, the number of Mercator Shares held by such registered owners and a statement that written Notices of Dissent have or will be sent with respect to such Mercator Shares; or (c) if the Dissent Rights are being exercised by a registered owner who is not the beneficial owner of such Mercator Shares, a statement to that effect and the name of the beneficial owner and a statement that the registered owner is dissenting with respect to all Mercator Shares of the beneficial owner registered in such registered owner's name.

If the Arrangement Resolution is approved by the Mercator Shareholders and if Mercator notifies the Dissenting Holders of its intention to act upon the Arrangement Resolution, the Dissenting Holder is then required, within one month after Mercator gives such notice, to send to Mercator the certificates representing the Notice Shares and a written statement that requires Mercator to purchase all of the Notice Shares. If the Dissent Rights are being exercised by the Dissenting Holder on behalf of a Beneficial Shareholder who is not the Dissenting Holder, a statement signed by the beneficial owner is required, which sets out whether the beneficial owner is the beneficial owner of other Mercator Shares and if so, (i) the names of the registered owners of such Mercator Shares; (ii) the number of such Mercator Shares; and (iii) that Dissent Rights are being exercised in respect of all of such Mercator Shares.

The Dissenting Holder and Mercator may agree on the payout value of the Notice Shares; otherwise, either party may apply to the Court to determine the fair value of the Notice Shares or apply for an order that value be established by arbitration or

by reference to the registrar or a referee of the Court. After a determination of the payout value of the Notice Shares, Mercator must then promptly pay that amount to the Dissenting Holder.

A Dissenting Holder loses his or her Dissent Rights if, before full payment is made for the Notice Shares, Mercator abandons the corporate action that has given rise to the Dissent Rights (namely the Arrangement), a court permanently enjoins the action, or the Dissenting Holder withdraws the Notice of Dissent with Mercator's consent. When these events occur, Mercator must return the share certificates to the Dissenting Holder and the Dissenting Holder regains the ability to vote and exercise shareholder rights.

The discussion above is only a summary of the Dissent Rights, which are technical and complex. A Mercator Shareholder who intends to exercise Dissent Rights should carefully consider and comply with the provisions of Sections 237 to 247 of the BCBCA (as modified by the Plan of Arrangement, the Interim Order, and the Final Order, if applicable). **Persons who are Beneficial Shareholders of Mercator Shares registered in the name of an Intermediary or in some other name, who wish to dissent should be aware that only the registered owner of such Mercator Shares is entitled to dissent.**

It is suggested that any Mercator Shareholder wishing to avail himself or herself of the Dissent Rights seek his or her own legal advice as failure to comply strictly with the applicable provisions of the BCBCA may prejudice the availability of such Dissent Rights. Dissenting Holders should note that the exercise of Dissent Rights can be a complex, time-consuming and expensive process.

It is a condition to the Arrangement that the aggregate number of Mercator Shares held, directly or indirectly, by Dissenting Holders and who have not withdrawn such exercise in connection with the Arrangement (or instituted proceedings to exercise Dissent Rights) shall not exceed 5% of the aggregate number of Mercator Shares outstanding as at the day immediately preceding the Effective Date (without giving effect to any of the transactions contemplated by the Arrangement).

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP, Canadian tax counsel to Mercator, the following is, as of the date of this Circular, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a beneficial Mercator Shareholder who disposes of Mercator Shares under the Arrangement and who, at all relevant times, for purposes of the Tax Act, deals at arm's length and is not affiliated with Mercator or Intergeo and holds the Mercator Shares and will hold the Resulting Issuer Common Shares and Initial Put Rights (individually a "**Security**" and collectively, the "**Securities**") acquired under the Arrangement as capital property (a "**Holder**"). Generally, the Securities will be considered capital property to a person for purposes of the Tax Act provided the person does not hold those Securities in the course of carrying on a business and has not acquired such Securities in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is based on representations from Mercator as to certain factual matters, the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced prior to the date hereof by the Minister of Finance (Canada) ("**Proposed Amendments**") and counsel's understanding of the current published administrative and assessing practices and policies of the CRA. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law or any changes in administrative or assessing practices or policies, whether by way of legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from the Canadian federal income tax considerations discussed herein. No assurance can be given that the Proposed Amendments will be enacted as currently proposed or at all.

This summary is of a general nature only and neither is intended to be, nor should be construed to be, legal, tax or business advice to any particular Mercator Shareholder. Consequently, Mercator Shareholders should consult their own advisors regarding the tax consequences applicable to them in their particular circumstances. This summary also does not address the income tax considerations of the Arrangement to the holders of Mercator Options, Creston Options, Mercator Warrants, Mercator DSUs and Mercator RSUs. Mercator Shareholders who are resident in, or who otherwise are subject to tax in, jurisdictions other than Canada should consult their own advisors with respect to the tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions.

Holders Resident in Canada

This section of the summary is applicable to a Holder who, at all relevant times, is, or is deemed to be, resident in Canada for purposes of the Tax Act (a **"Resident Holder"**).

Certain Resident Holders whose Mercator Shares or Resulting Issuer Common Shares otherwise might not qualify as capital property may be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have those shares, and any other "Canadian security", as defined in the Tax Act, owned in the year of the election and any subsequent taxation year, deemed to be capital property. This election is not available in respect of the Put Rights. Resident Holders contemplating making an election pursuant to subsection 39(4) of the Tax Act should first consult their own tax advisors.

This summary is not applicable to a Resident Holder: (i) that is a "financial institution" as defined in the Tax Act for the purposes of the "mark to market property" rules contained in the Tax Act; (ii) that is a "specified financial institution" or "restricted financial institution" as defined in the Tax Act; (iii) that has acquired Mercator Shares on the exercise of an employee stock option; (iv) an interest in which is, or whose Mercator Shares are, a "tax shelter investment" as defined in the Tax Act; (v) whose "functional currency" for purposes of the Tax Act is the currency of a country other than Canada; or (vi) that has entered or will enter into, with respect to the Securities, a "derivative forward agreement" within the meaning of the Tax Act. Additional considerations not described herein may be applicable to a Resident Holder that is a corporation resident in Canada and that is, or becomes, controlled by a non-resident corporation for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Resident Holders should consult their own tax advisors.

Dissenting Resident Holders

A Resident Holder who validly exercises Dissent Rights (a **"Dissenting Resident Holder"**) will be deemed to have transferred such Dissenting Resident Holder's Mercator Shares to Mercator, and will be entitled to receive a payment from Mercator of an amount equal to the fair value of the Dissenting Resident Holder's Mercator Shares. The Dissenting Resident Holder will be deemed to have received a dividend equal to the amount, if any, by which the amount received from Mercator for the Mercator Shares, (excluding interest, if any, awarded by the Court), exceeds the paid-up capital for purposes of the Tax Act of such Mercator Shares (as determined under the Tax Act). Any such deemed dividend will not be an eligible dividend for the purposes of the enhanced gross-up and dividend tax credit rules because it will not be designated as such by Mercator.

Where a Dissenting Resident Holder is an individual, any deemed dividend will be included in computing that Dissenting Resident Holder's income and will be subject to the gross-up and dividend tax credit rules normally applicable to dividends (other than eligible dividends) received from taxable Canadian corporations. In the case of a Dissenting Resident Holder that is a corporation, any deemed dividend will be included in income and generally will be deductible in computing taxable income. However, in some circumstances, the amount of any such deemed dividend received by a corporation may be treated as proceeds of disposition and not as a dividend under subsection 55(2) of the Tax Act. Dissenting Resident Holder that are corporations should consult their own tax advisors in this regard.

"Private corporations" and "subject corporations" (as defined in the Tax Act) may be liable for a refundable Part IV tax on any dividends received to the extent such dividends are deductible in computing the Dissenting Resident Holder's taxable income for the year.

A Dissenting Resident Holder will also be considered to have disposed of Mercator Shares for proceeds of disposition equal to the amount paid to such Dissenting Resident Holder (excluding interest, if any, awarded by the Court) and the amount of any deemed dividend. Dissenting Resident Holder may realize a capital gain (or sustain a capital loss) in respect of such disposition to the extent that the proceeds of disposition of such Mercator Shares, as reduced by the amount of any deemed dividend as discussed above, and net any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Mercator Shares to such Dissenting Resident Holder immediately before the disposition. See "Taxation of Capital Gains and Capital Losses" for information on the taxation of capital gains and capital losses.

Any interest awarded by the Court to a Dissenting Resident Holder will be included in such Dissenting Resident Holder's income for the purposes of the Tax Act. A Resident Dissenting Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of $6\frac{2}{3}\%$ on its "aggregate investment income" for the year, which will include such interest.

Resident Dissenting Holders should consult their own tax advisors for specific advice with respect to the tax consequences in their own particular circumstances of exercising their Dissent Rights.

Reorganization of the Capital of Mercator

Pursuant to the Arrangement, the capital of Mercator will be reorganized, resulting in each Resident Holder (other than a Dissenting Resident Holder) exchanging each Mercator Share held for one Class B Common Share and one Initial Put Right. This summary assumes that the fair market value of the Initial Put Right distributed on the reorganization of capital will not exceed the paid-up capital for the purposes of the Tax Act of a Mercator Share. Management of Mercator has advised that the paid-up capital of the Mercator Shares immediately prior to the Arrangement should be at least C\$1.25 per Mercator Share. Based on such assumption and advice, no deemed dividend should arise on the exchange of Mercator Shares for Class B Common Shares and Initial Put Rights in the course of the reorganization of capital.

A Resident Holder whose Mercator Shares are exchanged for Class B Common Shares and Initial Put Rights will be considered to have disposed of the Mercator Shares for proceeds of disposition equal to the greater of the adjusted cost base to the Resident Holder of the Mercator Shares immediately before the exchange and the aggregate fair market value of the Initial Put Rights distributed to the Resident Holder on the exchange.

A Resident Holder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base to the Resident Holder of the Mercator Shares immediately before the exchange and any reasonable costs of disposition. See "Taxation of Capital Gains and Capital Losses" below for a general description of the treatment of capital gains and capital losses under the Tax Act.

The adjusted cost base to a Resident Holder of Class B Common Shares acquired on the exchange will be equal to the amount, if any, by which the aggregate adjusted cost base to the Resident Holder of the Resident Holder's Mercator Shares immediately before the exchange exceeds the aggregate fair market value at the time of the exchange of the Initial Put Rights distributed to the Resident Holder on the exchange. The cost, immediately following the exchange, to a Resident Holder of Initial Put Rights acquired on the exchange will be equal to the fair market value of the Initial Put Rights at the time of the exchange.

Consolidation

As a step in the Arrangement, the Consolidation will take effect in respect of all Class B Common Shares and all Put Rights. See "The Arrangement – Consolidation" and "The Arrangement - Treatment of Fractional Securities". The Consolidation will not give rise to a disposition for the purposes of the Tax Act and Resident Holders will not realize a capital gain or a capital loss with respect to their Class B Common Shares or Put Rights. Generally, the aggregate adjusted cost base of the Class B Common Shares and Put Rights, respectively, held by a Resident Holder immediately after the Consolidation will be the same as the aggregate adjusted cost base of the Class B Common Shares and Put Rights, respectively, held by such Resident Holder immediately before the Consolidation.

Disposition of Resulting Issuer Common Shares

Where a Resident Holder disposes of a Resulting Issuer Common Share (other than to the Resulting Issuer or in a tax-deferred disposition), the disposition will generally result in a capital gain (or a capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the adjusted cost base at the time to the Resident Holder of the disposed share and any reasonable costs of disposition. See "Taxation of Capital Gains and Capital Losses" below for a general description of the treatment of capital gains and capital losses under the Tax Act.

Where the Resident Holder disposes of a Resulting Issuer Common Share upon the exercise of a Put Right, provided that the amount paid by the Resulting Issuer to acquire the Resulting Issuer Common Share does not exceed the paid-up capital of the Resulting Issuer Common Share, no deemed dividend will arise and the disposition will be treated in the same manner as a disposition as discussed directly above with the exception that the Resident Holder's proceeds of disposition will be reduced by an amount equal to the adjusted cost base to the Resident Holder of the Put Right. The exercise of the Put Right will not itself be considered to be a disposition of property for Canadian income tax purposes.

Disposition or Expiry of Put Right (other than on Exercise)

Where a Resident Holder disposes of a Put Right, the disposition will generally result in a capital gain (or a capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base at the time to the Resident Holder of the disposed of Put Right and any reasonable costs of disposition. Where a Put Right expires without being exercised, the Resident Holder will generally realize a capital loss equal to the adjusted cost base at that time of the Put Right.

Taxation of Capital Gains and Capital Losses

Generally, one half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder in a taxation year must be included in the income of the Resident Holder for that year, and one half of any capital loss (an "**allowable capital loss**") realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year, to the extent and under the circumstances described in the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of Mercator Shares or Resulting Issuer Common Shares by a Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares (or on shares for which such shares were acquired in certain tax deferred exchanges), to the extent and in the circumstances prescribed in the Tax Act. Analogous rules may apply where a corporation is, directly or through a trust or partnership, a beneficiary of a trust or a member of a partnership that owns such shares.

A Resident Holder that is a "Canadian controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6²/₃% on certain investment income, including taxable capital gains. Capital gains realized by a Resident Holder who is an individual (including certain trusts) may give rise to a liability for minimum tax under the Tax Act.

Taxation of Dividends

A Resident Holder who is an individual and receives or is deemed to receive dividends on the Resulting Issuer Common Shares will generally be required to include in computing income for the year the amount of such dividends and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. To the extent that Mercator designates dividends on the Resulting Issuer Common Shares as "eligible dividends" in the prescribed manner for purposes of the Tax Act, the Resident Holder will be subject to the enhanced gross-up and dividend tax credit rules.

A corporation that receives or is deemed to receive a dividend will generally be required to include in computing income for the year the amount of such dividend, and normally that same amount will be deductible in computing its taxable income to the extent and in the circumstances provided in the Tax Act. A Resident Holder that is a "private corporation", as defined in the Tax Act, or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual (other than a trust) or a "related group", as defined in the Tax Act, of individuals (other than trusts) may be liable to pay a refundable tax under Part IV of the Tax Act of 33¹/₃% on any dividends received or deemed to be received on the Resulting Issuer Common Shares to the extent that such dividends are deductible in computing the Resident Holder's taxable income.

Eligibility for Investment

Based on the current provisions of the Tax Act and the regulations thereunder, and subject to the provisions of any particular plan, provided that the Resulting Issuer Common Shares and the Put Rights, respectively, are listed on a designated stock exchange (which currently includes the TSX), the Resulting Issuer Common Shares and the Put Rights will be qualified investments for trusts governed by registered retirement savings plans ("**RRSP**"), registered retirement income funds ("**RRIF**"), deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts ("**TFSA**") under the Tax Act.

Notwithstanding that a Resulting Issuer Common Share may be a qualified investment for a trust governed by a RRSP, RRIF or TFSA, the annuitant of a RRSP or RRIF or the holder of a TFSA, as applicable, (each a "**Controlling Individual**") will be subject to a penalty tax in respect of such share held in the RRSP, RRIF or TFSA, as applicable, if such share is a "prohibited investment" under the Tax Act. The Resulting Issuer Common Shares, will not be a prohibited investment for an RRSP, RRIF or TFSA provided that the Controlling Individual (i) deals at arm's length with the Resulting Issuer, for the purposes of the Tax Act, and (ii) does not have a significant interest (as defined in the Tax Act) in the Resulting Issuer. Generally, a Controlling Individual will have a significant interest in the Resulting Issuer, if the Controlling Individual and/or persons not dealing at arm's length with the Controlling Individual own, directly or indirectly, 10% or more of the fair market value of the Resulting Issuer Common Shares. Holders who intend to hold their Resulting Issuer Common Shares in their TFSA, RRSP or RRIF should consult their own tax advisors having regard to their particular circumstances.

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act, is not, and is not deemed to be, resident in Canada and does not use or hold, and is not deemed to use or hold, the Mercator Shares, the Resulting Issuer Common Shares or the Put Rights in the course of, or in connection with, a business carried on in Canada (a "**Non-Resident Holder**"). Special rules, which are not discussed in this summary, may apply to certain Mercator Shareholders that are insurers carrying on an insurance business in Canada and elsewhere.

Non-Resident Dissenters

A Non-Resident Holder who validly exercises Dissent Rights (a "**Non-Resident Dissenter**") will be deemed to have transferred such Non-Resident Dissenter's Mercator Shares to Mercator, and will be entitled to receive a payment from Mercator of an amount equal to the fair value of the Non-Resident Dissenter's Mercator Shares. The Non-Resident Dissenter will be deemed to have received a dividend equal to the amount by which the amount received from Mercator for the Mercator Shares (excluding interest, if any, awarded by the Court) exceeds the paid-up capital of such Mercator Shares (as determined under the Tax Act). The amount of the dividend will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax treaty or convention between Canada and the Non-Resident Dissenter's country of residence.

A Non-Resident Dissenter will also be considered to have disposed of the Mercator Shares for proceeds of disposition equal to the amount paid to such Non-Resident Dissenter (excluding interest, if any, awarded by the Court) and the amount of any deemed dividend, and will be subject to tax under the Tax Act on any gain realized as a result if such shares constitute "taxable Canadian property", unless relief is provided under an income tax treaty or convention between Canada and the Non-Resident Holder's country of residence. See "Taxable Canadian Property".

Any interest awarded to the Non-Resident Holder by the Court to a Non-Resident Dissenter will not be subject to withholding tax under the Tax Act, unless such interest constitutes "participating debt interest" (as defined in the Tax Act).

Reorganization of the Capital of Mercator

Pursuant to the Arrangement, the capital of Mercator will be reorganized, resulting in each Non-Resident Holder (other than a Non-Resident Dissenter) exchanging each Mercator Share held for one Class B Common Share and one Initial Put Right. The tax consequences under the reorganization of capital that are described above (see "Holders Resident in Canada – Reorganization of the Capital of Mercator"), generally will apply except that a Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on the exchange of Mercator Shares for Class B Common Shares and Initial Put Rights unless such Mercator Shares constitute "taxable Canadian property", as defined in the Tax Act, to such holder at the time of disposition and the Non-Resident Holder is not entitled to relief from Canadian taxation under an applicable income tax treaty or convention between Canada and the country of residence of the Non-Resident Holder. See "Taxable Canadian Property". Non-Resident Holders to whom Mercator Shares may constitute taxable Canadian property should consult their own tax advisors having regard to their particular circumstances.

Consolidation

As a step in the Arrangement, the Consolidation will take effect in respect of all Class B Common Shares and all Put Rights. See "The Arrangement – Consolidation" and "The Arrangement – Treatment of Fractional Securities". The

Consolidation will not give rise to a disposition for the purposes of the Tax Act and Non-Resident Holders will not realize a capital gain or a capital loss with respect to their Class B Common Shares or Put Rights.

Disposition of Resulting Issuer Common Shares

A Non-Resident Holder generally will not be subject to tax in Canada in respect of the disposition of Resulting Issuer Common Shares (other than to the Resulting Issuer) unless the Resulting Issuer Common Shares constitute "taxable Canadian property", as defined in the Tax Act, to such holder at the time of disposition and the Non-Resident Holder is not entitled to relief from Canadian taxation under an applicable income tax treaty or convention between Canada and the country of residence of the Non-Resident Holder. See "Taxable Canadian Property" for a description of taxable Canadian property.

Holders to whom Resulting Issuer Common Shares may constitute taxable Canadian property should consult their own tax advisors having regard to their particular circumstances.

Where a Non-Resident Holder disposes of a Resulting Issuer Common Share upon the exercise of a Put Right, provided that the amount paid by the Resulting Issuer to acquire the Resulting Issuer Common Share does not exceed the paid-up capital of the Resulting Issuer Common Share, no deemed dividend will arise and the disposition will be treated in the same manner as a disposition to a person other than the Resulting Issuer with the exception that the Non-Resident Holder's proceeds of disposition will be reduced by an amount equal to the adjusted cost base to the Non-Resident Holder of the Put Right. The exercise of the Put Right will not itself be considered to be a disposition of property for Canadian income tax purposes.

Disposition (or Expiry) of Put Right Other Than on Exercise

A Non-Resident Holder generally will not be subject to tax in Canada in respect of the disposition of Put Rights unless the Put Rights constitute "taxable Canadian property", as defined in the Tax Act, to such holder at the time of disposition and the Non-Resident Holder is not entitled to relief from Canadian taxation under an applicable income tax treaty or convention between Canada and the country of residence of the Non-Resident Holder. See "Taxable Canadian Property" for a description of taxable Canadian property.

Holders to whom Put Rights may constitute taxable Canadian property should consult their own tax advisors having regard to their particular circumstances.

Taxable Canadian Property

Generally, a Security will not be "taxable Canadian property" of a Non-Resident Holder at a particular time provided that the "Relevant Shares" (as defined in the next sentence) are listed on a designated stock exchange (which includes the TSX) at that time, unless at any time during the sixty-month period immediately preceding the disposition, (i) 25% or more of the issued shares of any class or series of Mercator were owned by: (a) such Non-Resident Shareholder, (b) by persons with whom the Non-Resident Shareholder did not deal at arm's length, (c) pursuant to the Proposed Amendments, a partnership in which the Non-Resident Shareholder, or by persons with whom the Non-Resident Shareholder did not deal at arm's length, holds a membership interest directly or indirectly through one or more partnerships, or (d) any combination thereof; and (ii) more than 50% of the fair market value of the Relevant Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" as defined in the Tax Act, "timber resource properties" as defined in the Tax Act, and options in respect of, interests in, or civil law rights in, any such properties. Notwithstanding the foregoing, a Relevant Share may otherwise be deemed to be taxable Canadian property to a Non-Resident Holder for the purposes of the Tax Act. For this purpose, the "**Relevant Shares**" means (a) in respect of the Mercator Shares, the Mercator Shares; and (b) in respect of either the Resulting Issuer Common Shares or the Put Rights, the Resulting Issuer Common Shares.

Taxation of Dividends

Dividends received or deemed to be received on the Mercator Shares and the Resulting Issuer Common Shares will generally be subject to Canadian withholding tax at the rate of 25%, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled pursuant to the provisions of an applicable income tax treaty or convention. For example, under the Canada-U.S. Income Tax Convention (1980) (the "**Convention**"), where a dividend is considered to be paid to or derived by a Non-Resident Holder that is the beneficial owner of the dividend and is a U.S. resident for the

purposes of, and is entitled to full benefits under the Convention, the applicable rate of Canadian withholding tax is generally reduced to 15%.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) of Mercator Shares with respect to the Arrangement. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of the Arrangement. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Except as specifically set forth below, this summary does not discuss applicable tax reporting requirements. This summary does not address the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, U.S. Medicare, and foreign tax consequences to U.S. Holders of the Arrangement. Each U.S. Holder should consult its own tax advisor regarding the tax consequences of the Arrangement, including the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, U.S. Medicare, and non-U.S. tax consequences of the Arrangement. This summary does not discuss the U.S. federal income tax consequences to Mercator Optionholders with respect to Mercator Options or holders of Mercator DSUs or RSUs with respect to such securities.

No legal opinion from U.S. legal counsel or ruling from the IRS has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the Arrangement received pursuant to the Arrangement. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

NOTICE PURSUANT TO IRS CIRCULAR 230: NOTHING CONTAINED IN THIS SUMMARY CONCERNING ANY U.S. FEDERAL TAX ISSUE IS INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY A U.S. HOLDER, FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES UNDER THE U.S. TAX CODE. THIS SUMMARY WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS CIRCULAR. EACH U.S. HOLDER SHOULD SEEK U.S. FEDERAL TAX ADVICE, BASED ON SUCH U.S. HOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

Scope of This Disclosure

Authorities

This summary is based on the U.S. Tax Code, U.S. Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "**Canada-U.S. Tax Convention**"), and U.S. court decisions and, in each case, as in effect and available, as of the date of this Circular. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

U.S. Holders

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of Mercator Shares (or after the Arrangement, Resulting Issuer Common Shares), including holders who acquire Mercator Shares upon exercise of a Mercator Option prior to the Effective Time, participating in the Arrangement or exercising Dissent Rights pursuant to the Arrangement that is for U.S. federal income tax purposes:

- a citizen or individual resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;

- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (a) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (b) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations of the Arrangement to U.S. Holders that are subject to special provisions under the U.S. Tax Code, including U.S. Holders that: (a) are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) have a "functional currency" other than the U.S. dollar; (e) own Mercator Shares (or after the Arrangement, Resulting Issuer Common Shares and Put Rights) as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) acquired Mercator Shares (or after the Arrangement, Resulting Issuer Common Shares and Put Rights) in connection with the exercise of employee stock options or otherwise as compensation for services; (g) hold Mercator Shares (or after the Arrangement, Resulting Issuer Common Shares and Put Rights) other than as a capital asset within the meaning of Section 1221 of the U.S. Tax Code (generally, property held for investment purposes); and, (h) own, directly, indirectly, or by attribution, 5% or more, by voting power or value, of the outstanding Mercator Shares (or after the Arrangement, Resulting Issuer Common Shares). This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are: (a) U.S. expatriates or former long-term residents of the U.S.; (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Tax Act; (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold Mercator Shares (or after the Arrangement, Resulting Issuer Common Shares) in connection with carrying on a business in Canada; (d) persons whose Mercator Shares (or after the Arrangement, Resulting Issuer Common Shares and Put Rights) constitute "taxable Canadian property" under the Tax Act; or (e) persons that have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention. U.S. Holders that are subject to special provisions under the U.S. Tax Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, U.S. Medicare and non-U.S. tax consequences relating to the Arrangement and the ownership and disposition of Resulting Issuer Common Shares received pursuant to the Arrangement.

If an entity that is classified as a partnership (or "pass-through" entity) for U.S. federal income tax purposes holds Mercator Shares (or after the Arrangement, Resulting Issuer Common Shares), the U.S. federal income tax consequences to such partnership and the partners of such partnership of participating in the Arrangement and the ownership of Resulting Issuer Common Shares received pursuant to the Arrangement generally will depend in part on the activities of the partnership and the status of such partners. Partners of entities that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement.

Certain U.S. Federal Income Tax Consequences of the Arrangement

Characterization of the Arrangement

Pursuant to the Plan of Arrangement the following transaction will occur (the "**Arrangement Transactions**"): (a) Daselina purchasing by way of private placement approximately US\$100 million of Resulting Issuer Common Shares (see "The Arrangement – Daselina Private Placement"); (b) the Mercator Shareholders will exchange each Mercator Share for a Resulting Issuer Common Share and an Initial Put Right (the "**Exchange**"), all subject to the Consolidation; (c) the Intergeo Shareholders will exchange each Intergeo Share for 8.35305767037979 Resulting Issuer Common Shares; (d) the Consolidation; and (e) Daselina and Kirkland each receiving one Special Share. See "The Arrangement – Consolidation" and "The Arrangement - Treatment of Fractional Securities". Although there are no authorities addressing facts identical to the Arrangement and therefore the matter is not free from doubt, the Arrangement Transactions should be treated as a single integrated transaction for U.S. federal income tax purposes. This summary assumes that the Arrangement Transactions will be treated as a single integrated transaction for U.S. federal income tax purposes.

The exchange of Mercator Shares for Resulting Issuer Common Shares and Initial Put Rights should qualify as a tax-deferred "recapitalization" within the meaning of Section 368(a)(1)(E) of the U.S. Tax Code (a "**Recapitalization**"). Although the matter is not free from doubt, the Initial Put Rights likely will be treated as property separate from the

Resulting Issuer Common Shares and as a result, as taxable "boot" under the Recapitalization. This summary assumes that the Initial Put Rights will be treated as taxable "boot" for U.S. federal income tax purposes. After such exchange, the Resulting Issuer Common Shares shall be re-designated as Common Shares, referred to hereunder as the "Resulting Issuer Common Shares."

Mercator has not sought or obtained either a ruling from the IRS or an opinion of counsel regarding any of the tax consequences of the Arrangement. Accordingly, there can be no assurance that the IRS will not challenge the status of the Arrangement as a Recapitalization or that the U.S. courts will uphold the status of the Arrangement as a Recapitalization in the event of an IRS challenge. U.S. Holders should consult their own U.S. tax advisors regarding the proper tax reporting of the Arrangement.

Tax Consequences if the Exchange Qualifies as a Recapitalization

If the Exchange qualifies as a Recapitalization, then the following U.S. federal income tax consequences will result for U.S. Holders:

- (i) a U.S. Holder of Mercator Shares who exchanges Mercator Shares for Resulting Issuer Common Shares and Initial Put Rights will recognize gain (but not loss) to the extent of the lesser of (a) the excess of the fair market value of the Resulting Issuer Common Shares and the fair market value of the Initial Put Rights on the date of receipt over the adjusted tax basis of the Mercator Shares surrendered, and (b) the fair market value of the Initial Put Rights on the date of receipt;
- (ii) the aggregate tax basis of a U.S. Holder in the Resulting Issuer Common Shares acquired in the Arrangement will be equal to such U.S. Holder's aggregate tax basis in the Mercator Shares surrendered in exchange therefor, increased by the amount of gain recognized on such exchange and decreased by the fair market value of the Initial Put Rights on the date of receipt;
- (iii) the holding period of a U.S. Holder for the Resulting Issuer Common Shares acquired in the Arrangement will include such U.S. Holder's holding period for the Mercator Shares surrendered in exchange therefor;
- (iv) the aggregate tax basis of a U.S. Holder in the Initial Put Rights received will be equal to the fair market value of the Initial Put Rights on the date of receipt;
- (v) the holding period of a U.S. Holder for the Initial Put Rights will begin on the day after the Effective Date; and
- (vi) U.S. Holders generally will be required to report certain information to the IRS on their U.S. federal income tax returns for the tax year in which the Arrangement occurs, and to retain certain records related to the Arrangement.

Any gain recognized as described above will generally be capital gain, and generally will be long-term capital gain if the Mercator Shares have been held for more than one year on the Effective Date of the Arrangement. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation.

The foregoing discussion of the tax consequences of the Exchange may not be applicable to U.S. Holders who owned Mercator Shares at any time during which it was a PFIC (defined below). U.S. Holders are advised to consult their own tax advisors regarding the U.S. federal income tax consequences of the Exchange if their holding period for their Mercator Shares included a period during which Mercator likely was, or may have been, a PFIC (see discussion under "Passive Foreign Investment Company Considerations" below).

Consolidation

A U.S. Holder may hold a number of pre-Consolidation shares that is divisible into a whole number of post-Consolidation shares ("**Whole Shareholders**") or into a whole number plus a fractional share of post-Common Share Consolidation shares ("**Fractional Shareholders**"). A Fractional Shareholder will not receive a fractional share in the Common Share Consolidation and will instead receive a number of Common Shares that is rounded down to a whole number in a case

where the fractional post-Consolidation share represents less than $\frac{1}{2}$ of a post-Consolidation share, or rounded up to a whole number in a case where the fractional post-Consolidation share represents at least $\frac{1}{2}$ of a post-Consolidation share.

The Consolidation will not result in the recognition of gain or loss by a Whole Shareholder for U.S. federal income tax purposes. The Whole Shareholder's aggregate adjusted bases of the post-Consolidation shares will be the same as such U.S. Holder's aggregate adjusted bases of the pre-Consolidation shares. The holding period of the post-Consolidation shares will include a Whole Shareholder's holding periods for the pre-Consolidation shares. Similar tax consequences will apply with respect to the Put Rights held by a Whole Shareholder.

No gain or loss should be recognized by Fractional Shareholder upon such U.S. Holder's exchange of pre-Consolidation shares for post-Consolidation shares, except that loss may possibly be recognized with respect to a fractional share rounded down and gain may possibly be recognized with respect to a fractional share rounded up. A Fractional Shareholder should consult its own tax advisors regarding the potential for recognizing gain if such U.S. Holder's fractional share is rounded up and the potential for recognizing a loss if such U.S. Holder's share is rounded down and regarding how to allocate its aggregate tax basis in its pre-Common Share Consolidation shares to its post-Consolidation shares, and the holding period with respect to a post-Consolidation share that was rounded up. Other than possibly with respect to a post-Consolidation share that was rounded up, the holding period of the post-Consolidation shares will include a Fractional Shareholder's holding periods for the pre-Consolidation shares. Similar tax consequences will apply with respect to the Put Rights held by a Fractional Shareholder.

U.S. Holders Exercising Dissent Rights

A U.S. Holder that exercises Dissent Rights in the Arrangement and is paid cash in exchange for all of such U.S. Holder's Mercator Shares generally will recognize gain or loss in an amount equal to the difference, if any, between (a) the U.S. dollar amount of Canadian dollars received by such U.S. Holder in exchange for Mercator Shares and (b) the tax basis of such U.S. Holder in such Mercator Shares surrendered. Such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if such Mercator Shares have been held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the U.S. Tax Code.

The foregoing discussion of the tax consequences of exercising Dissent Rights may not be applicable to U.S. Holders who owned Mercator Shares at any time during which it was a PFIC. U.S. Holders are advised to consult their own tax advisors regarding the U.S. federal income tax consequences of exercising Dissent Rights if their holding period for their Mercator Shares included a period during which Mercator likely was, or may have been, a PFIC (see discussion under "Passive Foreign Investment Company Considerations" below).

Certain U.S. Federal Income Tax Consequences of the Exercise, Disposition or Expiration of the Put Rights

Exercise of Put Rights

Subject to the discussion under "Passive Foreign Investment Company Considerations" below, upon the exercise of a Put Right and sale of the corresponding Resulting Issuer Common Share, a U.S. Holder generally will recognize gain or loss in an amount equal to the difference, if any, between (a) the U.S. dollar amount of Canadian dollars received by such U.S. Holder in exchange for Resulting Issuer Common Shares and (b) the aggregate tax basis of such U.S. Holder in such Mercator Shares surrendered and in such Put Right exercised. Such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if such Mercator Shares have been held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the U.S. Tax Code.

Disposition of Put Right

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of a Put Right in an amount equal to the difference, if any, between (a) the U.S. dollar value of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in the Put Right sold or otherwise disposed of. Such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if such Put Right has been held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are no preferential tax

rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the U.S. Tax Code.

Expiration of Put Right Without Exercise

Upon the lapse or expiration of a Put Right, a U.S. Holder will recognize a loss in an amount equal to such U.S. Holder's tax basis in the Put Right. Any such loss generally will be a capital loss and will be long-term capital loss if the Put Right is held for more than one year. Deductions for capital losses are subject to complex limitations under the U.S. Tax Code.

Passive Foreign Investment Company Considerations

A foreign (non-U.S.) corporation will be classified as a "passive foreign investment company" ("**PFIC**") for U.S. federal income tax purposes for any taxable year if either:

- (a) at least 75% of its gross income for such year is "passive income" which for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions and gains from assets that produce passive income (the "**Income Test**"); or
- (b) at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income (the "**Asset Test**").

For this purpose, a corporation will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which the corporation owns, directly or indirectly, at least 25% (by value) of the stock.

Whether Mercator (or after the Arrangement, the Resulting Issuer) is a PFIC is determined annually with respect to the Income Test and Asset Test, and Mercator's status could change depending, among other things, upon changes in Mercator's ownership structure and in the composition and relative value of gross receipts and assets that are based, in part, on the quarterly market value of Mercator's shares, which is subject to change. Moreover, the determination of whether a corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations.

Based on the composition of Mercator's gross income, the composition and value of Mercator's gross assets and the amounts of Mercator's liabilities during each of 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011 and 2012, Mercator does not believe that it was a passive foreign investment company, or PFIC, for U.S. federal income tax purposes during any of such tax years. Mercator has not made a determination regarding its PFIC status for 2013. However, based on currently available information, Mercator expects that it was not a PFIC in 2013. U.S. Holders should note, however, that Mercator is likely to have been a PFIC for 2002 and prior years. In addition, Mercator has not made a determination regarding its PFIC status for 2003, and thus, may have been a PFIC for 2003. Furthermore, no determination has been made regarding the PFIC status following the completion of the Arrangement. Accordingly, it is possible that Mercator (or after the Arrangement, the Resulting Issuer) will be deemed a PFIC in the current or any future taxable year.

This discussion addresses only the U.S. federal income tax treatment of U.S. Holders who purchased their Mercator Shares after December 31, 2003, and assumes that Mercator was not a PFIC during each of 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013. Additional adverse tax consequences, which are beyond the scope of this discussion, may apply with respect to U.S. Holders who acquired Mercator Shares before January 1, 2003, or to U.S. Holders who acquired Mercator Shares on or after January 1, 2003, if it were determined that Mercator was a PFIC at any time during such U.S. Holder's holding period of Mercator Shares. U.S. Holders are advised to consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement, as well as the potential availability of certain elections, if such U.S. Holder acquired Mercator Shares before January 1, 2003, or if such U.S. Holder acquired Mercator Shares on after January 1, 2003 and it were determined that Mercator was a PFIC at any time during such U.S. Holder's holding period of Mercator Shares.

If the Resulting Issuer is a PFIC for any year during the U.S. Holder's holding period of Resulting Issuer Mercator Shares, certain adverse federal income tax consequences could apply to the U.S. Holder, as described below.

For each taxable year that the Resulting Issuer is treated as a PFIC with respect to a U.S. Holder, such U.S. Holder will be subject to special tax rules with respect to any "excess distribution" that it receives and any gain realized from a sale or other disposition (including a pledge) of shares, unless such U.S. Holder makes a "mark-to-market" election as discussed below. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or a U.S. Holder's holding period for the shares will be treated as an excess distribution. To compute the tax on excess distributions or any gain:

- (a) the excess distribution or gain will be allocated rateably over a U.S. Holder's holding period for the shares;
- (b) the amount allocated to the current taxable year, and any taxable years in a U.S. Holder's holding period prior to the first taxable year in which the Resulting Issuer was a PFIC, will be treated as ordinary income in the current year; and
- (c) the amount allocated to each other taxable year will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year and the interest charge generally applicable to underpayments of tax will be imposed to recover the deemed benefit from the deferred payment of the tax attributable to each earlier year.

The tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of shares cannot be treated as capital gains, even if the shares are held as capital assets.

If the Resulting Issuer is a PFIC for any tax year during which a U.S. Holder holds Resulting Issuer Common Shares, the Resulting Issuer will continue to be treated as a PFIC with respect to such U.S. Holder, regardless of whether the Resulting Issuer ceases to be a PFIC in one or more subsequent tax years. A U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the PFIC rules discussed above) as if such Resulting Issuer Common Shares were sold on the last day of the last tax year for which the Resulting Issuer was a PFIC.

To the extent that the Resulting Issuer has any subsidiaries and any of the Resulting Issuer's subsidiaries is also a PFIC (a "lower-tier PFIC"), a U.S. Holder may be deemed to own shares in such lower-tier PFIC that are directly or indirectly owned by the Resulting Issuer in that proportion which the value of the shares such U.S. Holder owns bears to the value of all of the Resulting Issuer's shares, and such U.S. Holder may be subject to the adverse tax consequences described above with respect to the shares of any such lower-tier PFIC that they would be deemed to own. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to any of the Resulting Issuer's subsidiaries.

A U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the tax treatment discussed above. If a U.S. Holder makes a mark-to-market election for its shares, such U.S. Holder will include in income for each year that the Resulting Issuer is treated as a PFIC an amount equal to the excess, if any, of the fair market value of the Resulting Issuer's shares as of the close of such U.S. Holder's taxable year over its adjusted basis in the shares. A U.S. Holder will be allowed a deduction for the excess, if any, of the adjusted basis of the shares over their fair market value as of the close of the taxable year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the shares included in their income for prior taxable years. Amounts included in income under a mark-to-market election, as well as gain on the actual sale or other disposition of the shares, will be treated as ordinary income. Ordinary loss treatment will also apply to the deductible portion of any mark-to-market loss on the shares, as well as to any loss realized on the actual sale or disposition of the shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such shares. A U.S. Holder's basis in the shares will be adjusted to reflect any such income or loss amounts.

The mark-to-market election is available only for "marketable stock," which is stock that is "regularly traded" on a "qualified exchange" as defined in applicable U.S. Treasury Regulations. "Regularly traded," in general, means that the shares are (A) traded on a qualified exchange and (B) traded in more than *de minimis* amounts for 15 or more days during each calendar quarter. We expect that the Resulting Issuer Common Shares will be listed on the TSX. A "qualified exchange" includes any foreign exchange that is regulated by a government authority in the jurisdiction in which the exchange is located and in respect of which certain other requirements are met. Although the TSX is likely to constitute a "qualified exchange or other market" based on these U.S. Treasury Regulations, the question is factual, and there is no specific authority that designates the TSX as a "qualified exchange." Even assuming the TSX is a qualified exchange for these purposes, we can give no assurance that the Resulting Issuer's shares will be regularly traded. Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs that the Resulting Issuer owns, a U.S. Holder may continue to be subject to the PFIC rules with respect to its indirect interest in any investments held by the Resulting Issuer that is treated as an equity interest in a PFIC for U.S. federal income tax purposes. U.S. Holders should consult their

own tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any lower-tier PFICs.

If a foreign corporation is a PFIC, a holder of shares in that corporation may avoid taxation under the rules described above by making a "qualified electing fund" ("QEF") election to include in income its share of the corporation's income on a current basis. However, U.S. Holders may make a QEF election with respect to their shares only if the Resulting Issuer agrees to furnish them annually with certain tax information, and the Resulting Issuer currently does not intend to prepare or provide such information. Therefore, the QEF election will not be available to U.S. Holders to mitigate the adverse U.S. federal income tax consequences arising under the PFIC rules described above.

Holders of PFIC stock are also subject to additional information reporting rules. Very generally, each U.S. Holder of a PFIC is required to file an annual report containing such information as the U.S. Treasury may require. U.S. Holders should consult their own tax advisors regarding any reporting requirements that may apply to them.

Additional Considerations

Foreign Tax Credit

A U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the Arrangement or in connection with the ownership or disposition of Resulting Issuer Common Shares may elect to either deduct or credit the Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a tax year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." Generally, dividends paid by a foreign corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a foreign corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the U.S. Tax Code. However, the amount of a distribution with respect to the Resulting Issuer Common Shares that is treated as a "dividend" may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

Receipt of Foreign Currency

The amount of any distribution or proceeds paid in Canadian dollars to a U.S. Holder in connection with the ownership of Resulting Issuer Common Shares, or on the sale, exchange or other taxable disposition of Resulting Issuer Common Shares, or any Canadian dollars received in connection with the Arrangement (including, but not limited to, U.S. Holders exercising Dissent Rights under the Arrangement), will generally be included in the gross income of a U.S. Holder as translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of such amount, regardless of whether the Canadian dollars are converted into U.S. dollars at that time. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the Canadian dollars equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in Canadian dollars and engages in a subsequent conversion or other disposition of the Canadian dollars may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes.

Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

Information Reporting; Backup Withholding Tax

Payments made within the U.S. or by a U.S. payor or U.S. middleman of (a) distributions on the Resulting Issuer Common Shares, (b) proceeds arising from the sale or other taxable disposition of Resulting Issuer Common Shares or Put Rights, or (c) any payments made in connection with the Arrangement (including, but not limited to, U.S. Holders exercising Dissent Rights under the Arrangement and the receipt of other property in the form of the Initial Put Right) generally may be subject to information reporting and backup withholding (currently at a rate of 28%) if a U.S. Holder (a) fails to furnish its correct U.S. taxpayer identification number (generally on IRS Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules in their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding.

Foreign Asset Reporting

Pursuant to recently enacted legislation, a U.S. Holder with interests in "specified foreign financial assets" (including, among other assets, our ordinary shares, unless such ordinary shares are held on such U.S. Holder's behalf through a financial institution) may be required to file an information report with the IRS if the aggregate value of all such assets exceeds \$50,000 on the last day of the taxable year or \$75,000 at any time during the taxable year (or such higher dollar amount as may be prescribed by applicable IRS guidance). Each U.S. Holders should consult with its own tax advisor as to the possible obligation to file such information reports in light of its own particular circumstances.

NOTICE TO NON-CANADIAN MERCATOR SHAREHOLDERS

It is strongly recommended that all Non-Resident Holders consult their own legal and tax advisors with respect to the income tax consequences of the disposition of their Mercator Shares applicable in their place of residency.

SECURITIES LAWS CONSIDERATIONS

The following is a brief summary of the securities law considerations applicable to the Arrangement and transactions contemplated thereby.

Canadian Securities Laws

Each Mercator Shareholder is urged to consult its professional advisors to determine the Canadian conditions and restrictions applicable to trades in Resulting Issuer Common Shares and Put Rights.

Issue and Resale of Resulting Issuer Common Shares and Put Rights under Canadian Securities Acts

The issue of Resulting Issuer Common Shares and Put Rights pursuant to the Arrangement and on exercise of Mercator Options, Creston Options, Mercator Warrants and Mercator DSUs held by Messrs. Bowles and Quin will constitute distributions of securities, which are exempt from the registration and prospectus requirements of the Canadian Securities Laws. Resulting Issuer Common Shares and Put Rights may be resold in each province and territory of Canada, provided: (i) the trade is not a "control distribution" as defined in National Instrument 45-102, *Resale of Securities*, of the Canadian Securities Authorities; (ii) no unusual effort is made to prepare the market or create a demand for those securities; (iii) no extraordinary commission or consideration is paid in respect of that trade; and (iv) if the selling security holder is an insider or officer of Mercator (as such terms are defined in the Canadian Securities Laws), the insider or officer has no reasonable grounds to believe that Mercator is in default of Canadian Securities Laws.

MI 61-101

Mercator is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia and accordingly, is subject to the applicable Canadian Securities Laws of such provinces. In addition, the securities

regulatory authority in the Province of Ontario have adopted MI 61-101, which regulates transactions that raise the potential for conflicts of interest, including issuer bids, insider bids, related party transactions and business combinations.

The Arrangement does not constitute an issuer bid, an insider bid or a related party transaction for purposes of MI 61-101. In assessing whether the Arrangement could be considered to be a "business combination" for the purposes of MI 61-101, Mercator reviewed all benefits or payments which related parties of Mercator are entitled to receive, directly or indirectly, as a consequence of the Arrangement to determine whether any constituted a "collateral benefit". For these purposes, the only related parties of Mercator that are entitled to receive a benefit, directly or indirectly, as a consequence of the Arrangement are the directors and executive officers of Mercator.

Each of the executive officers and directors of Mercator holds either Mercator RSUs or Mercator DSUs or Mercator Options or Creston Options. In connection with the Arrangement, immediately prior to the Effective Time, Mercator RSUs and Mercator DSUs (excluding those Mercator DSUs held by Messrs. Bowles and Quin, current directors of Mercator and proposed directors of the Resulting Issuer), will vest and holders of Mercator RSUs and Mercator DSUs (other than Messrs. Bowles and Quin) shall receive Mercator Shares, in accordance with the terms of the Mercator RSUs and Mercator DSUs, and will thereafter be entitled to receive, for every Mercator Share issued pursuant to such Mercator RSUs and Mercator DSUs, one Resulting Issuer Common Share and one Initial Put Right, all subject to the Consolidation. See "The Arrangement – Consolidation" and "The Arrangement - Treatment of Fractional Securities". Each such vested Mercator RSU and Mercator DSU (other than those Mercator DSUs held by Messrs. Bowles and Quin) will thereafter be immediately cancelled pursuant to the Arrangement.

In addition, certain employment agreements of certain Mercator executive officers provide for severance payments pursuant to a deemed termination of such individual's engagement, including instances of a change of control of Mercator. Accordingly, certain executive officers party to an employment agreement who are terminated prior to a particular date after the Effective Date will receive certain severance payments. See "The Arrangement – Interests of Directors and Executive Officers of Mercator in the Arrangement".

Following disclosure by each of the directors and executive officers to the Mercator Board of the number of Mercator Shares held by them and the benefits or payments that they expect to receive pursuant to the Arrangement, including the potential severance payments noted above, the Mercator Board has determined that the aforementioned benefits or payments fall within an exception to the definition of "collateral benefit" for the purposes of MI 61-101, since the benefits are received solely in connection with the related parties' services as employees or directors of Mercator or of any affiliated entities of Mercator, are not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the related parties for their Mercator Shares, and are not conditional on the related parties supporting the Arrangement in any manner, and at the time of the entering into of the Arrangement Agreement, none of the related parties entitled to receive the benefits exercised control or direction over, or beneficially owned, more than 1% of the outstanding Mercator Shares, as calculated in accordance with MI 61-101. Accordingly, such benefits are not "collateral benefits" for the purposes of MI 61-101 and the Arrangement does not constitute a "business combination" for the purposes of MI 61-101.

U.S. Securities Laws

The following discussion is a general overview of certain requirements of U.S. federal and state Securities Laws applicable to Mercator Securityholders in connection with the Arrangement. All Mercator Securityholders are urged to consult with their own legal advisors to ensure that the resale of Resulting Issuer Common Shares issued to them under the Arrangement complies with applicable federal and state Securities Laws.

Exemption relied upon from the Registration Requirements of the U.S. Securities Act and State Securities Laws

The Resulting Issuer Common Shares and Initial Put Rights issuable to Mercator Shareholders and holders of Mercator RSUs and Mercator DSUs in exchange for their Mercator Shares, Mercator RSUs and Mercator DSUs, as applicable, under the Arrangement have not been and will not be registered under the U.S. Securities Act or applicable state Securities Laws. The Resulting Issuer Common Shares and Initial Put Rights will be issued in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof and exemptions available under applicable state Securities Laws. Section 3(a)(10) of the U.S. Securities Act exempts the issuance of any securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration under the U.S. Securities Act where the terms and conditions of the issuance and exchange of such securities have been

approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the fairness of the terms and conditions of such issuance and exchange at which all persons to whom it is proposed to issue the securities have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court granted the Interim Order on March 3, 2014 and, subject to the approval of the Arrangement by Mercator Shareholders and satisfaction of certain other conditions, a hearing on the Arrangement will be held on April 8, 2014 by the Court. See "The Arrangement – Shareholder and Court Approvals – Court Approval of the Arrangement".

Resale of Resulting Issuer Common Shares and Initial Put Rights after the Effective Time

The Resulting Issuer Common Shares and Initial Put Rights issuable to Mercator Shareholders and holders of Mercator RSUs and Mercator DSUs pursuant to the Arrangement will be freely transferable under the U.S. Securities Act, except by persons who are "affiliates" of the Resulting Issuer after the Effective Time or were affiliates of Mercator within 90 days prior to the Effective Time. Persons who may be deemed to be "affiliates" of an issuer generally include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Any resale of Resulting Issuer Common Shares and Initial Put Rights by such an affiliate (or, if applicable, former affiliate) may be subject to the registration requirements of the U.S. Securities Act, absent an exemption therefrom.

Subject to certain limitations, such affiliates (and former affiliates) may immediately resell such Resulting Issuer Common Shares and Initial Put Rights outside the United States without registration under the U.S. Securities Act pursuant to Regulation S. Under Regulation S, a person who is an affiliate of Mercator solely by virtue of being an officer or director of Mercator may generally resell such securities in an "offshore transaction" if (i) no offer is made to a person in the United States, (ii) either (A) at the time the buyer's buy order is originated, the buyer is outside the United States, or the seller and any person acting on its behalf reasonably believes that the buyer is outside the United States, or (B) the transaction is executed in, on or through a "designated offshore securities market" (which would include a sale through the TSX) if neither the seller nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States, and (iii) neither the seller, any affiliate of the seller or any person acting on any of their behalf engages in any "directed selling efforts" in the United States. For the purposes of Regulation S, "directed selling efforts" means "any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered" in the resale transaction. Certain additional restrictions will apply to a person who is an affiliate of the Resulting Issuer after the Effective Time or of Mercator within 90 days before the Effective Time other than solely by virtue of his or her status as an officer or director of the applicable entity. The Resulting Issuer is under no obligation to remain a foreign private issuer.

In addition, such affiliates (and former affiliates) may resell such Resulting Issuer Common Shares and Initial Put Rights pursuant to Rule 144 under the U.S. Securities Act, if available. In general, Rule 144 under the U.S. Securities Act will permit such affiliates (and former affiliates) to sell, during any three-month period, such Resulting Issuer Common Shares, provided that the number of such shares sold does not exceed 1% of the then outstanding class of Resulting Issuer Common Shares and provided that the sale complies with other applicable restrictions on the manner of sale, notice requirements, aggregation rules and the availability of current public information about the Resulting Issuer.

Exercise of Mercator Options, Creston Options Mercator Warrants and vesting of Mercator DSUs after the Effective Time

The exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) is not available to exempt the issuance of Resulting Issuer Common Shares and Additional Put Rights issuable on the exercise of the Mercator Options, Creston Options and the Mercator Warrants, and the vesting of Mercator DSUs held by Messrs. Bowles and Quin. The Mercator Options, Creston Options, Mercator Warrants may not be exercised in the United States, or by, or on behalf of, a U.S. Person unless the issuance of the underlying Resulting Issuer Common Shares and Additional Put Rights, as applicable, is registered under the U.S. Securities Act and all applicable state Securities Laws or an exemption from such registration requirements is available and the holder provides a legal opinion or other evidence reasonably satisfactory to Mercator to the effect that the exercise of the Mercator Options, Creston Options and Mercator Warrants does not require registration under the U.S. Securities Act or any applicable state Securities Laws. For holders of Mercator Options, Creston Options and Mercator Warrants exercising outside the United States, the Mercator Options, Creston Options and Mercator Warrants may be exercised by a holder who represents that at the time of exercise the holder is not then located in the

United States, is not a U.S. Person, and is not exercising the Mercator Options, Creston Options or Mercator Warrants on behalf of a U.S. Person. Any Resulting Issuer Common Shares and Additional Put Rights issuable upon the exercise of the Mercator Options, Creston Options or Mercator Warrants in the United States or by, or on behalf of, a U.S. Person, at a time when there is no effective registration statement under the U.S. Securities Act covering such exercise, will be "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act. Certificates representing such Resulting Issuer Common Shares and Additional Put Rights, as applicable will bear a legend to that effect, and such Resulting Issuer Common Shares may be resold only pursuant to an exemption from the registration requirements of the U.S. Securities Act and all applicable state Securities Laws.

Notwithstanding the foregoing, subject to certain limitations, including, but not limited to, Mercator remaining a "foreign private issuer" as defined in Rule 405 of the U.S. Securities Act, any Resulting Issuer Common Shares and Additional Put Rights issuable upon the exercise of the Mercator Options, Creston Options or Mercator Warrants may be resold outside the United States without registration under the U.S. Securities Act pursuant to Regulation S, including in transactions over the TSX (if the Resulting Issuer Common Shares and Additional Put Rights are so listed at the time of sale).

INFORMATION CONCERNING MERCATOR

Mercator is a natural resource company engaged in the exploration, development and mining of its mineral properties in Canada, the United States of America and Mexico. Mercator's principal assets are its 100% owned Mineral Park Mine and its 100% owned El Pilar Project.

Mercator was incorporated in the Province of British Columbia under the name "Sultana Resources Corporation" on March 5, 1984. Mercator changed its name to "Silver Eagle Resources Ltd." on May 31, 1988. On April 16, 1997, Mercator was continued under the Yukon Business Corporations Act and became a Yukon corporation. On March 12, 2001, Mercator changed its name to "Mercator Minerals Ltd.". Effective April 7, 2005, Mercator continued under the BCBCA with an authorized capital of an unlimited number of shares without par value and became a British Columbia corporation. Mercator became a reporting issuer in British Columbia on February 1, 1989, which was the date a receipt was issued for Mercator's final prospectus by the British Columbia Securities Commission.

Mercator's corporate head office and mailing address is 1050 – 625 Howe Street, Vancouver, British Columbia, Canada V6C 2T6, telephone (604) 694-0005, facsimile (604) 558-0058. Mercator's registered and records office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, Canada V6C 2T5, telephone (604) 687-1224, facsimile (604) 687-8772.

The transfer agent and registrar for the Mercator Shares is Computershare, which is located at 510 Burrard Street, 3rd Floor, Vancouver, British Columbia, Canada, V6C 3A8. KPMG LLP are the auditors of Mercator. Mercator is a reporting issuer in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia.

Further information regarding the business of Mercator, its corporate structure, operations and its mineral properties can be found in the Mercator AIF.

Recent Developments

Other than the technical disclosure regarding the Mineral Park Mine provided herein (see "Information Concerning Mercator – Mineral Park Mine" below) and in "Appendix G – Mineral Park Mine Technical Disclosure", all material information relating to Mercator since December 31, 2012 is contained in the Mercator AIF and all other documents that are incorporated by reference herein, including, without limitation, the material change reports, financial statements and management's discussion and analysis which update the disclosure of production and cost summaries in relation to Mineral Park.

Mineral Park Mine

The Mineral Park Technical Report, which has been filed on SEDAR at www.sedar.com under Mercator's profile, was prepared for Mercator by Gary Simmerman, FAusIMM. The summary from that report is reproduced in Appendix G hereto and the complete report is incorporated by reference herein. Mr. Simmerman is a "qualified person" under NI 43-101 and a consultant and former employee of Mercator.

Consolidated Capitalization

The following table sets forth the actual capitalization of Mercator as at September 30, 2013 (based on the unaudited interim consolidated financial statements of Mercator for the nine months ended September 30, 2013). The table should be read in conjunction with the unaudited condensed interim consolidated financial statements of Mercator and the related notes and MD&A in respect of those statements that are incorporated by reference in this Circular. There has been no material change in the capitalization of Mercator since September 30, 2013 other than the issuance of 50,962,676 Bridge Loan Warrants on December 20, 2013.

Designation of Shares	Number of Shares Authorized	Outstanding on September 30, 2013 ⁽¹⁾
Common	Unlimited	315,675,277

Note:

- (1) As at September 30, 2013, Mercator had Mercator Options (10,295,400), Creston Options (547,899), Mercator RSUs (1,243,200), Mercator DSUs (462,965), and Mercator Warrants (16,721,443) outstanding, the exercise of which could result in the issuance of up to an aggregate of 29,270,907 additional Mercator Shares.

Prior Sales

Mercator has issued or sold the following securities within the twelve months prior to the date of this Circular:

Class of Securities	Date of Issue	No. of Securities	Issue Price Per Mercator Share/Exercise Price per Convertible Security (\$)
Common	March 5, 2013	480,769	C\$0.54
Common	July 4, 2013	129,942	C\$0.17354
Common	July 25, 2013	92,593	C\$0.1862
Common	July 25, 2013	92,593	C\$0.1156
Common	July 25, 2013	49,151	C\$0.1735
Bridge Loan Warrants ⁽¹⁾	December 20, 2013	50,962,676	US\$0.1224

Note:

- (1) See "The Arrangement – Bridge Loan".

Price Range and Trading Volumes of the Mercator Shares

The Mercator Shares are listed for trading on the TSX under the symbol "ML".

The following table sets forth, for the 12-month period prior to February 25, 2014, details of the trading prices and volume on the TSX on a monthly basis for the Mercator Shares:

Period	High	Low	Volume
2013			
January	C\$0.64	C\$0.46	16,480,771
February	C\$0.495	C\$0.385	6,887,667
March	C\$0.405	C\$0.35	9,664,073
April	C\$0.365	C\$0.255	8,005,690
May	C\$0.285	C\$0.215	7,269,335
June	C\$0.235	C\$0.18	7,800,769
July	C\$0.18	C\$0.095	37,337,664
August	C\$0.155	C\$0.105	21,948,784
September	C\$0.125	C\$0.10	18,299,995
October	C\$0.105	C\$0.06	14,864,276
November	C\$0.08	C\$0.045	13,837,869
December	C\$0.105	C\$0.04	48,654,205

Period	High	Low	Volume
2014			
January	C\$0.10	C\$0.09	9,765,892
February 1 -25	C\$0.10	C\$0.09	3,418,325

Source: TMX Money website

The closing price of the Mercator Shares on the TSX on February 25, 2014 was C\$0.09.

Directors and Officers of Mercator

See "Appendix O – Directors, Executive Officers and Management of Mercator" for certain information regarding the directors and officers of Mercator.

Available Information

Mercator files reports and other information with the Canadian Securities Authorities in jurisdictions in which it is a reporting issuer. These reports and information are available to the public free of charge on SEDAR at www.sedar.com under Mercator's profile.

Interest of Certain Persons or Companies in Matters to be Acted Upon

Except as disclosed elsewhere in this Circular, none of the directors or executive officers of Mercator, none of the persons who have been directors or executive officers of Mercator since the commencement of Mercator's last financial year and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

Interests of Informed Persons in Material Transactions

Except as disclosed elsewhere in this Circular, no informed person of Mercator, nor any associate or affiliate of any informed person of Mercator, has any material interest, direct or indirect, in any transaction since the commencement of Mercator's most recently completed financial year or in any proposed transaction, which, in either case, has materially affected or would materially affect Mercator.

Management Contracts

No management functions of Mercator or any of its subsidiaries are performed to any substantial degree by a person other than the directors or executive officers of Mercator.

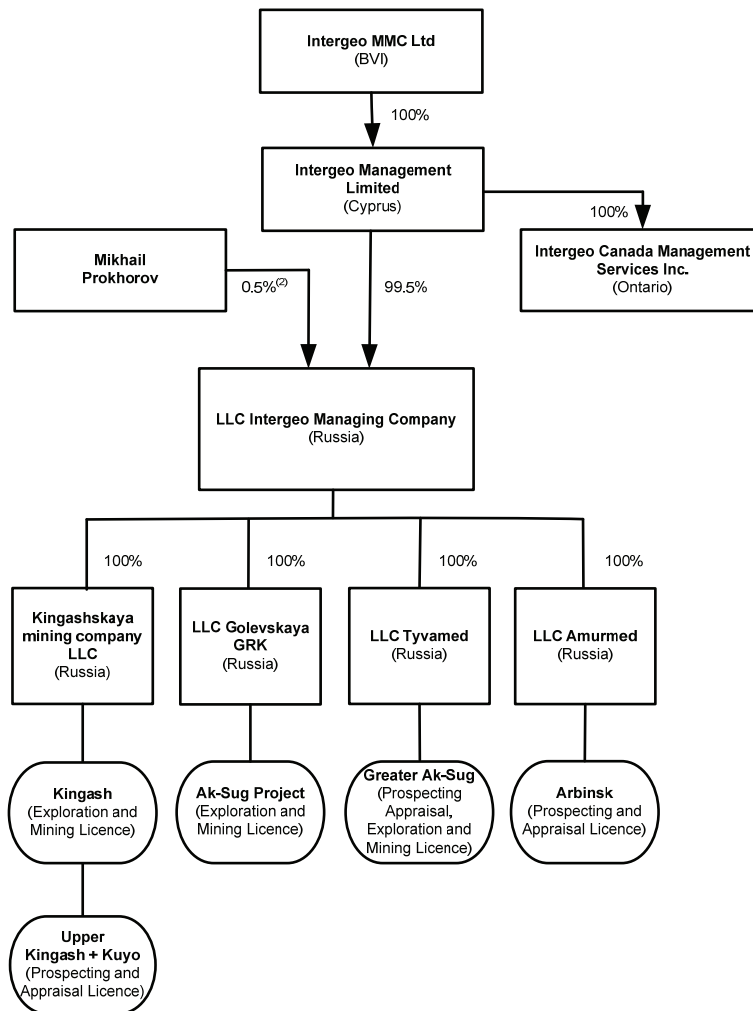
INFORMATION CONCERNING INTERGEO

Corporate Structure

Intergeo was incorporated under the BVI Act on June 9, 2011 as "Intergeo Group Ltd", and changed its name to "Intergeo MMC Ltd" on July 6, 2011.

The registered and head office of Intergeo is located at Totalserve Trust Company Limited, 19 Waterfront Drive, P.O. Box 3540, Road Town, Tortola, VG1110, British Virgin Islands.

The following diagram illustrates Intergeo's principal subsidiaries, together with their respective jurisdictions of incorporation and property interests (if any)⁽¹⁾:



Notes:

(1) Excludes subsidiaries where the total assets of the subsidiary do not exceed 10% of the consolidated assets of Intergeo.

(2) See "Principal Securityholders".

Jurisdictions of Incorporation

British Virgin Islands

Intergeo is domiciled in the BVI to take advantage of the favourable tax treatment accorded to companies governed by the BVI Act. The BVI legal system is based on the English common law system. BVI companies (provided that they do not operate or hold real property in the BVI) and all amounts paid by them to non-residents are generally exempt from all local taxes and stamp duty. All dividends, royalties, interest, fees and management fees paid or deemed to be paid by a company to a person resident outside the BVI are exempt from tax and no amount is required to be withheld (except with respect to debt obligations payable by the company to individuals within the European Union). In addition, a company subject to the BVI Act is not liable for any tax in the BVI on the transfer of any securities or assets.

Cyprus

Intergeo Cyprus is a Cypriot holding company and was established as a way of owning Intergeo's Russian operating subsidiaries in a secure and tax efficient manner. Cyprus is a common law jurisdiction. Cypriot companies do not have a tax withholding obligation on dividends paid to non-Cypriot shareholders. In addition, any profit from the disposal of securities is exempt from Cyprus tax. Cyprus has implemented a number of double tax treaties, including with Russia, which provides for a favourable tax environment, stability and investment protection. There are no restrictions on a Cypriot company paying dividends. Although neither Intergeo nor any of its subsidiaries hold any funds in either of the banks affected by the financial crisis in Cyprus that occurred in 2013, there can be no assurance that the future refinancing of Cypriot public debt will not affect the Resulting Issuer. See "Appendix U – Risks Related to the Resulting Issuer – *The Resulting Issuer may be negatively affected by a global financial market and economic crisis.*"

Russia

Intergeo Russia and its subsidiaries are incorporated in Russia. For a description of the legal framework in Russia, see "Appendix Q – Background Information on Russian Legal Framework".

Description of the Business

Intergeo is a copper focused mineral resource company currently developing, exploring and acquiring base metal properties in Russia. Intergeo's objective is to become a premier base metals producer. Intergeo's current portfolio includes licences covering one development, one study stage and two exploration properties containing various polymetallic elements and spanning a total area of more than 12,000 square kilometres. Intergeo has a 99.5000025% indirect interest in these mineral assets, with the remaining indirect interest being held by Mikhail Prokhorov, Intergeo's ultimate principal shareholder, through Daselina. Intergeo management believes these properties provide Intergeo with a significant pipeline to grow its resource base and develop globally competitive mines. Since 2007, Intergeo has invested approximately US\$300 million into its properties. Intergeo's shareholders and management team have a track record of successfully identifying, developing, financing and operating mineral assets in Russia and a number of other countries.

Intergeo's immediate focus is on developing its key open pit project: the Ak-Sug copper porphyry deposit ("**Ak-Sug**" or the "**Ak-Sug Project**"). This project is strategically located in southern Siberia in close proximity to major end markets in Asia. Intergeo considers Ak-Sug to be an attractive project with significant scale and robust economic potential based on Ak-Sug PEA. For more information on Ak-Sug, see "Appendix H – Ak-Sug Project Technical Disclosure". In addition, Intergeo owns the Kingash nickel sulphide property which contains the Kingash, Verkhnekingashsky ("**Upper Kingash**"), and Kuyovsky ("**Kuyo**") deposits (collectively, "**Kingash**" or the "**Kingash Project**"). Kingash, located in southern Siberia, is one of the largest undeveloped nickel sulphide projects in the world.

Intergeo's diverse pipeline of earlier stage exploration assets includes the Greater Ak-Sug copper porphyry property ("**Greater Ak-Sug**"), which is located in southern Siberia. Intergeo also holds a licence covering the Arbinsk copper

deposit ("**Arbinsk**"), which is located in the Far East Federal District of Russia. Intergeo management believes these regions to be among the world's most highly prospective mineral districts.

Ak-Sug Project

SRK Russia has prepared a technical report for Intergeo and Golevskaya in accordance with NI 43-101 in respect of the Ak-Sug Project entitled "Preliminary Economic Assessment Ak-Sug Copper-Molybdenum Project Todja Kozhuun District, Tyva Republic, Russian Federation" with a resource effective date of July 15, 2011, a report effective date of November 8, 2012, and signed by SRK Russia on December 7, 2012.

The Ak-Sug PEA contained in the Ak-Sug Technical Report is an early stage study. Further studies that demonstrate the economic viability of the Ak-Sug Project must be completed, necessary permits must be obtained, a production decision must be made and financing for construction and development, including government cost sharing for infrastructure, must be arranged. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The Ak-Sug Technical Report has not estimated any mineral reserves for the Ak-Sug Project. The Ak-Sug PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the Ak-Sug PEA will be realized. See "Appendix U – Risks Related to the Resulting Issuer". For more details on the mineral resource estimates of the Ak-Sug Project, see "Appendix H – Ak-Sug Project Technical Disclosure".

For readers to fully understand the information in this document and the Ak-Sug PEA, they should read the Ak-Sug Technical Report in its entirety, including all qualifications, assumptions and exclusions that relate to the information set out in this document which qualifies the technical information. The Ak-Sug Technical Report is intended to be read as a whole, and summaries or sections should not be read or relied upon out of context. The Ak-Sug Technical Report has an effective date of November 8, 2012. The technical information in that report is subject to the assumptions and qualifications contained in the Ak-Sug Technical Report. The Ak-Sug Technical Report has been filed with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review on Mercator's profile at www.sedar.com.

The Ak-Sug Project and the surrounding Greater Ak-Sug area are located approximately 220 kilometres from the city of Kyzyl in Russia's Tyva Republic, which is the geographic centre of Asia. The Tyva Republic borders Mongolia to the south, an emerging mining district that is home to a number of large scale mining projects. These two regions contain copper deposits which share many similarities in geological setting. Tyva Republic is host to a developing mining industry with existing road and power infrastructure. The regional government has advised Intergeo that it is receptive to developing additional large scale power and transportation infrastructure to support Ak-Sug.

Intergeo has conducted over 83,000 metres of diamond drilling to date at the Ak-Sug Project. Since November 8, 2012, the effective date of the mineral resource estimates contained in the Ak-Sug Technical Report, Intergeo has conducted further drilling at Ak-Sug. The results from such drilling are not viewed by Intergeo management as materially different from the previous drilling results and are not expected to have a material effect on the mineral resource estimates contained in the Ak-Sug Technical Report, other than to help upgrade the confidence in the mineral resource estimate.

Based on the Ak-Sug Technical Report, the deposit would be mined using conventional truck and shovel open-pit mining methods. The average throughput over the first 18 years is expected to be approximately 24 million tonnes per annum. The estimated project life is approximately 25 years, which includes six years of production from processing of stockpiled materials. The planned preliminary mining sequence is based on six push-backs, each containing 80 to 120 million tonnes of mineralized material (or three to five years' life), assuming three or four of the cut-backs are developed at a time. The open-pit schedule was designed to enable higher grade materials to be processed first by stockpiling low-grade material. After completion of mining, the accumulated low-grade stockpile would be processed to recover copper, molybdenum and gold.

The Ak-Sug Technical Report contemplates that the processing plant at the Ak-Sug Project would be based on a conventional flowsheet for treating copper-molybdenum mill feed and is expected to have annual throughput

capacity of approximately 24 million tonnes. It would be located adjacent to the mine and waste dumps and tailings storage facilities. The mill feed would be ground prior to flotation to produce a bulk sulphide concentrate containing both copper and molybdenum, followed by differential flotation to separate the copper and molybdenum. Preliminary targets are for copper recovery of 90%, and a copper concentrate grade of 27%, as well as a molybdenum recovery of 60% to produce a molybdenum concentrate grading at least 50% molybdenum and less than 3% copper. Further test work will be required to verify that these targets can be achieved. Copper and molybdenum concentrate will be transported in bulk in trucks from the plant to the rail head, located approximately 240 kilometres from the plant. From the rail head, the copper and molybdenum concentrates will be transported to market in railcars by the regional rail operator.

The Ak-Sug Technical Report estimates that the project's copper equivalent grade will average approximately 0.87% during its high-grade early years of production (years one to seven) and 0.58% on a LOM basis. As outlined in the Ak-Sug Technical Report, the base case LOM production, financial and resource estimates for the project are as follows:

LOM	25 years		
Grade	Years 1-7	Years 1-18	LOM
Copper (%).....	0.75	0.58	0.47
Gold (g/t).....	0.16	0.14	0.14
Molybdenum (%).....	0.016	0.014	0.014
Rhenium (g/t).....	0.28	0.25	0.25
Copper equivalent ⁽¹⁾ (%).....	0.87	0.68	0.58

Average Annual Payable Metal	Years 1-7	Years 1-18	LOM
Copper (Mlb).....	332	256	211
Gold (koz).....	54	48	47
Molybdenum (Mlb).....	5	4	4
Rhenium (koz).....	141	129	126
Copper equivalent (Mlb).....	393	310	264
			Total LOM
LOM Cash Cost (\$/lb Cu).....			US\$1.16
Initial Capex ⁽²⁾ (\$M).....			US\$1,935
NPV (\$M).....			US\$802
IRR (%).....			14.9%

Notes:

- (1) Calculation based on the Ak-Sug PEA parameters. Assumes US\$2.75/lb copper, US\$1,100/oz gold, US\$16/lb molybdenum and US\$7/g rhenium.
- (2) Includes net capital expenditures through the end of the second year of commercial production, and assumes government cost sharing for certain required infrastructure, absent which, a contribution of up to an additional estimated US\$200 million would be required. See "Appendix U – Risks Related to the Resulting Issuer – *The infrastructure in Russia is inadequate, which could increase costs or result in losses and disrupt normal business activities*". Excludes the estimated costs of preparing a pre-feasibility study (including drilling and test-work) and a feasibility study. See "Appendix H – Ak-Sug Project Technical Disclosure – Ak-Sug Project – Mining Operations – Capital and Operating Costs".

Sensitivity of NPV and IRR to Changes in Copper Price

Copper Price (US\$/lb)	NPV (US\$)	IRR
\$2.00	–\$432M	3.7%
\$2.25	–\$11M	7.9%
\$2.50	\$399M	11.6%
Base Case US\$2.75	US\$802M	14.9%
\$3.00	\$1,202M	18.1%
\$3.25	\$1,602M	21.0%
\$3.50	\$2,003M	23.8%

On February 25, 2014, the spot price of copper on the LME was US\$3.24 per pound. The average spot price for copper on the LME for the last five years was US\$3.39 per pound.

The Ak-Sug Project has a large resource base and attractive grades that, based on the Ak-Sug PEA, is projected to result in robust economics.

Ak-Sug is one of the few development stage, open pit copper projects in the world with substantial scale that is not controlled by a major multinational mining company (including those assets controlled by Chinese entities and Japanese trading companies). According to Brook Hunt, only six greenfield development projects of similar scale (defined as projects with estimated LOM annual production exceeding 220 million pounds of copper) are expected to commence production over the next five years. Intergeo management believes that the mineralization and estimated cash costs of Ak-Sug compare favourably to projects of similar size, and that significant potential exists to increase the resource base and further improve the project's economics.

The Ak-Sug deposit extends below the bottom of the current conceptual open pit and remains open in all directions. Intergeo's 2012 drilling program included 12,843 metres of new in-fill and step-out drilling focused on expanding the deposit laterally and at depth and an additional 13,724 metres were drilled in 2013. Intergeo management believes there is potential to significantly enlarge the resource base and increase mine life and annual production estimates. The Ak-Sug Technical Report further notes the potential to extend operations by approximately four years through underground mining at the end of the open pit mine life. Intergeo management believes this could be accomplished through low-cost block caving.

The Ak-Sug Project is located approximately 320 kilometres from the Trans Siberian railway, a key transportation route to China, one of the largest emerging markets driving global base metals demand. Intergeo management expects copper production from the project to be attractive to smelters looking to secure long-term supplies of copper concentrates.

The regional government supports development of Ak-Sug and, jointly with the Russian federal government, is considering plans for new or improved rail and/or road connections to the Trans Siberian railway that would benefit the project. Intergeo management believes existing infrastructure near Ak-Sug provides Intergeo with an advantage of accessing existing port and rail capacity to transport Intergeo's products to market.

The Ak-Sug Project is located in scarcely populated areas with no permanent dwellings or communities in the immediate vicinity. Intergeo does not expect that project development will require relocation of any indigenous peoples or other residents.

Diverse Portfolio of Assets

Intergeo has one study stage asset, Kingash, which is one of the few undeveloped large scale, low cost, open pit nickel sulphide projects in the world. Intergeo management believes that there is significant potential to further improve the Kingash Project's economics by optimizing its metallurgical processing techniques.

Intergeo has exploration assets that Intergeo management believes are highly prospective, with the most notable being Greater Ak-Sug and Arbinsk.

Greater Ak-Sug is a copper porphyry property encompassing approximately 1,288 square kilometres surrounding the Ak-Sug Project. Following comprehensive airborne surveys in 2010, Intergeo is conducting further geophysical analyses on five target zones. Intergeo completed 8,709 metres of drilling in the Greater Ak-Sug Licence area in 2012 and 7,076 metres in 2013.

Intergeo's portfolio also includes the Arbinsk property, which potentially contains copper, gold, silver, molybdenum, and rhenium mineralization. Intergeo drilled approximately 11,246 metres in 2012 and 2,624 metres in 2013 at Arbinsk.

Highly Experienced Management Team and Shareholders

Intergeo's shareholders and management team have a track record of successfully identifying, developing, financing and operating mineral assets in Russia and other countries. In addition, Intergeo's management team has in-depth

knowledge of public company management, and local and national government infrastructure and development practices in Russia. All Russian members of the management team are fluent in English. See "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer".

Mikhail Prokhorov, Intergeo's ultimate principal shareholder, has, since 2001, a record of developing and operating large nickel and gold mining operations. Mr. Prokhorov was CEO and Chairman of the Management Board of Norilsk Nickel from 2001 to 2007, a member of the Board of Directors of OJSC Polyus Gold from 2006 to 2011 (which included serving as Chairman of the Board of Directors from 2006 to June 2007 and from October 2007 to December 2010), a member of the Board of Directors of OJSC "Airport Sheremetievo" from June 2009 to June 2012 and General Director of both OJSC Polyus Gold and CJSC Polyus from December 2010 to June 2011. He has developed and led a number of major companies and through Onexim Sports & Entertainment, is the principal owner of the Brooklyn Nets of the National Basketball Association. In addition, since October 2008, Mr. Prokhorov has served as the President of the Russian Biathlon Union. Mr. Prokhorov participated as a candidate in the elections for presidency of Russia in March 2012, but was not elected. In October 2012, Mr. Prokhorov announced that he was entering politics as the Chairman of the Federal Civic Committee and the Federal Political Committee of the Civic Platform party in Russia and held the position of Chairman of the Federal Civic Committee until December 2013. At present, Mr. Prokhorov holds the position of Chairman of the Federal Political Committee of the Civic Platform party.

Maxim Finskiy, Intergeo's other beneficial shareholder, is a former member of the board of directors of OJSC Polyus Gold, and the former Deputy General Director and Deputy Chairman of the management board of Norilsk Nickel, where he was responsible for the formation of OJSC Polyus Gold. Each of Messrs. Prokhorov and Finskiy has long-standing relationships with major Russian resource companies, local communities and regional governments. Mr. Prokhorov, through Daselina, and Maxim Finskiy, through Kirkland, will beneficially own approximately 84.38% and less than 0.45% of the issued and outstanding Resulting Issuer Common Shares, respectively, upon completion of the Arrangement.

Summary of Properties

The following table contains information about Intergeo's properties:

Project	Primary Metal	Other Metals	Stage	Term and Type of Licence
Ak-Sug	Copper	Mo, Au, Re	Development (preliminary economic assessment)	2007-2027, exploration and mining licence
Kingash	Nickel	Cu, Co, Au, Pt, Pd	Study	Kingash deposit: 2007-2027, exploration and mining licence Upper Kingash and Kuyo deposits: 2006-2014, prospecting and appraisal licence (conversion to exploration and mining licence pending). See "Appendix U – Risks Related to the Resulting Issuer".
Greater Ak-Sug	Copper	Mo, Au	Exploration	2009-2034, prospecting, appraisal, exploration and mining licence
Arbinsk	Copper	Au, Ag, Mo, Re	Exploration	2006-2016, prospecting and appraisal licence

General Development of the Business

Background

Intergeo MMC Ltd was incorporated under the laws of the BVI on June 9, 2011. Intergeo is beneficially owned by Mr. Prokhorov, through Daselina, and by Mr. Finskiy, through Kirkland. Intergeo holds its mining assets through its subsidiaries. Intergeo Russia was formed in February 2007 by Mr. Finskiy and Sergey Lyamin for the purpose of organizing investments in exploration and mining properties. Mr. Finskiy led Intergeo Russia's creation with a view to gradually accumulating an attractive portfolio of greenfield projects for subsequent development. Intergeo Russia established control over its existing exploration and development assets through a series of acquisitions between

2007 and 2011. In March 2008, Onexim Holdings Limited, together with three private companies, acquired 100% of Intergeo Russia. Subsequently, the ownership was fully consolidated by Mr. Prokhorov. See "Information Concerning Intergeo – General Development of the Business – Intergeo Reorganization".

Intergeo Reorganization

Prior to the Intergeo Reorganization, (i) Intergeo was beneficially owned by Mr. Prokhorov, through Daselina, (ii) Intergeo owned 100% of Intergeo Cyprus, and (iii) a 99.9995% interest in Intergeo Russia was directly owned by Mr. Prokhorov with the remaining 0.0005% interest being indirectly owned through Intergeo Cyprus. In February 2012, the Intergeo Reorganization was completed for the purposes of (i) eliminating the existing intra-group indebtedness owed by Intergeo Russia and Intergeo Cyprus to members of the ONEXIM Group by debt to equity conversion and (ii) establishing the ownership structure whereby Intergeo has a 99.5% indirect interest in Intergeo Russia, the owner of Intergeo's Russian subsidiaries. The Intergeo Reorganization was completed as follows:

- loans and promissory notes (including accrued interest) owed by Intergeo Russia and Intergeo Cyprus to ONEXIM Group and Daselina (approximately US\$208.2 million) were assigned to Daselina. Such loans and promissory notes (including accrued interest) and cash of approximately US\$7.3 million were then transferred by Daselina to Intergeo in exchange for 100,000,000 Common Shares, with the result that Intergeo continued to be wholly-owned by Daselina, which is 100% beneficially owned by Mr. Prokhorov; and
- Intergeo subscribed for an additional 10,000 new shares in Intergeo Cyprus in consideration of (i) the assignment by Intergeo to Intergeo Cyprus of all promissory notes (including accrued interest) owed by Intergeo Russia to Intergeo, (ii) the set off of all loans and a promissory note owed by Intergeo Cyprus to Intergeo, and (iii) cash of approximately US\$6.8 million.

Intergeo Cyprus further contributed cash of approximately US\$7.0 million and all the promissory notes (including accrued interest) owed by Intergeo Russia (approximately US\$204.6 million) to it to the charter capital of Intergeo Russia, thus setting off Intergeo Russia's indebtedness, increasing Intergeo Cyprus's participatory interest in Intergeo Russia to 99.5% and diluting Mr. Prokhorov's direct equity interest in Intergeo Russia to 0.5%.

Private Placement

On October 23, 2012, Intergeo and Daselina entered into a subscription agreement whereby Daselina agreed to purchase up to an aggregate of 14 million Intergeo Shares at a subscription price of US\$5 per Intergeo Common Share for aggregate gross proceeds of up to US\$70 million (the "**Private Placement**"). The Private Placement was completed in three tranches: the first for five million Intergeo Shares, which was completed on October 26, 2012; the second for five million Intergeo Shares, which was completed on January 17, 2013; and the third for four million Intergeo Shares, which was completed on January 25, 2013. The aggregate proceeds from the Private Placement were used to repay approximately US\$7.1 million of borrowings in November 2012, to repay approximately US\$7.5 million of borrowings in January 2013, to fund expenditures, and for general corporate purposes. See "Information Concerning Intergeo – Interest of Management and Others in Material Transactions".

Initial Public Offering

On May 15, 2012, Intergeo filed a preliminary long form base PREP prospectus with certain Canadian securities commissions in connection with a planned initial public offering of Intergeo Shares. Due to market conditions, the prospectus was withdrawn on April 12, 2013. Following the withdrawal, Intergeo management explored alternatives for maximizing its shareholders' value, which included a potential transaction with an already listed entity.

Summary

The table below summarizes the history of Intergeo.

Date	Event
February 2007	• Intergeo Russia is formed. • Golevskaya acquires the Ak-Sug Licence through an auction process in February 2007.
March 2007	• Intergeo Russia acquires a 100% interest in LLC Amurmed from an arm's-length Russian individual. LLC Amurmed had acquired the prospecting and appraisal licence for the Arbinsk property in September 2006 from the Russian government. • Intergeo Russia acquires a 100% interest in Golevskaya from an arm's-length Russian individual.
April 2007	• Intergeo Russia incorporates LLC East-Sayan nickel company. • Intergeo Russia acquires LLC Orekitanskaya GRK from an arm's-length Russian individual. • Kingash LLC acquires the Kingash Licence. Kingash LLC had held the Upper Kingash/Kuyo Licence since October 2006.
May 2007	• Intergeo Russia acquires a 100% interest in Tyvamed from an arm's-length Russian individual. • LLC Orekitanskaya GRK acquires the mining licence for Orekitkan through an auction process.
March 2008	• Onexim Holdings Limited, part of the ONEXIM Group, together with three private companies, acquires a 100% interest in Intergeo Russia.
April 2008	• Intergeo Russia acquires a 51% interest in Uralmining from an arm's-length Russian individual. The remaining 49% interest is held by IRC, a mining company listed on the Hong Kong Stock Exchange. Uralmining had acquired the exploration and mining licence for the Bolshoy Seyim property through an auction process in November 2005.
May 2008	• LLC East-Sayan nickel company acquires the prospecting, appraisal, exploration and mining license to the East Sayan area through an auction process.
January 2009	• Tyvamed acquires the Greater Ak-Sug Licence through an auction process.
February 2011	• Maxim Finskiy acquires Intergeo Cyprus. See "Information Concerning Intergeo – Promoters".
April 2011	• 99.9995% of the interests in Intergeo Russia are sold to Mikhail Prokhorov and 0.0005% of the interests are sold to Intergeo Cyprus.
June 2011	• Intergeo MMC Ltd is formed.
July 2011	• Intergeo MMC Ltd acquires a 100% interest in Intergeo Cyprus from Maxim Finskiy. • Intergeo Russia acquires a 100% interest in Kingash LLC for approximately US\$70 million. See "Information Concerning Intergeo – Interest of Management and Others in Material Transactions".
February 2012	• The Intergeo Reorganization is completed.
April 2012	• Mr. Finskiy, through Kirkland, acquires 1.12% of the then issued and outstanding Intergeo Shares from Daselina. See "Information Concerning the Resulting Issuer – Daselina-Kirkland Option Agreement".
May 2012	• Intergeo files the prospectus with certain Canadian securities commissions.
July 2012	• Intergeo Cyprus sells its indirect interest in Bolshoy Seyim to IRC in consideration for 74,681,360 shares of IRC.
October 2012	• Intergeo MMC Ltd completes the first tranche of the Private Placement and issues 5 million Intergeo Shares to Daselina for gross proceeds of US\$25 million. See "Information Concerning Intergeo – General Development of the Business – Private Placement".
January 2013	• Intergeo MMC Ltd completes the second and third tranches of the Private Placement and issues an aggregate of 9 million Intergeo Shares to Daselina for total gross proceeds of US\$45 million. See "Information Concerning Intergeo – General Development of the Business – Private Placement".
April 2013	• The prospectus is withdrawn.

Competitive Conditions

The mining business is intensely competitive in all of its phases. Intergeo competes with other companies, including competitors with greater financial, technical and other resources.

Environmental Responsibility

Intergeo's exploration and development activities are subject to various Russian laws and regulations regarding the protection of the environment.

Specialized Skill and Knowledge

Intergeo believes that it has sufficient personnel with the specialized skills and knowledge to successfully carry out the present level of its business and operations. Intergeo employs or retains personnel with many of these skills, as appropriate. In addition, Intergeo procures the services of consultants and contractors to complement the skills of its employees wherever necessary.

Foreign Operations

All of Intergeo's projects are located in Russia. Consequently, Intergeo is subject to certain risks related to operating in Russia, including currency fluctuations and possible political or economic instability. See "Appendix T – Risks Related to Intergeo".

Employees

As at February 25, 2014, Intergeo employed approximately 94 employees. In addition, Intergeo engages contractors and consultants from time to time to work on specific properties and for administrative, legal and other services, as required. Intergeo does not have any unionized employees.

Consolidated Capitalization

The following table sets forth Intergeo's capitalization as at September 30, 2013 on an actual basis. The table should be read with the financial statements and accompanying notes and the related management's discussion and analysis, which appear under "Appendix J – Intergeo Unaudited Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2013 and 2012" and "Appendix L – Intergeo Management's Discussion and Analysis for the Three and Nine Months Ended September 30, 2013 and 2012". For a pro forma capitalization of the Resulting Issuer, as adjusted to give effect to the Arrangement, please see "Information Concerning Intergeo – Consolidated Capitalization" and "Information Concerning the Resulting Issuer – Pro-Forma Fully Diluted Share Capital".

	As at September 30, 2013 (in 000's)
Cash and cash equivalents	US\$17,819
Borrowings	-
Total shareholders' equity	US\$158,600
Total capitalization	US\$176,419

Options to Purchase Securities

As at February 25, 2014, no options have been granted to any directors or officers of Intergeo. Daselina and Kirkland have entered into an option agreement entered dated as of March 21, 2012 whereby Daselina granted Kirkland the right to acquire Intergeo Shares from Daselina. Such option agreement will be terminated prior to the completion of the Arrangement. It is expected that Daselina and Kirkland will enter into the Daselina-Kirkland Option Agreement as of the Effective Date. See "Information Concerning the Resulting Issuer – Daselina-Kirkland Option Agreement".

Description of Share Capital

Intergeo's authorized share capital consists of an unlimited number of Intergeo Shares, without par value, of which as at the date hereof, 114,010,000 Intergeo Shares are issued and outstanding.

Each Intergeo Common Share entitles the holder thereof to (i) one vote at all meetings of shareholders of Intergeo or on any resolution of shareholders of Intergeo, (ii) an equal share in any dividend paid by Intergeo, and (iii) an equal share in the distribution of the surplus assets of Intergeo on its liquidation.

Principal Securityholders

To the knowledge of the directors and executive officers of Intergeo, other than as set forth below, no person beneficially owns or controls or directs, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to any class of voting securities of Intergeo.

Shareholder Name	Class of Securities	Number and Percentage of Intergeo Shares Owned, Controlled or Directed prior to giving effect to the Arrangement
Mikhail Prokhorov ⁽¹⁾	Intergeo Shares	112,891,741/99.02%

Note:

- (1) Mr. Prokhorov beneficially owns the Intergeo Shares through Daselina. See "Information Concerning the Resulting Issuer – Daselina-Kirkland Option Agreement".

Mr. Prokhorov holds a 0.4999975% equity interest in Intergeo Russia. There are no agreements or other arrangements between Mr. Prokhorov and Intergeo concerning the future equity or debt financing of Intergeo Russia, as a result of which Mr. Prokhorov has no obligation to finance Intergeo Russia. Furthermore, Intergeo Russia may be unable to undertake any equity financings without the approval of both of its shareholders. If Mr. Prokhorov does not approve an equity financing, the only internal source of future funding for Intergeo Russia will be intra-group loans. In addition, the notice of articles and articles of the Resulting Issuer will provide that, so long as the Daselina Group and the Kirkland Group collectively hold at least 33% of the outstanding Resulting Issuer Common Shares, the Resulting Issuer shall not make any decision or take any action with respect to certain corporate matters without the approval of a majority of the Board and with the nominee director(s) of the Daselina Group Share Holder (if any), which includes any equity financings of Intergeo Russia. As a result, if Mr. Prokhorov and/or the nominee director(s) of the Daselina Group Share Holder (if any) fail to approve any such equity financing, Intergeo Russia will not be entitled to undertake such financing and Mr. Prokhorov's interest in Intergeo Russia will not be diluted. This structure could effectively give Mr. Prokhorov a "carried interest" in Intergeo Russia (i.e. the ability to maintain his 0.4999975% equity interest without providing any ongoing equity and/or debt funding to Intergeo Russia and without any liability to Intergeo Russia). Intergeo management expects that Intergeo Russia will be funded by way of intra-group loans if such equity financings are not approved. Certain decisions of Intergeo Russia require unanimity of its participants under Russian LLC Law. As a result, Mr. Prokhorov's approval will be required (irrespective of the size of his interest in Intergeo Russia) for certain matters including with respect to a reorganization of Intergeo Russia, amendments of certain provisions of its charter and increase of its charter capital in certain ways (such as by way of conversion of debt to equity).

See "Information Concerning the Resulting Issuer – Governance Arrangements with Principal Securityholders", "Appendix U – Risks Related to the Resulting Issuer – *The Resulting Issuer will not have sufficient funds to develop its mineral properties and will require additional financing in the future*" and "Appendix U – Risks Related to the Resulting Issuer – *The Resulting Issuer's ultimate principal shareholder's interests may differ from those of its other shareholders, and adverse events with respect to the Resulting Issuer's beneficial shareholders may adversely affect the Resulting Issuer*".

Prior Sales

No Intergeo Shares have been issued by Intergeo during the 12-month period prior to February 25, 2014.

Dividend Policy

Intergeo has not declared or paid any dividends on the Intergeo Shares to date.

Legal Proceedings and Regulatory Actions

There are no legal proceedings that Intergeo is or was a party to, or that any of Intergeo's property is or was the subject of, since the incorporation of Intergeo, that were or are material to Intergeo, and there are no such material legal proceedings that Intergeo knows to be contemplated.

There were no: (i) penalties or sanctions imposed against Intergeo by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date of this Circular; (ii) other penalties or sanctions imposed by a court or regulatory body against Intergeo that Intergeo believes must be disclosed for this Circular to contain full, true and plain disclosure of all material facts relating to the Arrangement or Intergeo; or (iii) settlement agreements Intergeo entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Circular.

Interest of Management and Others in Material Transactions

There are no material interests, direct or indirect, of the directors or executive officers of Intergeo or any shareholders who beneficially own, control or direct, directly or indirectly, more than 10% of Intergeo's outstanding Intergeo Shares, or any known associates or affiliates of such persons, in any transaction within the last three years before the date of this Circular that has materially affected or is reasonably expected to materially affect Intergeo or a subsidiary of Intergeo, except as otherwise disclosed in this Circular.

From April 2009 to May 2010, certain former shareholders of Intergeo Russia (or their affiliates) provided financing to Intergeo Russia and its subsidiaries in the aggregate amount of approximately US\$6.6 million by way of loans and promissory notes which bore interest rates ranging from 5.5% to 9.6% per annum. All such loans and promissory notes were repaid in full between 2009 and 2011 and as a result, no amounts remain outstanding.

From January 2009 to November 2011, Onexim Holdings Limited, a company beneficially owned by Mr. Prokhorov, and its affiliates provided financing to Intergeo Russia and its subsidiaries in the aggregate amount of approximately US\$210.0 million by way of loans and promissory notes which bore interest rates ranging from 0.0% to 1.5% per annum.

As of December 31, 2011, Onexim Holdings Limited accumulated certain promissory notes owed by Intergeo Russia to Onexim Holdings Limited and its affiliates with an aggregate carrying amount of approximately US\$188.2 million (aggregate face value of RUB6,200.5 million).

From April 2011 to November 2011, North Financial Overseas Corp. made a number of additional loans to Intergeo Cyprus in the aggregate principal amount of approximately US\$2.8 million. Each of the loans bore interest at 3% per annum and had a term of one year from the date the loan was made. These loans were part of the Intergeo Reorganization and are no longer outstanding. See "Information Concerning Intergeo – General Development of the Business – Intergeo Reorganization".

On July 12, 2011, Intergeo Russia acquired a 100% interest in Kingash LLC. Intergeo acquired Kingash LLC from four private investors for aggregate cash consideration of approximately US\$70 million (RUB1,965.7 million), approximately US\$6.1 million (RUB172 million) of which was paid to Travallation, a company which at that time was beneficially owned by Mr. Prokhorov, for its 9.5% interest in Kingash LLC. Intergeo Russia funded the acquisition of Kingash LLC through a loan provided by North Financial Overseas Corp., a company beneficially owned by Mr. Prokhorov. No independent valuation was prepared in respect of this acquisition. Kingash LLC had been acquired by Travallation and three other private investors on November 15, 2010 for a total price of approximately US\$58.1 million (RUB1,800 million), of which approximately US\$5.5 million (RUB171 million) was paid by Travallation. Kingash LLC was primarily involved in the exploration and evaluation of copper, nickel and cobalt mineral resources in Russia. Kingash LLC had held the exploration and mining licence for the Kingash Project since April 2007 and the prospecting and appraisal licence for the Upper Kingash and Kuyo deposits since October 2006.

In December 2011, Intergeo Cyprus issued an interest-free promissory note to Daselina in the principal amount of approximately US\$2.4 million in consideration of US\$2.3 million, which promissory note was payable on demand any time on or after December 13, 2012. This promissory note was part of the Intergeo Reorganization and is no longer outstanding. See "Information Concerning Intergeo – General Development of the Business – Intergeo Reorganization".

As of December 31, 2011, Daselina held a series of interest-free promissory notes issued by Intergeo Russia with an aggregate principal amount of approximately US\$6.2 million (RUB200.4 million), which promissory notes were payable on demand. These promissory notes were part of the Intergeo Reorganization and are no longer outstanding. See "Information Concerning Intergeo – General Development of the Business – Intergeo Reorganization".

As of January 19, 2012, Daselina accumulated all loans and promissory notes owed by Intergeo Russia and Intergeo Cyprus with an aggregate carrying amount of US\$199.6 million. These loans and promissory notes were assigned to Intergeo MMC Ltd and then converted into Intergeo Shares as part of the Intergeo Reorganization and, as a result, such amount is no longer outstanding. See "Information Concerning Intergeo – General Development of the Business – Intergeo Reorganization".

In February 2012, Intergeo completed the Intergeo Reorganization. No independent valuation was prepared in respect of the Intergeo Reorganization. See "Information Concerning Intergeo – General Development of the Business – Intergeo Reorganization".

On June 19, 2012, International Financial Club entered into the ESNC Credit Line (denominated in Russian roubles) with LLC East-Sayan nickel company and the Golevskaya Credit Line (denominated in Russian roubles) with Golevskaya. Under the terms of the Credit Lines, International Financial Club agreed to provide an aggregate total of approximately US\$14 million (RUB450 million), with LLC East-Sayan nickel company receiving approximately US\$7 million (RUB225 million) and Golevskaya receiving approximately US\$7 million (RUB225 million). The Credit Lines each had six month terms and bore interest at 12% per annum. The Credit Lines were secured by a pledge of marketable securities by Leonina Investments Limited. Mr. Prokhorov is a shareholder and a member of the board of directors of International Financial Club and the ultimate beneficial owner of Leonina Investments Limited. On November 7, 2012, LLC East-Sayan nickel company repaid the amount of US\$7.1 million (RUB225 million) outstanding under the ESNC Credit Line. The term of the Golevskaya Credit Line was extended until January 31, 2013. On January 31, 2013, Golevskaya repaid the amount of US\$7.5 million (RUB225 million) outstanding under the Golevskaya Credit Line. As at February 25, 2014, no amounts are outstanding under the ESNC Credit Line or the Golevskaya Credit Line.

On October 23, 2012, Intergeo and Daselina entered into a subscription agreement in respect of the Private Placement. The first tranche of the Private Placement was completed on October 26, 2012, wherein Daselina purchased five million Intergeo Shares for gross proceeds of US\$25 million. The second tranche of the Private Placement was completed on January 17, 2013, wherein Daselina purchased five million Intergeo Shares for gross proceeds of US\$25 million. The third tranche of the Private Placement was completed on January 25, 2013, wherein Daselina purchased 4 million Intergeo Shares for gross proceeds of US\$20 million. The aggregate proceeds from the Private Placement were used to repay approximately US\$7.1 million of borrowings in November 2012, to repay approximately US\$7.5 million of borrowings in January 2013, to fund expenditures, and for general corporate purposes. See "Information Concerning Intergeo – General Development of the Business – Private Placement".

Promoters

Daselina, Kirkland and Mr. Finskiy may each be considered a promoter of Intergeo pursuant to applicable Canadian Securities Laws. Daselina is the registered holder of 112,891,741 Intergeo Shares, representing 99.02% of the issued and outstanding Intergeo Shares, as of the date hereof. The sole director and executive officer of Daselina is Anna Grigorieva. Daselina is a private company wholly-owned by Mr. Prokhorov. Kirkland is the registered holder of 1,118,259 Intergeo Shares, representing less than 1% of the issued and outstanding Intergeo Shares, as of the date hereof. Pursuant to the Daselina-Kirkland Option Agreement, Kirkland also has an option to acquire additional Resulting Issuer Common Shares from Daselina. See "Information Concerning the Resulting Issuer – Daselina-Kirkland Option Agreement". Mr. Finskiy is not the registered owner of any Intergeo Shares. Mr. Finskiy is the sole director and the beneficial owner of Kirkland. More information regarding Mr. Finskiy can be found at "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Biographies".

No promoter of Intergeo has received or will receive anything of value, including money, property, contracts, options or rights of any kind from Intergeo or the Resulting Issuer in respect of acting as a promoter of Intergeo, except as otherwise disclosed below.

On July 19, 2011, Intergeo MMC Ltd acquired a 100% interest in Intergeo Cyprus, a company which, at that time, was wholly-owned by Mr. Finskiy, for approximately US\$2,810 (EUR2,000). Intergeo MMC Ltd and Mr. Finskiy jointly agreed on the transaction price, which was equal to the face value of the charter capital of Intergeo Cyprus. Mr. Finskiy acquired Intergeo Cyprus in February 2011 for approximately US\$2,709 (EUR2,000). Prior to Mr. Finskiy acquiring Intergeo Cyprus, Intergeo Cyprus did not carry on business. Intergeo Cyprus was acquired by Mr. Finskiy to hold Intergeo MMC Ltd's interest in Intergeo Russia. The operations of Intergeo Cyprus were funded by North Financial Overseas Corp., a company beneficially owned by Mr. Prokhorov. On the date Intergeo acquired Intergeo Cyprus, Intergeo Cyprus owed an aggregate of approximately US\$504,000 to the foregoing lender. See "Information Concerning Intergeo – Interest of Management and Others in Material Transactions".

In December 2011, Intergeo Cyprus issued a promissory note to Daselina in the principal amount of approximately US\$2.4 million in consideration of US\$2.3 million and Intergeo Russia issued a series of promissory notes to Daselina in the aggregate principal amount of US\$6.2 million (RUB200.4 million). See "Information Concerning Intergeo – Interest of Management and Others in Material Transactions". In addition, Daselina was a party to the Intergeo Reorganization and the Private Placement. See "Information Concerning Intergeo – General Development of the Business – Intergeo Reorganization" and "Information Concerning Intergeo – General Development of the Business – Private Placement".

Auditor

Intergeo's auditor is Deloitte LLP, Chartered Professional Accountants, Chartered Accountants, Licensed Public Accountants ("Deloitte LLP"), at its offices located at 181 Bay Street, Suite 1400, Toronto, Ontario M5J 2V1.

External Audit Service Fees

The following table summarizes the fees billed by the auditors to Intergeo, Deloitte LLP, for external audit and other services provided to Intergeo for the periods set forth below.

	Audit Fees	Audit Related Fees⁽¹⁾	Tax Fees⁽²⁾	All Other Fees⁽³⁾
2011	US\$318,799	US\$195,093	N/A	US\$15,000
2012	US\$246,838	US\$194,500	US\$5,500	US\$185,000
2013	US\$272,000	US\$36,000	US\$5,650	US\$95,960

Notes:

- (1) Fees billed by the auditors in connection with services provided in respect of the acquisition of Kingash LLC in 2011 and the auditors' review of interim financial statements for various financial periods including the first, second and third quarters of 2012.
- (2) Fees billed by the auditors in connection with the preparation of Intergeo Canada's 2011 tax return.
- (3) Fees billed by the auditors in connection with services provided in connection with Intergeo's proposed initial public offering and related matters.

INFORMATION CONCERNING THE RESULTING ISSUER

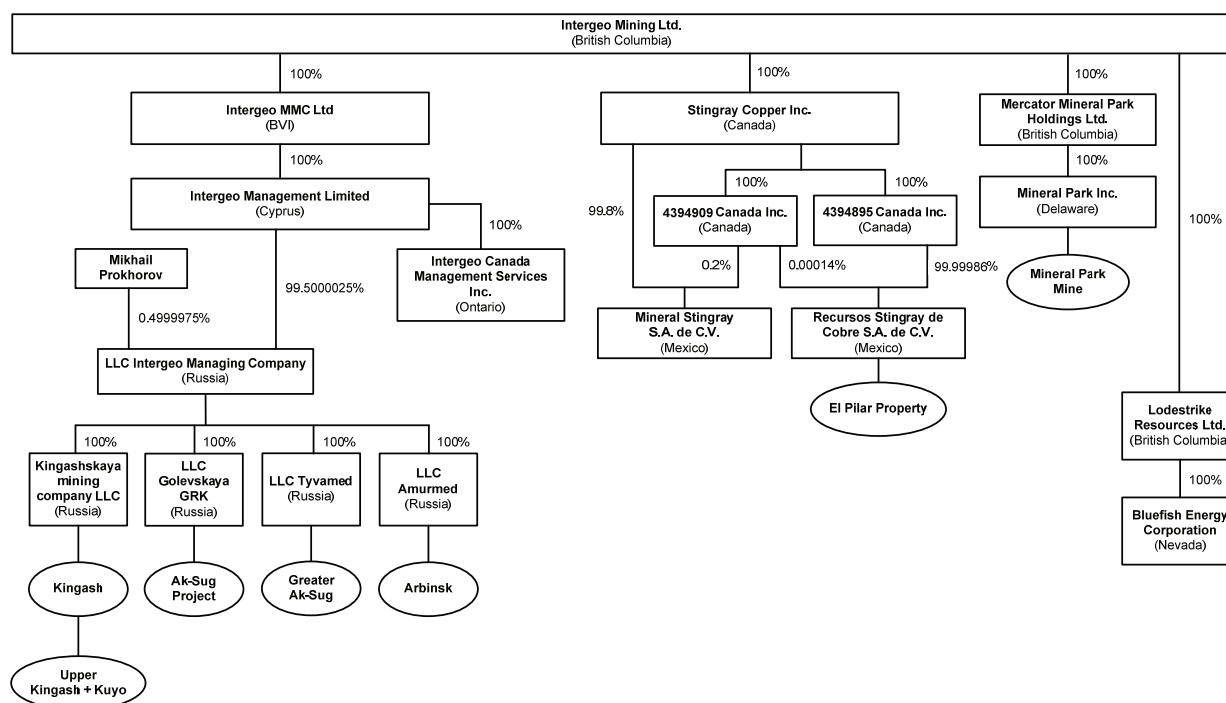
The following information is presented on a current basis and reflects the current business, financial and share capital position of Mercator. In addition, information is provided on a pro forma basis, assuming completion of the Arrangement. See "Information Concerning Mercator" for current information relating to Mercator.

Upon completion of the Arrangement:

- (a) The Resulting Issuer will continue to be a corporation governed by the laws of British Columbia. After the Effective Date, the Resulting Issuer will own all of the outstanding shares of Intergeo.
- (b) The business and operations of Intergeo will be managed and operated as a subsidiary of the Resulting Issuer. The Resulting Issuer expects that its business operations will be consolidated.
- (c) Computershare will continue to be the transfer agent and registrar for the Resulting Issuer Common Shares.

Organization Chart

The following chart shows the corporate structure of the Resulting Issuer following the completion of the Arrangement⁽¹⁾:



Note:

(1) Excludes subsidiaries where the total assets of the subsidiary will not exceed 10% of the consolidated assets of the Resulting Issuer.

Competitive Conditions

The mining business is intensely competitive in all of its phases. The Resulting Issuer will compete with other companies, including competitors with greater financial, technical and other resources. There is no assurance that the Resulting Issuer will compete successfully. See "Appendix U – Risk Factors Related to the Resulting Issuer".

Environmental and Worker Protection and Social Responsibility

The Resulting Issuer's exploration, development and operating activities are subject to various laws and regulations in the jurisdictions where the Resulting Issuer's properties are situated (including, but not limited to, Mexico, the United States, Russia and Canada) regarding the protection of the environment. If required, the Resulting Issuer will make expenditures to ensure compliance with applicable laws and regulations. New environmental laws and regulations, amendments to existing laws and regulations, or more stringent implementation of existing laws and regulations could have a material adverse effect on the Resulting Issuer's business, cash flows, earnings, results of operations, financial condition and prospects, by potentially increasing capital and/or operating costs and/or delaying or preventing the exploration and/or development of mineral properties.

The Resulting Issuer intends to control and mitigate environmental impacts arising from the exploration and development of its projects and their future operation. The Resulting Issuer will also be committed to respecting the interests and rights of indigenous people and national minorities, particularly with respect to their traditional ways of life and habitat, and is fully aware of its responsibility for the health and safety of its employees, contractors, and suppliers and the communities where its future operations will be located. These obligations will be an integral part of the Resulting Issuer's business activity and the Resulting Issuer will strive to ensure strict compliance with the

environmental, health and safety legislation of Russia, as well as with the applicable requirements of the Equator Principles. The Resulting Issuer will be committed to communicating openly and transparently with regulatory authorities, the public and other stakeholders, including by active engagement with community representatives and responsible third parties. To implement these policies, the Resulting Issuer intends to establish an integrated health, safety and environment management system in accordance with international standards OHSAS 18001:2007 and ISO 14001:2004. The Resulting Issuer also intends to employ the services of internationally recognized firms to audit and advise on its environmental, health, safety and social performance.

Specialized Skill and Knowledge

Mercator and Intergeo believe that the success of the Resulting Issuer will be largely dependent on the performance of its management and key employees, many of whom have specialized skills and knowledge relating to mining operations. Mercator and Intergeo believe that the Resulting Issuer will have access to sufficient personnel with the specialized skills and knowledge to successfully execute its business plan. In order for the Resulting Issuer to execute its business plan effectively, specialized personnel will be required, including geoscientists, engineers, legal advisors, financial experts and investor relations, supervisory, operational and maintenance personnel. The Resulting Issuer will employ or retain personnel with many of these skills, as appropriate. In addition, the Resulting Issuer will procure the services of consultants and contractors to complement the skills of its employees, wherever necessary.

Foreign Operations

The Resulting Issuer's projects will be located in the United States, Mexico, Russia and Canada. Consequently, the Resulting Issuer's operations will be subject to certain risks related to operating in these jurisdictions, including currency fluctuations and possible political or economic instability. See "*Risk Factors*" for a further description of the risk factors affecting Mercator and Intergeo's current operations and the Resulting Issuer's proposed operations. See also "Appendix Q – Background Information on Russian Legal Framework" and "Appendix U – Risks Related to the Resulting Issuer". The Mineral Park Mine, located in the United States, is anticipated to be the Resulting Issuer's primary focus following the completion of the Arrangement.

Governance Arrangements with Principal Shareholders

In this section, the term the "**Company**" means the Resulting Issuer, the "**Group**" means the Resulting Issuer and its subsidiaries and the term "**Group Company**" refers to the Resulting Issuer or its subsidiaries.

Pursuant to the terms of the Plan of Arrangement, special shares in the capital of the Resulting Issuer (each a "**Special Share**") will be created with special rights and restrictions which will be reflected in the Resulting Issuer's notice of articles and articles. One Special Share will be issued to a member of the Daselina Group ("**Daselina Group Share Holder**") and one Special Share will be issued to a member of the Kirkland Group ("**Kirkland Group Share Holder**", and together with the Daselina Group Share Holder the "**Special Share Holders**").

Board of Directors of the Resulting Issuer

The Board will be composed of nine directors, of which the Daselina Group Share Holder and/or the Kirkland Group Share Holder will be entitled to nominate for election or appointment the respective number of nominees set forth below (with the remaining nominees (other than the Chief Executive Officer, if he is a nominee) to be independent directors determined in accordance with applicable securities legislation, and with such remaining nominees being nominated for election or appointment by a resolution of the Board):

- for so long as the Daselina Group and the Kirkland Group collectively hold at least 30% of the outstanding Resulting Issuer Common Shares, two nominees of the Daselina Group Share Holder and one nominee of the Kirkland Group Share Holder;
- for so long as the Daselina Group and the Kirkland Group collectively hold less than 30% and at least 20% of the outstanding Resulting Issuer Common Shares (but one of them owns 20% or more of the outstanding Resulting Issuer Common Shares), two nominees of the Special Share Holder which is a member of whichever of the Daselina Group or the Kirkland Group owns 20% or more of the outstanding Resulting Issuer Common

Shares;

- for so long as the Daselina Group and the Kirkland Group collectively hold less than 30% and at least 20% of the outstanding Resulting Issuer Common Shares (but each of them owns less than 20% of the outstanding Resulting Issuer Common Shares), one nominee of the Daselina Group Share Holder and one nominee of the Kirkland Group Share Holder; and
- for so long as the Daselina Group and the Kirkland Group collectively hold less than 20% and at least 10% of the outstanding Resulting Issuer Common Shares, one nominee of the Daselina Group Share Holder (if the Daselina Group holds more Resulting Issuer Common Shares than the Kirkland Group) or one nominee of the Kirkland Group Share Holder (if the Kirkland Group holds more Resulting Issuer Common Shares than the Daselina Group).

The Daselina Group Share Holder's two nominees immediately following Closing will be Messrs. Christophe Charlier and Dmitry Razumov. The Kirkland Group Share Holder nominee immediately following Closing will be Mr. Maxim Finskiy.

The quorum required for meetings of the Board will be a majority of directors, and must include those directors that are nominees of the Daselina Group Share Holder, if any.

Chairman and Chief Executive Officer of the Resulting Issuer

The prior written approval of the Special Share Holders shall be required for the appointment by the Board of each of the Chairman and the Chief Executive Officer, provided that if Special Share Holders fail to select a potential nominee, the Board shall be entitled to fill the vacancy with such nominee as it determines appropriate.

Until the earlier of (i) the date determined by Daselina and Kirkland prior to the Effective Date, such date to be no earlier than February 1, 2015, and no later than February 1, 2018, and (ii) the date on which the Daselina Group and the Kirkland Group cease to collectively hold at least 50% of the outstanding Resulting Issuer Common Shares, the Chairman and/or the Chief Executive Officer may be removed from his position at any time (i) by a resolution of the Board, or (ii) by written notice to the Board from all members of the Board who are the nominees of each of Kirkland Group Share Holder and Daselina Group Share Holder (if any) (whereafter the Board shall as soon as reasonably practicable remove the Chairman or Chief Executive Officer, as the case may be, by a resolution of the Board).

Reserved Matters

For so long as the Daselina Group and the Kirkland Group collectively hold at least 33% of the outstanding Resulting Issuer Common Shares, the Resulting Issuer shall not make any decision or take any action with respect to any of the following matters without the approval of a majority of the Board and with the nominee director(s) of the Daselina Group Share Holder (if any), not voting against the matter:

- (a) any alteration of the notice of articles and articles (or equivalent constitutional or constating documents) of any Group Company;
- (b) any change of business by any Group Company, including involvement in any activity other than the business (including any business related, ancillary or complementary to it) of the exploration, development and production of natural resources;
- (c) any:
 - (i) increase, decrease, division, consolidation or change in the issued or unissued share or charter capital of any Group Company (including any changes in the number of classes or series of shares that Group Company is authorized to issue);

- (ii) issue or distribution of any shares of any Group Company; or
- (iii) issue of any options of the Resulting Issuer in respect of any Resulting Issuer Common Shares;
- (d) any transfer or series of related transfers by any Group Company of any shares (or rights to shares) in any person or acquisition of shares of any person (including approval of the valuation of any property contributed to the capital of a person as payment for shares and/or any arrangement setting-off any payment for shares against any other obligation) where the value in question exceeds US\$10,000,000;
- (e) any declaration of bankruptcy or insolvency, the liquidation, administration, dissolution, reconstruction, consolidation, reorganization, restructuring or winding up of any Group Company (or the commencement of any such proceedings), the appointment of a liquidation commission and the approval of a final liquidation balance sheet or analogous document;
- (f) any sale, transfer, leasing or other disposal of, or the creation or issue of any encumbrance over, any asset of any Group Company having an aggregate book value exceeding 10% of the total book value (determined in accordance with IFRS) of such Group Company (whether by a single transaction or in a series of related transactions);
- (g) any loan or advance or other credit, together with any existing loans or advances exceeding US\$10,000,000, provided by the Group Companies (individually or collectively) to any person and/or its affiliates (individually or collectively) in any one transaction or series of related transactions (other than any loan(s), advance(s) or other credit(s) provided by the Resulting Issuer and/or any wholly-owned Group Compan(y)(ies) to the Resulting Issuer and/or any wholly-owned Group Compan(y)(ies));
- (h) any borrowing by the Group Companies (individually or collectively) of any sums, or obtaining any credit (including the issuance of promissory notes and/or debt obligations by the Group Companies), which together with all other existing indebtedness incurred in the same financial year, exceeds US\$10,000,000 in any financial year (other than any borrowing(s) by the Resulting Issuer and/or any wholly-owned Group Compan(y)(ies) from the Resulting Issuer and/or any wholly-owned Group Compan(y)(ies));
- (i) any guarantees, bonds or indemnities in respect of or to secure the liabilities or obligations of any person and/or its affiliates granted by the Group Companies (individually or collectively) where the aggregate liabilities pursuant to any such guarantees, bonds or indemnities is in excess of US\$10,000,000 in any one transaction or series of related transactions;
- (j) any settlement by any Group Company of any litigation, regulatory proceedings or arbitration having a value in excess of US\$10,000,000; and
- (k) the entry by the Group Companies (individually or collectively) into any contract(s), commitment(s) or other arrangement(s) having an aggregate value or liability exceeding, either alone or as part of a series of related transactions, US\$10,000,000.

Termination

The Special Shares shall automatically be cancelled and shall terminate upon the occurrence of any of the following events:

- (i) the insolvency, bankruptcy or receivership of the Resulting Issuer, or the issue of a certificate of dissolution or any similar provisions enacted in substitution therefor; or
- (ii) the Daselina Group and the Kirkland Group ceasing to collectively hold at least 10% of the outstanding Resulting Issuer Common Shares.

Principal Securityholders

To the knowledge of Mercator and Intergeo, other than as set forth below, no person will beneficially own or control or direct, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Resulting Issuer.

Shareholder Name	Class of Securities	Number and Percentage of Resulting Issuer Common Shares Owned, Controlled or Directed after giving effect to the Arrangement
Mikhail Prokhorov ⁽¹⁾	Resulting Issuer Common Shares	35,277,796/84.38% ⁽²⁾

Notes:

- (1) Mr. Prokhorov will beneficially own the Resulting Issuer Common Shares, through Daselina. See "Information Concerning the Resulting Issuer – Daselina-Kirkland Option Agreement".
- (2) 81.92% on a fully diluted basis.

Mr. Prokhorov holds a 0.4999975% equity interest in Intergeo Russia. There are no agreements or other arrangements between Mr. Prokhorov and Intergeo concerning the future equity or debt financing of Intergeo Russia, as a result of which Mr. Prokhorov has no obligation to finance Intergeo Russia. Furthermore, Intergeo Russia may be unable to undertake any equity financings without the approval of both of its shareholders. If Mr. Prokhorov does not approve an equity financing, the only internal source of future funding for Intergeo Russia will be intra-group loans. In addition, the notice of articles and articles of the Resulting Issuer will provide, that so long as the Daselina Group and the Kirkland Group collectively hold at least 33% of the outstanding Resulting Issuer Common Shares, the Resulting Issuer shall not make any decision or take any action with respect to certain corporate matters without the approval of a majority of the Board and with the nominee director(s) of the Daselina Group Share Holder (if any), which includes any equity financings of Intergeo Russia. As a result, if Mr. Prokhorov and/or the nominee director(s) of the Daselina Group Share Holder (if any) fail to approve any such equity financing, Intergeo Russia will not be entitled to undertake such financing and Mr. Prokhorov's interest in Intergeo Russia will not be diluted. This structure could effectively give Mr. Prokhorov a "carried interest" in Intergeo Russia (i.e. the ability to maintain his 0.4999975% equity interest without providing any ongoing equity and/or debt funding to Intergeo Russia and without any liability to Intergeo Russia). Intergeo management expects that Intergeo Russia will be funded by way of intra-group loans if such equity financings are not approved. Certain decisions of Intergeo Russia require unanimity of its participants under Russian LLC Law. As a result, Mr. Prokhorov's approval will be required (irrespective of the size of his interest in Intergeo Russia) for certain matters, including with respect to a reorganization of Intergeo Russia, amendments of certain provisions of its charter and the increase of its charter capital in certain ways (such as by way of conversion of debt to equity).

See "Governance Arrangements with Principal Securityholders", "Appendix U – Risks Related to the Resulting Issuer – *The Resulting Issuer will not have sufficient funds to develop its mineral properties and will require additional financing in the future*" and "Appendix U – Risks Related to the Resulting Issuer – *The Resulting Issuer's ultimate principal shareholder's interests may differ from those of its other shareholders, and adverse events with respect to the Resulting Issuer's beneficial shareholders may adversely affect the Resulting Issuer*".

Daselina-Kirkland Option Agreement

It is expected that on the Effective Date the Daselina-Kirkland Option Agreement will be entered, under which Daselina will grant to Kirkland an option to purchase 2,886,162 Resulting Issuer Common Shares (the "**Kirkland Option**") representing 6.9% of the issued and outstanding Resulting Issuer Common Shares (the "**Kirkland Option Shares**") at an exercise price determined in accordance with such Kirkland Option. It is expected that the Kirkland Option will be exercisable in whole or in part once per calendar quarter until the date determined by Kirkland and Daselina prior to the Effective Date, such date to be no earlier than February 1, 2015 and no later than February 1, 2018.

If the maximum number of the Kirkland Option Shares is acquired by Kirkland from Daselina, after giving effect to the Arrangement, Mr. Prokhorov will beneficially own 77.47% of the issued and outstanding Resulting Issuer

Common Shares through Daselina and Mr. Finskiy will beneficially own 7.35% of the issued and outstanding Resulting Issuer Common Shares through Kirkland.

Pursuant to the Daselina-Kirkland Option Agreement, any transfer (as defined therein) by Kirkland of any Resulting Issuer Common Shares it acquired under the Kirkland Option is subject to a pre-emptive right of Daselina to purchase all Resulting Issuer Common Shares subject to the transfer.

Pro Forma Capitalization

The following sets out the pro forma share capital of the Resulting Issuer after giving effect to the Arrangement and based on information available as at February 25, 2014:

Designation of Security	Amount authorized or to be authorized	Amount outstanding after giving effect to the Arrangement ⁽¹⁾
Common Shares	Unlimited	41,809,361
Special Shares	2	2

Note:

- (1) This figure shows the approximate number of Resulting Issuer Common Shares which will be issued and outstanding on completion of the Arrangement, on a non-diluted basis, which number: (a) includes the 6,313,506 Resulting Issuer Common Shares to be issued to Mercator Shareholders in place of the Mercator Shares pursuant to the Arrangement; (b) includes the approximately 31,242 Resulting Issuer Common Shares to be issued to holders of Mercator RSUs and Mercator DSUs pursuant to the Arrangement; (c) excludes the approximately 531,716 Resulting Issuer Common Shares issuable upon exercise of the Mercator Options, Creston Options, Mercator Warrants and Mercator DSUs held by Messrs. Bowles and Quin after the Effective Time; (d) assumes that no Dissent Rights are exercised; (e) assumes an Effective Date of May 1, 2014; (f) assumes US\$14 million having been drawn under the Bridge Loan as at the Effective Date; and (g) assumes US\$8 million having been drawn under the Bridge Loan as of the date of this Circular.

Pro-Forma Fully Diluted Share Capital

The following table sets out the fully diluted share capital of the Resulting Issuer and based on information available as at February 25, 2014:

Description	Number of Resulting Issuer Common Shares	Percentage of Total Resulting Issuer Common Shares ⁽¹⁾⁽²⁾ %
Resulting Issuer Common Shares issued to Daselina pursuant to the Daselina Private Placement	16,417,971	38.1%
Resulting Issuer Common Shares issued to Mercator Shareholders pursuant to the Arrangement ⁽²⁾	6,313,506	14.7%
Resulting Issuer Common Shares issued to holders of Mercator DSUs on the Effective Date ⁽³⁾	7,408	0.0%
Resulting Issuer Common Shares issued to holders of Mercator RSUs on the Effective Date	23,834	0.1%
Resulting Issuer Common Shares issuable to Messrs. John Bowles and Stephen Quin on exercise of each of their respective Mercator DSUs	3,704	0.0%
Resulting Issuer Common Shares issued to the Intergeo Shareholders pursuant to the Share Exchange Arrangement	19,046,642	44.2%
Resulting Issuer Common Shares issuable upon exercise of Mercator Options	190,033	0.4%

Description	Number of Resulting Issuer Common Shares	Percentage of Total Resulting Issuer Common Shares⁽¹⁾⁽²⁾ %
Resulting Issuer Common Shares issuable upon exercise of Creston Options ⁽⁴⁾	3,551	0.0%
Resulting Issuer Common Shares issuable upon exercise of Mercator Warrants	334,428	0.8%
Resulting Issuer Common Shares issuable to holders of RSUs ⁽⁵⁾	225,538	0.5%
Resulting Issuer Common Shares issuable to holders of Options ⁽⁶⁾	497,700	1.2%
TOTAL	43,064,315	100%

Notes:

(1) Calculated on a fully-diluted basis

(2) This percentage assumes (a) that no Dissent Rights are exercised; (b) an Effective Date of May 1, 2014; (c) US\$14 million having been drawn under the Bridge Loan as at the Effective Date; and (d) US\$8 million having been drawn under the Bridge Loan as February 25, 2014. If the Effective Date does not occur until May 5, 2014, being the Completion Deadline, then based on the foregoing assumptions (save for the Effective Date), and assuming US\$14 million having been drawn under the Bridge Loan, then this percentage is expected to be approximately 14.9%.

(3) Effective October 15, 2013, the Mercator Board approved the award of 92,593 Mercator DSUs to Roman Friedrich, who became a director of Mercator effective August 22, 2013. Despite Mercator Board approval, such Mercator DSUs have not yet been awarded due to a trading black-out currently in place. These Mercator DSUs will be awarded following the expiry of the trading black-out period and in any event, no later than the Effective Time. The number disclosed in the table above includes such Mercator DSUs to be awarded to Mr. Friedrich.

(4) This figure excludes the 76,062 Creston Options which have an expiry date prior to May 1, 2014, assuming such Creston Options are not exercised prior to the assumed Effective Date of May 1, 2014

(5) The number of RSUs to be granted to certain officers of the Resulting Issuer is based on a formula. See "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Employment Agreements". The exact number of RSUs to be granted cannot be calculated as at the date of this Circular since it is based on the volume weighted average trading price of Resulting Issuer Common Shares calculated in respect of the 30 calendar days immediately following the Effective Date. For the purposes of this table, it has been assumed that the 30-day weighted average trading price will be C\$6.50.

(6) See "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Incentive Plan Awards".

Description of Resulting Issuer Common Shares

The holders of Resulting Issuer Common Shares will be entitled to receive notice of or to attend all meetings of shareholders of the Resulting Issuer and will have one vote for each Resulting Issuer Common Share held. The holders of Resulting Issuer Common Shares will be entitled to receive dividends as and when declared by the Board. In the event of the liquidation, dissolution or winding up of the Resulting Issuer or any other distribution of the assets of the Resulting Issuer among its shareholders for the purpose of winding up its affairs, the holders of the Resulting Issuer Common Shares will be entitled to receive equally, share for share, the remaining property and assets of the Resulting Issuer.

Description of Special Shares

See "Information Concerning the Resulting Issuer – Governance Arrangements with Principal Shareholders".

Current and Pro Forma Information respecting Directors, Executive Officers and Management

See "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer" for information about the Resulting Issuer's directors and officers.

Dividends

The Resulting Issuer intends to retain any future earnings to finance its business and operations and any future growth. Therefore, the Resulting Issuer does not anticipate paying any cash dividends in the foreseeable future.

INTERESTS OF EXPERTS OF INTERGEO AND MERCATOR

The Financial Advisor has advised Mercator that, as of the date hereof, the partners, employees and consultants of the Financial Advisor beneficially own, directly or indirectly, less than 1% of the issued Mercator Shares.

No person or company whose profession or business gives authority to a report, valuation, statement or opinion made by such person or company and who is named in this Circular as having prepared or certified a part of this Circular, or a report, valuation, statement or opinion described in this Circular, has received or shall receive a direct or indirect interest in any securities or other property of the Resulting Issuer or any associate or affiliate of the Resulting Issuer.

Certain legal matters in connection with the Arrangement will be passed upon on behalf of Mercator by DuMoulin Black LLP and Stikeman Elliott LLP, and on behalf of Intergео by Norton Rose Fulbright Canada LLP. As at the date hereof, the partners and associates of DuMoulin Black LLP, as a group, the partners and associates of Stikeman Elliott, as a group, and the partners and associates of Norton Rose Fulbright Canada LLP, as a group, beneficially own, directly or indirectly, no Intergео Shares and less than 1% of the issued Mercator Shares.

Information relating to the Mineral Park Mine in this Circular is derived from the Mineral Park Technical Report prepared by Gary Simmerman, FAusIMM. Mr. Simmerman is a "qualified person" for the purposes of NI 43-101. Mr. Simmerman is a consultant and formerly an officer of Mercator. As at the date hereof, to Mercator's knowledge, Mr. Simmerman owns 13,559 Mercator Shares and 27,119 Mercator RSUs, and does not own any of the outstanding Intergео Shares.

Information relating to the El Pilar Project incorporated by reference in this Circular is derived from the El Pilar Technical Report prepared by Michael Broch, BSc, Geology, MSc, Economic Geology, FAusIMM. Mr. Broch is a "qualified person" for the purposes of NI 43-101. Mr. Broch is the VP, Exploration and Evaluation of Mercator. As at the date hereof, to Mercator's knowledge, Mr. Broch owns 188,802 Mercator Shares and 22,600 Mercator RSUs and does not own any of the outstanding Intergео Shares.

Information relating to the Ak-Sug Project in this Circular is derived from the Ak-Sug Technical Report jointly prepared by Alexander Peretyatko, M. AIG, Len Holland, FIMMM, FMES, CEng, and David Pearce, FAusIMM (CP) of SRK Russia. As at the date hereof, to Mercator's knowledge, each of Messrs. Peretyatko, Holland and Pearce is a "qualified person" for the purposes of NI 43-101, and none of Mr. Peretyatko, Mr. Holland, Mr. Pearce nor SRK Russia beneficially owns, directly or indirectly, any of the outstanding Intergео Shares and/or Mercator Shares.

Deloitte LLP has advised Intergео that it is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

KPMG LLP has advised Mercator that it is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information relating to Mercator is available on SEDAR at www.sedar.com. Additional documents, including copies of the most recent Mercator AIF (including any documents incorporated by reference therein), the audited financial statements of Mercator for its most recently completed financial year, MD&A and the interim financial statements of Mercator, are available on SEDAR at www.sedar.com and are also available at no charge upon written request to Mr. Marc LeBlanc, Corporate Secretary of Mercator, at Suite 1050 – 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6, or by e-mail at info@mercatorminerals.com.

OTHER MATTERS

Management of Mercator is not aware of any other matter to come before the Meeting other than as set forth in the Notice of Special Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

MERCATOR DIRECTORS' APPROVAL

The contents and the sending of the Notice of Special Meeting and this Circular have been approved by the Mercator Board.

DATED: February 25, 2014

ON BEHALF OF THE BOARD OF DIRECTORS OF MERCATOR

Bruce McLeod
Chief Executive Officer and Director

APPENDIX A
ARRANGEMENT RESOLUTION

BE IT RESOLVED as a special resolution that:

1. The arrangement (as may be modified or amended in accordance with its terms, the "**Arrangement**") pursuant to the provisions of Division 5 of Part 9 of the *Business Corporations Act* (British Columbia) involving Mercator Minerals Ltd. (the "**Company**"), Intergeo MMC Ltd ("**Intergeo**") and their respective shareholders, pursuant to the arrangement agreement dated December 12, 2013, between the Company and Intergeo, as amended February 28, 2014, including the schedules thereto, and any amendment thereto or amendment and restatement thereof (the "**Arrangement Agreement**"), all as more particularly described and set forth in the management information circular of the Company dated February 25, 2014, accompanying the notice of this meeting (the "**Circular**") is hereby authorized, approved and adopted;
2. The plan of arrangement, as it has been or may be modified or amended in accordance with the Arrangement Agreement and its terms, involving the Company (the "**Plan of Arrangement**"), attached as Appendix B to the Circular, is hereby authorized, approved and adopted;
3. The Arrangement Agreement, as may be amended from time to time in accordance with its terms, and the actions of the directors of the Company in approving the Arrangement, the Arrangement Agreement and the transactions and matters contemplated thereunder and the actions of the directors and officers of the Company in executing and delivering the Arrangement Agreement and the documents contemplated thereby or ancillary thereto and causing the performance by the Company of its obligations thereunder be, and they are hereby confirmed, ratified, authorized and approved;
4. The Company is authorized to apply for a final order from the Supreme Court of British Columbia to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement (as they may be amended, modified or supplemented and as described in the Circular);
5. The issuance of up to 4,880,573 common shares of the Resulting Issuer (as defined in the Circular) that would be issued assuming all of Escrowed Funds (as defined in the Circular) are drawn, the issuance of up to 609,737 common shares of the Resulting Issuer, that would be issued in satisfaction of the Facility Fee (as defined in the Circular) assuming none of the Escrowed Funds are drawn, or some combination thereof, all at a conversion price of C\$6.50 per share under the terms of the Put Rights Indenture (as defined in the Arrangement Agreement and as described in the Circular) is hereby authorized and approved;
6. Notwithstanding that this resolution has been passed (and the Arrangement Agreement and Arrangement approved and agreed) by the shareholders of the Company or that the Arrangement has been approved by the Supreme Court of British Columbia, the directors of the Company be, and they are hereby, authorized and empowered without further approval of the shareholders of the Company (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement, and (ii) not to proceed with the Arrangement or any of transactions or matters contemplated thereunder at any time prior to the Effective Time (as defined in the Arrangement Agreement), subject to the terms of the Arrangement Agreement; and
7. Any one or more directors or officers of the Company be, and are hereby, authorized, empowered and instructed, acting for, in the name and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or to cause to be delivered, all such other documents and to do or to cause to be done all such other acts and things as in such person's opinion may be necessary or desirable in order to carry out the intent of the foregoing paragraphs of these resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing.

**APPENDIX B
PLAN OF ARRANGEMENT**

**PLAN OF ARRANGEMENT UNDER SECTION 288
OF THE BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)**

**PURSUANT TO THE ARRANGEMENT AGREEMENT DATED
DECEMBER 12, 2013 BETWEEN INTERGEO MMC LTD
AND MERCATOR MINERALS LTD., AS AMENDED ON FEBRUARY 28, 2014**

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

In this Plan of Arrangement, unless something in the subject matter or context is inconsistent therewith:

“Arrangement” means an arrangement pursuant to the provisions of Division 5 of Part 9 of the BCBCA on the terms and conditions set forth in this Agreement and this Plan of Arrangement, subject to any amendment or supplement thereto made in accordance therewith, herewith or made at the direction of the Court (with the consent of the parties, acting reasonably) either in the Interim Order or Final Order;

“Arrangement Agreement” means the Arrangement Agreement dated December 12, 2013 between Mercator and Intergo, as amended on February 28, 2014;

“BCBCA” means the *Business Corporations Act* (British Columbia), as amended;

“Bridge Loan” means the loan agreement dated December 12, 2013 among Daselina, Mercator and Mineral Park Inc. in respect of the bridge loan to be extended by Daselina to Mineral Park Inc. in the initial amount of US\$10,000,000;

“Business Day” means any day, other than a Saturday, a Sunday or a day upon which the principal commercial banks in Vancouver, British Columbia, Tortola, British Virgin Islands, Toronto, Ontario, Cyprus, London, UK or Moscow, Russian Federation are generally not open for business;

“Class A Common Shares” means the Common Shares which are to be redesignated as “Class A Common Shares” of Mercator pursuant to the terms of this Plan of Arrangement;

“Class B Common Shares” means the Class B Common Shares in the capital of Mercator which are to be created pursuant to the terms of this Plan of Arrangement and issued to Daselina in accordance with the terms of the Subscription Agreement, to the Intergo Shareholders in accordance with the Share Exchange Agreement and to holders of Class A Common Shares in exchange for such Class A Common Shares in accordance with the terms of this Plan of Arrangement;

“Common Shares” means the Common Shares in the capital of Mercator immediately prior to the commencement of the transactions set out in Section 3.1;

“Court” means the Supreme Court of British Columbia;

“Daselina” means Daselina Investments Ltd., a company incorporated in the British Virgin Islands;

“Daselina Subscription Agreement” means the subscription agreement dated December 11, 2013 between Mercator and Daselina whereby Daselina will subscribe for Class B Common Shares having an

aggregate subscription price of US\$100,000,000 plus the amount of accrued interest under the Bridge Loan Agreement up to the Closing Time (as defined in the Daselina Subscription Agreement);

"Depository" means Computershare Investor Services Inc.;

"Dissenting Shareholders" means registered holders of Common Shares who have properly exercised their rights of dissent pursuant to Article 4 of this Plan of Arrangement and who are ultimately entitled to be paid fair value for their Common Shares;

"DRS Advice" means the Direct Registration System advice statement issued by the Depository confirming the number of shares held by a registered holder of Common Shares;

"DSUs" means the outstanding deferred share units issued under the LTIP;

"Effective Date" means the date upon which the Plan of Arrangement becomes effective in accordance with the BCBCA;

"Effective Time" means 12:01 am (Vancouver time) on the Effective Date;

"Exchange Ratio" means 8.35305767037979 Class B Common Shares for each one Intergeo Common Share held by an Intergeo Shareholder;

"Final Order" means the final order of the Court approving the Arrangement, as such order may be amended by the Court (with the consent of the parties, acting reasonably) at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;

"Intercompany Loan" means an unsecured intercompany loan provided from Mercator to Mineral Park Inc. dated and funded on the Effective Date;

"Intergeo" means Intergeo MMC Ltd, a private BVI corporation;

"Intergeo Common Shares" means the shares in the capital of Intergeo;

"Intergeo Shareholders" means Daselina and Kirkland;

"Kirkland" means Kirkland Intertrade Corp., a company incorporated in the British Virgin Islands;

"LTIP" means Mercator's Long Term Incentive Plan dated June 2012;

"Mercator" means Mercator Minerals Ltd., a company existing under the laws of British Columbia;

"Mercator Meeting" means the special meeting of Mercator Shareholders to be held to consider, among other matters, the Arrangement, and any adjournment or postponement thereof;

"Mercator Shareholder Rights Plan" means the shareholder rights plan agreement between Mercator and Computershare Investor Services Inc., as rights agent, dated as of August 19, 2011;

"Mercator Shareholder" means a registered or beneficial holder of Common Shares;

"Mineral Park" means Mineral Park, Inc., a corporation incorporated under the laws of the State of Delaware, U.S.A.;

"New Common Shares" means the common shares in the capital of Mercator which are to be redesignated from "Class B Common Shares" to "Common Shares" pursuant to the terms of this Plan of Arrangement;

"Person" means any individual, partnership, limited partnership, syndicate, sole proprietorship, company or corporation, with or without share capital, unincorporated association, trust, trustee, executor, administrator, or other legal personal representative, or governmental entity or agency, however designated or constituted;

"Plan of Arrangement" means this plan of arrangement and any amendment or variation hereto made in accordance with section 7.1 of the Arrangement Agreement or Article 6 hereof;

"Put Right" means each transferable put right issued to holders of Class A Common Shares pursuant to the Arrangement;

"Put Right Exercise Window" means the period commencing on the day that is the 547th day following the Effective Date and expiring on the day that is the 912th day following the Effective Date;

"Registrar" means the registrar appointed under section 400 of the BCBCA;

"RSUs" means the outstanding restricted share units issued under the LTIP;

"Share Exchange" means the exchange by the Intergeo Shareholders of all of the outstanding Intergeo Common Shares for Class B Common Shares (to be issued from treasury) pursuant to the Arrangement;

"Share Exchange Agreement" means the share exchange agreement dated December 12, 2013 between Mercator and the Intergeo Shareholders pursuant to the Share Exchange; and

"Special Shares" means the special shares in the capital of Mercator which are to be issued to Daselina and Kirkland pursuant to the terms of this Plan of Arrangement.

1.2 Headings

The division of this Plan of Arrangement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. The terms "this Plan of Arrangement", "hereof" and "hereunder" and similar expressions refer to this Plan of Arrangement and not to any particular Article or Section hereof and include any agreement or instrument supplemental therewith and references herein to Articles and Sections are to Articles and Sections of this Plan of Arrangement.

1.3 Number

In this Plan of Arrangement, unless something in the context is inconsistent therewith, words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and vice versa, words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations and vice versa.

ARTICLE 2 GOVERNING AGREEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement.

2.2 Binding Effect

The Arrangement shall be binding upon Mercator, Intergeo, the Mercator Shareholders and the Intergeo Shareholders on and from the Effective Time.

ARTICLE 3 ARRANGEMENT

3.1 The Arrangement

Subject to Article 5 herein and unless otherwise indicated, the following shall occur and shall be deemed to occur sequentially, commencing at 11:00 am (Vancouver time) on the day immediately prior to the Effective Date, in the following order without any further act or formality:

- (a) the Mercator Shareholder Rights Plan shall be terminated (and all rights issued thereunder shall expire) and shall cease to be of any force or effect;
- (b) the Common Shares held by Dissenting Shareholders shall be deemed to have been transferred to Mercator and the Dissenting Shareholders shall cease to have any rights as shareholders of Mercator other than the right to be paid the fair value of their Common Shares in accordance with Article 4;
- (c) the notice of articles and articles of Mercator shall be amended to:
 - (i) change the designation of the existing "Common Shares" to "Class A Common Shares"; and
 - (ii) create a new class of shares designated as "Class B Common Shares", in an unlimited number, having the special rights or restrictions set out in Appendix 1 attached hereto;
- (d) Mercator's central securities register for the "Common Shares" shall be redesignated as the central securities register for the renamed and redesignated "Class A Common Shares";
- (e) Mercator will complete the issuance of Class B Common Shares to Daselina in accordance with the terms of the Subscription Agreement, the aggregate subscription price shall be paid to Mercator, and an amount equal to the aggregate subscription price shall be added to the stated capital of the Class B Common Shares; and

subject to Article 5 herein and unless otherwise indicated, the following shall occur and shall be deemed to occur sequentially, commencing at the Effective Time, in the following order without any further act or formality:

- (f) all directors of Mercator, other than John Bowles and Stephen Quin, shall cease to be directors and the persons listed in Appendix 4 to the Plan of Arrangement shall be the directors of Mercator;
- (g) Mercator will complete the issuance of Class A Common Shares as payment in respect of each award of a RSU and DSU (other than any DSU held by John Bowles and any DSU held by Stephen Quin) outstanding immediately following the Effective Time (all of which are vested), without any further action by or on behalf of any such holder of DSUs or RSUs, and each such DSU and RSU shall immediately be cancelled;

- (h) each Class A Common Share issued and outstanding on the Effective Date (other than shares held by Dissenting Shareholders) will be deemed to be exchanged (without any action on the part of the holder of the Class A Common Shares) for one Class B Common Share and one Put Right, such Put Right entitling the holder thereof to require Mercator to purchase one (1) Class B Common Share from such holder at a price of \$0.10. An amount equal to the aggregate stated capital of the Class A Common Shares, taking into account the reduction in stated capital under Section 4.1(b), immediately before such exchange, less the aggregate fair market value of all Put Rights so issued shall be added to the stated capital of the Class B Common Shares. The stated capital of the Class A Common Shares shall be reduced to nil;

Each Mercator Shareholder shall be deemed to cease to be the holder of the Class A Common Shares so exchanged, shall cease to have any rights with respect to such Class A Common Shares and shall be deemed to be the holder of the number of Class B Common Shares issued to such Mercator Shareholder. The name of registered Mercator Shareholders shall be removed from the central securities register for Class A Common Shares in respect of the Class A Common Shares so exchanged and shall be added to the central securities register of the Class B Common Shares, so issued to such registered Mercator Shareholder; each holder of the Class A Common Shares thereof shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to exchange such shares as described above;

- (i) the Class A Common Shares which were exchanged for the Class B Common Shares and Put Rights, shall be cancelled and the appropriate entry shall be made in Mercator's central securities registry;
- (j) each Intergeo Common Share issued and outstanding on the Effective Date will be exchanged for Class B Common Shares at the Exchange Ratio in accordance with the terms of the Share Exchange Agreement and an amount equal to the aggregate fair market value of the exchanged Intergeo Common Shares shall be added to the stated capital of the Class B Common Shares;
- (k) the authorized share structure of Mercator will be altered by consolidating the issued and outstanding Class B Common Shares, on the basis of fifty (50) pre-consolidation Class B Common Shares for one (1) post-consolidation Class B Common Share;
- (l) the issued and outstanding Put Rights shall be consolidated on the basis of fifty (50) pre-consolidation Put Rights for one (1) post-consolidation Put Right, such post-consolidation Put Right entitling the holder thereof to require Mercator to purchase one (1) post-consolidation Class B Common Share from such holder at a price of \$5.00;
- (m) Mercator's notice of articles and articles shall be amended to:
 - (i) cancel the class of shares designated as "Class A Common Shares" , none of which will be issued and outstanding at such time in accordance with the Plan of Arrangement;
 - (ii) change the designation of the existing "Class B Common Shares" to "Common Shares" (being the New Common Shares);
 - (iii) alter the special rights or restrictions attached to the New Common Shares to those special rights or restrictions set out in Part 28 of Appendix 1 attached hereto;

- (iv) create a new class of shares designated as “Special Shares”, limited to two shares and having the special rights or restrictions set out in Appendix 1 attached hereto;
- (v) delete Article 7.2 therein;
- (vi) delete Article 12.6 therein and replace it with a new Article 12.6 in the form set out in Appendix 2 attached hereto;
- (vii) delete Article 18.3 therein and replace it with a new Article 18.3 in the form set out in Appendix 3 attached hereto;
- (viii) change the name of Mercator to “Intergeo Mining Ltd.”
- (n) Mercator’s central securities register for the “Class B Common Shares” shall be redesignated as the central securities register for the renamed and redesignated “Common Shares”;
- (o) Daselina and Kirkland will each be issued one (1) Special Share;
- (p) Mercator will pay the fees and expenses referenced in section 3.1(bb) of the Arrangement Agreement from proceeds received pursuant to the Subscription Agreement; and
- (q) Mercator will advance US\$37,000,000 in cash via the Intercompany Loan to Mineral Park.

3.2 Supplementary Actions

Notwithstanding that the transaction and events set out in Section 3.1 shall occur and shall be deemed to occur in the order therein set out without any act or formality, both of Mercator and Intergeo shall be required to make, do and execute or cause and procure to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required to further document or evidence any of the transactions or events set out in Section 3.1, including without limitation, any resolutions of directors authorizing the issue, exchange, transfer, or cancellation of shares, any share transfer powers evidencing the transfer of shares and any receipt therefor, and any necessary addition to or deletions from share registers or other registries.

ARTICLE 4 RIGHTS OF DISSENT

4.1 Rights of Dissent

- (a) Registered holders of Common Shares may exercise rights of dissent in connection with the Arrangement with respect to their Common Shares pursuant to and in the manner set forth in Part 8 - Division 2 of the BCBCA as modified by the Interim Order, the Final Order and this Article 4 (the “**Dissent Rights**”), provided that, notwithstanding subsection 242 of the BCBCA, the written objection contemplated by subsection 242(1)(a) of the BCBCA must be received by Mercator not later than 4:00 p.m. (Vancouver time) on the date which is two Business Days immediately preceding the Mercator Meeting.
- (b) Registered holders of Common Shares who duly exercise Dissent Rights and who are ultimately entitled to be paid fair value for their Common Shares shall be deemed to have irrevocably transferred their Common Shares to Mercator as at 11:00 am (Vancouver time) on the date immediately prior to the Effective Date (notwithstanding subsection

244(3) of the BCBCA), without any further authorization, act or formality and free and clear of all liens, charges, claims and encumbrances and immediately thereafter such Common Shares will be, and will be deemed to be, cancelled and the former holders of such Common Shares shall cease to have any rights as former holders of Common Shares other than their right to be paid fair value for their Common Shares. The stated capital of the Common Shares shall be reduced by the aggregate stated capital attributable to the Common Shares in respect of which Dissent Rights are exercised and whose holders are ultimately entitled to be paid fair value for such Common Shares.

- (c) Registered holders of Common Shares who exercise, or purport to exercise, Dissent Rights, and who are ultimately determined not to be entitled, for any reason, to be paid fair value for their Common Shares, shall be deemed to have participated in the Arrangement on the same basis as any non-Dissenting Shareholder as at and from the Effective Time and shall receive, and be entitled to receive, only the consideration for each Common Share on the basis set forth in Article 3.

4.2 Holders

In no circumstances shall Mercator, Intergeo or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is a registered holder of the Common Shares in respect of which such Dissent Rights are sought to be exercised and complies with the dissent procedures set forth in Division 2 - Part 8 of the BCBCA as modified by the Interim Order, the Final Order and this Article 4.

4.3 Recognition of Dissenting Shareholders

Neither Mercator, Intergeo nor any other Person shall be required to recognize a Dissenting Shareholder as a registered holder of Common Shares at or after 11:00 am (Vancouver time) on the day immediately prior to the Effective Date, and at such time the names of such Dissenting Shareholders shall be deleted from the register of holders of Common Shares maintained by or on behalf of Mercator.

4.4 Dissent Right Availability

A registered holder of Common Shares is not entitled to exercise Dissent Rights with respect to Common Shares if such holder votes (or instructs, or is deemed, by submission of any incomplete proxy, to have instructed his, her or its proxyholder, to vote) such Common Shares in favour of the Arrangement at the Mercator Meeting.

4.5 Reservation of New Common Shares

If a registered holder of Common Shares exercises the Dissent Right, Mercator shall on the Effective Date set aside and not distribute that portion of New Common Shares and Put Rights, which are attributable to the Common Shares for which Dissent Rights have been exercised. If a registered holder of Common Shares exercises the Dissent Right, but, does not properly comply with the dissent procedures or, subsequent to giving his or her notice of dissent, acts inconsistently with such dissent, then Mercator shall distribute to such registered holder of Common Shares his or her pro rata portion of the Mercator New Common Shares and Put Rights. If a registered holder of Common Shares duly complies with the dissent procedures, then the portion of New Common Shares and Put Rights attributable to such registered holder will be cancelled.

ARTICLE 5 CERTIFICATES AND DOCUMENTATION

5.1 Class A Common Share Certificates

Recognizing that the Common Shares of Mercator issued and outstanding prior to the Effective Time will be redesignated the "Class A Common Shares" and that they will be cancelled upon the exchange of the Class A Common Shares for the Class B Common Shares and the Put Rights, Mercator will not issue any new share certificates representing the Class A Common Shares.

5.2 Class B Common Share Certificates

Recognizing that all of the Class B Common Shares issued to Mercator Shareholders will immediately be redesignated the "Common Shares", Mercator will not issue certificates representing the Class B Common Shares.

5.3 Fractional Securities

Any fractional shares issuable pursuant to the Arrangement will be converted into whole shares in accordance with Section 83 of the BCBCA with each fractional share that represents less than $\frac{1}{2}$ of a share cancelled and each fractional share that is at least $\frac{1}{2}$ of a share changed to one whole share. Any fractional Put Rights issuable pursuant to the Arrangement will be cancelled.

5.4 Entitlement to New Common Shares and Put Rights

After the Effective Date, each registered holder of Common Shares shall be entitled to receive New Common Shares and Put Rights on the basis set forth in Section 3.1 by complying with the requirements set forth in Section 5.6.

5.5 Letter of Transmittal

In connection with the filing and mailing of the management information circular to be prepared by Mercator in respect of the Mercator Meeting, Mercator will cause a letter of transmittal and instructions for obtaining delivery of New Common Shares and Put Rights to be provided to Mercator Shareholders together with such information circular.

5.6 Procedure for Exchange of Common Shares

A registered holder of Common Shares must deliver, on or before the sixth (6th) anniversary of the Effective Date, the following documents in order to receive the New Common Shares and, subject to Section 5.8, Put Rights issued to such shareholder under this Plan of Arrangement:

- (a) the certificate(s) or DRS Advice representing such shareholder's Common Shares to the Depositary or as the Depositary may otherwise direct in accordance with instructions contained in the said letter of transmittal;
- (b) the duly completed letter of transmittal; and
- (c) such other documents as the Depositary may reasonably require.

The New Common Shares and Put Rights shall be registered in the name or names and will be delivered by letter mail postage pre-paid or in the case of postal disruption, by such other means as the Depositary deems prudent, to such address or addresses as such shareholder may direct in the letter of transmittal as soon as practical after the receipt by the Depositary of the documents required under this Section 5.6.

5.7 Lost Certificates

If any certificate or DRS Advice, that immediately prior to the Effective Time represented one or more outstanding Common Shares that were exchanged for New Common Shares and Put Rights in accordance with Section 3.1, shall have been lost, stolen or destroyed, then, upon the satisfying of the replacement requirements of the Depositary and/or the registrar and transfer agent of the Common Shares (which may include a bonding requirement) by such registered holder of Common Shares claiming such certificate to be lost, stolen or destroyed, the Depositary shall deliver in exchange for such lost, stolen or destroyed certificate or DRS Advice, the New Common Shares and Put Rights that such registered holder of Common Shares is entitled to receive in accordance with Section 3.1. When authorizing such delivery of the New Common Shares and Put Rights that such registered holder of Common Shares is entitled to receive in exchange for such lost, stolen or destroyed certificate or DRS Advice, such registered holder of Common Shares to whom the New Common Shares and Put Rights is to be delivered shall, as a condition precedent to the delivery of such New Common Shares and Put Rights, give a bond satisfactory to Mercator and the Depositary in such amount as Mercator and the Depositary may direct, or otherwise indemnify Mercator and the Depositary in a manner satisfactory to Mercator and the Depositary, against any claim that may be made against Mercator or the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed and shall otherwise take such actions as may be required by the articles of Mercator.

5.8 Termination of Rights

Subject to applicable laws, to the extent that any certificates or DRS Advice formerly representing Common Shares are not deposited before the end of the Put Right Exercise Window, such registered holder of Common Shares shall lose its right to receive Put Rights in exchange for such Common Shares. Subject to applicable laws, to the extent that any certificates or DRS Advice formerly representing Common Shares are not deposited with all other documents as provided in Section 5.6 on or before the sixth (6th) anniversary of the Effective Date, then the New Common Shares that such registered holder of Common Shares was entitled to receive will be automatically cancelled without any repayment of capital in respect thereof and the right of such registered holder of Common Shares to receive New Common Shares in exchange for such Common Shares will be deemed to be surrendered to Mercator and any right or interest of the former Mercator Shareholder in such New Common Shares to which it was entitled will be terminated on the date that is six (6) years after the Effective Date.

ARTICLE 6 AMENDMENT

6.1 Amendment

- (a) Intergeo and Mercator reserve the right to amend, vary and/or supplement this Plan of Arrangement at any time from time to time, provided that any amendment, variation, or supplement must be: (i) set out in writing; (ii) agreed to in writing by Intergeo and Mercator; (iii) filed with the Court and, if made following the Mercator Meeting, approved by the Court; and (iv) communicated to any Persons in the manner required by the Court;
- (b) Any amendment, variation or supplement to this Plan of Arrangement may be proposed by Mercator at any time prior to the Mercator Meeting provided that Intergeo shall have consented thereto in writing, with or without any other prior notice or communication, and, if so proposed and accepted by the Persons voting at the Mercator Meeting (other than as may be required under the Interim Order) shall become part of this Plan of Arrangement for all purposes; and
- (c) Any amendment, variation or supplement to this Plan of Arrangement that is approved by the Court following the Mercator Meeting shall be effective only if: (i) it is consented to in writing by each of Intergeo and Mercator; and (ii) if required by the Court, it is consented to by Mercator Shareholders voting in the manner directed by the Court.

ARTICLE 7 FURTHER ASSURANCES

7.1 Further Assurances

Notwithstanding that the transactions and events set out herein shall occur and shall be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by either of them in order further to document or evidence any of the transactions or events set out herein.

ARTICLE 8 WITHHOLDING

8.1 Withholding

Mercator shall be entitled to deduct and withhold from any amount otherwise payable under the Plan of Arrangement to a Mercator Shareholder (including a Dissenting Shareholder), such amounts as Mercator is required to deduct or withhold under the Income Tax Act (Canada) or any other applicable law with respect to the payment of such amount. To the extent that amounts are so deducted or withheld, such deducted or withheld amounts shall be treated for all purposes hereof as having been paid to the Mercator Shareholder in respect of which such deduction or withholding was made, provided that such deducted or withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required to be deducted or withheld from any payment to a Mercator Shareholder exceeds the cash portion of the consideration otherwise payable to the Mercator Shareholder, Mercator is hereby authorized to sell or otherwise dispose of such other portion of the consideration as is necessary to provide sufficient funds to Mercator to enable it to comply with such deduction or withholding requirement and Mercator shall notify the Mercator Shareholder thereof and remit to the Mercator Shareholder any balance of the net proceeds of such sale that remains after such deduction or withholding requirement has been complied with.

APPENDIX 1 TO THE PLAN OF ARRANGEMENT

PART 27

**SPECIAL RIGHTS OR RESTRICTIONS ATTACHING
TO THE CLASS B COMMON SHARES**

27.1 Voting.

The holders of the Class B Common Shares shall be entitled to receive notice of or to attend all meetings of shareholders of the Company and shall have two votes for each Class B Common Share held.

27.2 Dividends.

The holders of the Class B Common Shares shall be entitled to receive and the Company shall pay thereon, as and when declared by the directors of the Company out of the monies of the Company properly available for the payment of dividends, dividends in such amount and in such form as the directors may from time to time determine.

27.3 Dissolution.

In the event of the liquidation, dissolution or winding up of the Company or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the Class B Common Shares shall be entitled to receive equally, share for share, the remaining property and assets of the Company.

PART 28

**SPECIAL RIGHTS OR RESTRICTIONS ATTACHING
TO THE NEW COMMON SHARES**

28.1 Voting.

The holders of Common Shares shall be entitled to receive notice of or to attend all meetings of shareholders of the Company and shall have one vote for each Common Share held.

28.2 Dividends.

The holders of Common Shares shall be entitled to receive and the Company shall pay thereon, as and when declared by the directors of the Company out of the monies of the Company properly available for the payment of dividends, dividends in such amount and in such form as the directors may from time to time determine.

28.3 Dissolution

In the event of the liquidation, dissolution or winding up of the Company or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the Common Shares shall be entitled to receive equally, share for share, the remaining property and assets of the Company.

PART 29

SPECIAL RIGHTS OR RESTRICTIONS ATTACHED TO THE SPECIAL SHARE AND RELATED GOVERNANCE ARRANGEMENTS

While the Special shares (the “Special Shares”) are outstanding the following provisions contained in this Article 29 shall apply to the Company and take precedence over and supersede any other provisions in these Articles inconsistent therewith and the Special Shares shall have the special rights or restrictions set out in this Article 29.

29.1 Definitions

In this Article 29, the following terms shall, unless there is something in the context otherwise inconsistent therewith, have the meanings set out below and grammatical variations of such terms shall have corresponding meanings:

- (1) “Affiliate” means, in relation to a Person:
 - (a) any Persons directly or indirectly Controlling that Person;
 - (b) any Persons directly or indirectly Controlled by that Person; or
 - (c) any Persons which are directly or indirectly Controlled by any Persons referred to in clause (a) or (b) hereof;

provided that no Group Company shall be considered to be an Affiliate of Daselina or Kirkland;
- (2) “Appointment Termination Date” means the earlier of:
 - (a) the date determined by Kirkland and Daselina prior to the effective date of these Articles, such date to be no earlier than February 1, 2015 and no later than February 1, 2018; and
 - (b) the date on which the Daselina Group and the Kirkland Group cease to collectively hold at least 50% of the outstanding Shares;
- (3) “Associate” means, in relation to a Person:
 - (a) a spouse of any individual who Controls such Person (or other individual with whom any individual who Controls such Person is living In a conjugal relationship outside marriage); or
 - (b) parents, children, blood brothers and sisters, and blood half-brothers and half-sisters, as well as any relative of any individual who Controls such Person and who shares the same home as the individual who Controls such Person;
- (4) “Business Day” means any day, other than a Saturday, a Sunday or a day upon which the principal commercial banks in Vancouver, British Columbia; Tortola, British Virgin Islands; Toronto, Ontario; Cyprus; London, England; or Moscow, Russian Federation are generally not open for business;
- (5) “CEO” means the chief executive officer of the Company;
- (6) “Control”, a Person is “Controlled” by another Person if:

- (a) in the case of a body corporate, securities entitled to vote in the election of directors of such body corporate carrying more than 50% of the votes for the election of directors are owned (legally or beneficially), directly or indirectly, by the other Person and the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of such body corporate; or
 - (b) in the case of a Person which is not a body corporate, more than 50% of the voting or equity interests of such Person are owned (legally or beneficially), directly or indirectly, by the other Person;
- (7) "Daselina" means Daselina Investments Ltd., a company organized under the laws of the British Virgin Islands;
- (8) "Daselina Group" means Daselina and/or its Affiliates and/or its Associates, collectively or individually, as the context requires;
- (9) "Daselina Group Share Holder" means the member of the Daselina Group which is the holder of Special Shares;
- (10) "Encumbrance" means a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, trust, hypothec, other encumbrance or security interest of any kind, or other type of preferential arrangement or another type of agreement or arrangement having similar effect;
- (11) "Group" means the Company and its Subsidiaries and "Group Company" means any one of them;
- (12) "Kirkland" means Kirkland Intertrade Corp., a company organized under the laws of the British Virgin Islands;
- (13) "Kirkland Group" means Kirkland and/or its Affiliates and/or its Associates, collectively or individually, as the context requires;
- (14) "Kirkland Group Share Holder" means the member of the Kirkland Group which is the holder of Special Shares;
- (15) "Nominee" means a Nominee of Kirkland or a Nominee of Daselina, as the context requires, who meets the requirements of all applicable securities and corporate legislation, regulations and policies for directors;
- (16) "Nominee of Daselina" means an individual nominated to be a director by the Daselina Group Share Holder;
- (17) "Nominee of Kirkland" means an individual nominated to be a director by the Kirkland Group Share Holder;
- (18) "Person" means an individual, corporation, partnership, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative, or any group or combination thereof;
- (19) "Shares" means the Common Shares in the capital of the Company from time to time;
- (20) "Special Share Holders" means the holders of Special Shares which shall be Daselina and Kirkland or any Affiliate of Daselina or Kirkland, as applicable, to which the Special Shares have been transferred;

- (21) "Subsidiary" means, in relation to a Person (the "Parent"), any other Person:
- (a) who is Controlled by:
 - (i) the Parent; or
 - (ii) the Parent and one or more Persons, each of which is Controlled by the Parent; or
 - (iii) two or more Persons, each of which is Controlled by the Parent; or
 - (b) who is a Subsidiary of a Person that is the Parent's direct or indirect Subsidiary specified in (a)(i), (a)(ii) or (a)(iii) hereof; and
- (22) "Transfer" means any sale, contract to sell, grant or sale of options over, offer to sell or purchase of any option or contract to sell, transfer, charge, pledge, grant of any right or warrant to purchase or otherwise transfer, loan, or dispose of, directly or indirectly, any shares, share options or securities convertible into or exercisable or exchangeable for shares or the entry into of any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of shares, share options or such other securities, whether any such transaction described above is to be settled by delivery of shares, share options or such other securities, in cash or otherwise or any other disposal or agreement to dispose of any shares or any announcement or other publication of the intention to do any of the foregoing.

29.2 Right to Notice and to Attend Shareholder Meetings

The Special Share Holders shall be entitled to receive notice of and to attend all meetings of the shareholders of the Company which the holders of the Shares are entitled to attend.

29.3 Voting

Except as herein provided or as otherwise required by the *Business Corporations Act*, the Special Share Holders shall not be entitled, as such, to vote at any meeting of the shareholders of the Company.

29.4 Composition of the Board

- (1) The board of directors shall be composed of nine (9) directors, of which the Daselina Group Share Holder and/or the Kirkland Group Share Holder shall be entitled to nominate for election or appointment the respective number of Nominees set forth below (with the remaining nominees (other than the CEO, if he is a nominee) to be independent directors determined in accordance with applicable securities legislation, and with such remaining nominees being nominated for election or appointment by a resolution of the board of directors):
- (a) for so long as the Daselina Group and the Kirkland Group collectively hold at least 30% of the outstanding Shares, two (2) Nominees of the Daselina Group Share Holder and one (1) Nominee of the Kirkland Group Share Holder;
 - (b) for so long as the Daselina Group and the Kirkland Group collectively hold less than 30% and at least 20% of the outstanding Shares (but one of them owns 20% or more of the outstanding Shares), two (2) Nominees of the Special Share Holder which is a member of whichever of the Daselina Group or the Kirkland Group owns 20% or more of the outstanding Shares;
 - (c) for so long as the Daselina Group and the Kirkland Group collectively hold less than 30% and at least 20% of the outstanding Shares (but each of them owns less than 20% of the

outstanding Shares), one (1) Nominee of the Daselina Group Share Holder and one (1) Nominee of the Kirkland Group Share Holder; and

- (d) for so long as the Daselina Group and the Kirkland Group collectively hold less than 20% and at least 10% of the outstanding Shares, one (1) Nominee of the Daselina Group Share Holder (if the Daselina Group holds more Shares than the Kirkland Group) or one (1) Nominee of the Kirkland Group Share Holder (if the Kirkland Group holds more Shares than the Daselina Group).
- (2) For purposes of determining entitlements under this Article 29.4, the percentage of outstanding Shares held by the Daselina Group and/or the Kirkland Group shall be determined as at the date of nomination in accordance with Article 29.6(2) or Article 29.7(2), as applicable.

29.5 Term of Office of Nominee

Each elected Nominee shall hold office in accordance with the procedures set forth in Article 29.6 for the term of office set forth in the shareholders' resolution electing him or until his removal, resignation, death or disqualification in which case the vacancy created on the board of directors by such removal, resignation, death or disqualification shall be filled in accordance with Article 29.7.

29.6 Election of Directors at Shareholders' Meetings

The following procedures shall apply to meetings of shareholders of the Company at which directors are to be elected:

- (1) at least twenty-five (25) days before the record date of the relevant shareholders' meeting, the Company shall give written notice to the Special Share Holders of the relevant meeting date of such record date and the date of the shareholders' meeting;
- (2) at least five (5) Business Days before such record date, each Special Share Holder entitled to nominate one or more Nominees shall give written notice to the other Special Share Holder and to the Board stating the name, biography, current principal occupation and principal occupation for the preceding five years of each Nominee of such Special Share Holder;
- (3) each Nominee proposed by a Special Share Holder shall be included on the slate of nominees proposed for election by the shareholders of the Company; and
- (4) if the Special Share Holder entitled to nominate a Nominee fails to comply with the procedures set out in this Article 29.6, the board of directors shall be entitled to nominate a different nominee to the board of directors.

29.7 Appointment of Directors to Fill Vacancies on the Board

If there is a vacancy on the board of directors caused by the removal, resignation, death or disqualification of a Nominee, the following procedures shall apply:

- (1) the board of directors shall forthwith convene a directors' meeting following such vacancy in order to fill such vacancy (provided that the date of the directors' meeting shall be at least ten (10) Business Days from the date on which the board of directors gives written notice to the Special Share Holder under Article 29.7(2));
- (2) the board of directors shall give a written notice to the Special Share Holder who nominated the Nominee who was removed or who has resigned, died or been disqualified stating:

- (a) the identity of the Special Share Holder's Nominee who was removed or who has resigned, died or been disqualified;
 - (b) the date of the relevant directors' meeting referred to in Article 29.7(1); and
 - (c) the right of the Special Share Holder to nominate a replacement Nominee at least five (5) Business Days before the relevant directors' meeting referred to in Article 29.7(1);
- (3) at least five (5) Business Days before the date of the relevant directors' meeting referred to in Article 29.7(1), the Special Share Holder entitled to nominate a Nominee shall give written notice to the other Special Share Holder and to the Company stating the name, biography, current principal occupation and principal occupation for the preceding five years of the Nominee; and
- (4) if the Special Share Holder entitled to nominate a Nominee fails to comply with the procedures set out in this Article 29.7, the board of directors shall be entitled to nominate a different nominee to the board of directors.

Notwithstanding the requirement on the part of the board of directors to convene a directors' meeting under Article 29.7(1), the board of directors may fill a vacancy on the board of directors by written resolution signed by all of the directors and consented to in writing by the Special Share Holder entitled to nominate the Nominee.

29.8 Quorum for Meetings of the Board

The presence of a majority of directors, which shall include the Nominee(s) of the Daselina Group Share Holder (if any), shall constitute a quorum of the board of directors for purposes of meetings of the board of directors.

29.9 Appointment of Chair of the Board and CEO

The chair of the board and the CEO shall be appointed by a resolution of the board of directors, subject to prior written approval by the Special Share Holders of the board of director's nominee for each position obtained as follows:

- (1) at least ten (10) Business Days before the date on which the proposed nominee is to be appointed by the board of directors, the board of directors shall give written notice to each of the Special Share Holders stating the name, biography, current principal occupation and principal occupation for the preceding five years of the board of directors' proposed nominee;
- (2) within a further seven (7) Business Days of being notified under Article 29.9(1), each of the Special Share Holders shall either approve or reject the board of director's proposed nominee and deliver its approval or rejection to the board of directors;
- (3) if one of the Special Share Holders or both of them fail to approve or reject the board of director's proposed nominee within seven (7) Business Days of being notified under Article 29.9(1), the Special Share Holders shall be deemed to have rejected the nominee and the board of directors shall as soon as possible give written notice to the Special Share Holders stating the name, biography, current principal occupation and principal occupation for the preceding five years of at least two other potential nominees;
- (4) within a further seven (7) Business Days of being notified under Article 29.9(3) of the other potential nominees, the Special Share Holders shall select one of the two other potential nominees;

- (5) if the Special Share Holders fail to select one of the two other potential nominees within such further seven (7) Business Days of being asked to do so under Article 29.9(3), the board of directors shall be entitled to fill the vacancy with such nominee as it determines appropriate.

29.10 Removal of Chair of the Board/CEO

Until the Appointment Termination Date, the chair of the board and/or the CEO may be removed from their position at any time by:

- (1) a resolution of the board of directors, or
- (2) written notice to the board of directors from all members of the board of directors who are Nominees of each of the Daselina Group Share Holder and the Kirkland Group Share Holder (if any) (whereafter the board of directors shall as soon as reasonably practicable remove the chair of the board and/or CEO by a resolution of the board of directors).

For greater certainty, commencing on the Appointment Termination Date, the chairman of the board and the CEO shall be appointed or removed solely as approved by a resolution of the board of directors.

29.11 Removal, Resignation, Death or Disqualification of Chair of the Board/CEO

In the event of the removal, resignation, death or disqualification of the chair of the board and/or the CEO before the Appointment Termination Date, a new chair of the board or CEO (as applicable) shall be appointed to hold office until the Appointment Termination Date in accordance with Article 29.9.

29.12 List of Reserved Matters Requiring Approval of Directors and the Daselina Group Share Holder Nominee

For so long as the Daselina Group and the Kirkland Group collectively hold at least 33% of the outstanding Shares, the Company shall not make any decision or take any action with respect to any of the following matters ("Reserved Matters") without the approval of a majority of the board of directors and with the Nominee director(s) of the Daselina Group Share Holder (if any) not voting against the matter:

- (1) any alteration of these Articles or, subject to the requirements of Article 29.17, the equivalent constitutional or constating documents of any Group Company;
- (2) any change of business by any Group Company, including involvement in any activity other than the business (including any business related, ancillary or complementary to it) of the exploration, development and production of natural resources;
- (3) any:
 - (a) increase, decrease, division, consolidation or changes in the issued or unissued share or charter capital of any Group Company (including any changes in the number of classes or series of shares that Group Company is authorized to issue);
 - (b) issue or distribution of any shares of any Group Company; or
 - (c) issue of any options of the Company in respect of any Shares;
- (4) any Transfer or series of related Transfers by any Group Company of any shares (or rights to shares) in any Person or acquisition of shares of any Person (including approval of the valuation of any property contributed to the capital of a Person as payment for shares and/or any arrangement setting-off any payment for shares against any other obligation) where the value in question exceeds US\$10,000,000;

- (5) any declaration of bankruptcy or insolvency, the liquidation, administration, dissolution reconstruction, consolidation, reorganization, restructuring or winding up of any Group Company (or the commencement of any such proceedings), the appointment of a liquidation commission and the approval of a final liquidation balance sheet or analogous document;
- (6) any sale, transfer, leasing or other disposal of, or the creation or issue of any Encumbrance over, any asset of any Group Company having an aggregate book value exceeding 10% of the total book value (determined in accordance with International Financial Reporting Standards) of such Group Company (whether by a single transaction or in a series of related transactions);
- (7) any loan or advance or other credit, together with any existing loans or advances exceeding US\$10,000,000, provided by the Group Companies (individually or collectively) to any Person and/or its Affiliates (individually or collectively) in any one transaction or series of related transactions (other than any loan(s), advance(s) or other credit(s) provided by the Company and/or any wholly-owned Group Compan(y)(ies) to the Company and/or any wholly-owned Group Compan(y)(ies);
- (8) any borrowing by the Group Companies (individually or collectively) of any sums, or obtaining any credit (including the issuance of promissory notes and/or debt obligations by the Group Companies), which together with all other existing indebtedness incurred in the same financial year, exceeds US\$10,000,000 in any financial year (other than any borrowing(s) by the Company and/or any wholly-owned Group Compan(y)(ies) from the Company and/or any wholly-owned Group Compan(y)(ies));
- (9) any guarantees, bonds or indemnities in respect of or to secure the liabilities or obligations of any Person and/or its Affiliates granted by the Group Companies (individually or collectively) where the aggregate liabilities pursuant to any such guarantees, bonds or indemnities is in excess of US\$10,000,000 in any one transaction or series of related transactions;
- (10) any settlement by any Group Company of any litigation, regulatory proceedings or arbitration having a value in excess of US\$10,000,000; and
- (11) the entry by the Group Companies (individually or collectively) into any contract(s), commitment(s) or other arrangement(s) having an aggregate value or liability exceeding, either alone or as part of a series of related transactions, US\$10,000,000.

29.13 Other Matters Subject to Board Approval

No Group Company shall make any decision or take any action with respect to any of the following matters without a resolution of the board of directors:

- (1) the adoption of the consolidated budget of the Group and all modifications from time to time made thereto;
- (2) any:
 - (a) issue of any options of the Company's Subsidiaries in respect of the Company's Subsidiaries;
 - (b) contribution into the capital of any Group Company not involving the issuance of additional shares by such Group Company (including approval of valuation of any property contributed to the capital of any Group Company);

- (c) approval of share premium amounts, the valuation of any property contributed into the capital of any Group Company as a payment for shares and/or any arrangement setting-off any payment for shares issued by any Group Company against any other obligation;
- (3) any Transfer or series of related Transfers by any Group Company of any shares (or rights to shares) of any Group Company or acquisition of shares of any Group Company where the value in question does not exceed US\$10,000,000;
- (4) any acquisition(s) by any Group Company of any shares in any Person where the Group's shareholding in such Person shall exceed 5% of such Person's issued capital following such acquisition(s) (whether by a single transaction or series of related transactions) including the incorporation of any Person;
- (5) the granting or borrowing of any loan or advance or other credit by any Group Company not exceeding US\$10,000,000 to or from the Daselina Group, the Kirkland Group or any employees, directors or officers (and/or their Affiliates and/or Associates) of any Group Company (including the acquisition or issuance of promissory notes and/or debt obligations);
- (6) any guarantee, bond or indemnity in respect of or to secure the liabilities or obligations of the Daselina Group, the Kirkland Group or employees, directors or officers (and/or their Affiliates and/or Associates) of any Group Company, granted by any Group Company, where the aggregate liability pursuant to any such guarantee, bond or indemnity does not exceed US\$10,000,000; and
- (7) any payment of dividends by the Company or by the Company's Subsidiaries other than where the recipients of such dividends are wholly-owned Group Companies.

29.14 Votes to Govern

On any matter to be decided by a resolution of the board of directors, each director shall be entitled to cast one vote and the chair of the meeting shall have no second or casting vote.

29.15 Reserved Matters Taken Without Board and the Daselina Group Share Holder Nominee Approval

Any Reserved Matter that is not approved in accordance with Article 29.12 shall not be effective.

29.16 Dividends

The Special Shares shall not be entitled, as such, to receive any dividends.

29.17 Constatng Documents of Group Companies

Subject to the requirements of applicable law, the Company shall procure that the constating documents (including charters, bylaws, memoranda and articles of association) of the Group Companies, and all board mandates of the Group Companies, are modified so as to implement, to the further extent possible, the provisions of this Article 29.

29.18 Dissolution

In the event of a liquidation, dissolution or winding up of the Company, or other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, there will be paid to the Special Share Holders, in respect of the Special Share held by such holder, in preference to and priority over any distribution or payment on any other share in the capital of the Company the amount of \$1.00,

and after such payment the Special Share Holder shall not be entitled to participate in any further distribution of property or assets of the Company in respect of the Special Share held.

29.19 Automatic Cancellation

The Special Shares shall automatically be cancelled, without any further action or payment to the holder thereof on the part of the Company, upon the occurrence of any of the following events, namely:

- (a) the insolvency, bankruptcy or receivership of the Company, or the issue of a certificate of dissolution or any similar provisions enacted in substitution therefor; or
- (b) the Daselina Group and the Kirkland Group cease to collectively hold at least 10% of the outstanding Shares of the Company.

29.20 Transfer Restriction

The Special Shares are non-transferable and non-assignable except to an Affiliate of the Special Share Holder.

APPENDIX 2 TO THE PLAN OF ARRANGEMENT

12.6 WHEN PROXY PROVISIONS DO NOT APPLY TO THE COMPANY

If and for so long as the Company is a public company or is a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of these Articles or to which the Statutory Reporting Company Provisions apply, Articles 12.7 to 12.15 apply only insofar as they are not inconsistent with any Canadian securities legislation applicable to the Company, any U.S. securities legislation applicable to the Company or any rules of an exchange on which securities of the Company are listed.

APPENDIX 3 TO THE PLAN OF ARRANGEMENT

18.3 CHAIR OF MEETINGS

The following individual is entitled to preside as chair at a meeting of directors:

- (1) the chair of the board, if any; or
- (2) any other director chosen by the directors if:
 - (a) no chair of the board has been appointed;
 - (b) the chair of the board is not present at the meeting within 15 minutes after the time set for holding the meeting;
 - (c) the chair of the board is not willing to chair the meeting; or
 - (d) the chair of the board has advised the secretary, if any, or any other director, that they will not be present at the meeting.

APPENDIX 4 TO THE PLAN OF ARRANGEMENT

The Directors of Intergeo Mining Ltd.

Maxim Finskiy

Dmitry Razumov

John Lill

Richard Evans

Stephen Quin

Walter Murray

Patrick Garver

John Bowles

Christophe Charlier

APPENDIX C
FAIRNESS OPINION



BMO Nesbitt Burns Inc.
Investment & Corporate Banking
100 King Street West, PO Box 150
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Tel: (416) 359-4001

December 11, 2013

The Board of Directors
Mercator Minerals Ltd.
1050-625 How Street
Vancouver, B.C. Canada
V6C 2T6

To the Board of Directors:

BMO Nesbitt Burns Inc. ("**BMO Capital Markets**" or "**we**" or "**us**") understands that Mercator Minerals Ltd. ("**Mercator**" or the "**Company**") and Intergeo MMC Ltd ("**Intergeo**") propose to enter into an arrangement agreement to be dated December 12, 2013 (the "**Arrangement Agreement**"), and various ancillary documents, pursuant to which they intend to effect a business combination by way of a plan of arrangement under the *Business Corporations Act* (British Columbia) (the "**Arrangement**") to create a combined company (the "**Combined Company**"). Pursuant to the Arrangement, Intergeo's shareholders, Daselina and Kirkland (as defined herein), will each receive approximately 8.35 shares from a newly-created class of Mercator common shares (each a "**New Share**") for each Intergeo common share. Each of Daselina and Kirkland will also receive one newly-created non-voting, non-participating special share which will be subject to certain special rights and restrictions. The Company's existing common shareholders (the "**Shareholders**") will receive one New Share plus one transferable put right (each a "**Put Right**") for each existing Mercator common share. Each Put Right will entitle the holder thereof to sell one New Share to the Combined Company at a price of C\$0.10 per share. The Put Rights will be exercisable during the period of 18 to 30 months from the date of issuance and will expire thereafter. The New Shares and Put Rights to be issued to the Shareholders pursuant to the Arrangement are referred to herein as the "**Consideration**".

In connection with the Arrangement, BMO Capital Markets further understands that:

- (a) Daselina Investments Ltd. ("**Daselina**"), Intergeo's controlling shareholder, will advance up to US\$14 million to Mineral Park Inc. ("**MPI**") a wholly-owned subsidiary of the Company, by way of a bridge loan (the "**Bridge Loan**");
- (b) Mercator will issue share purchase warrants exercisable for a period of 5 years from the date of issuance, provided the Arrangement Agreement has been terminated, at a strike price of US\$0.1224 per share (approximately C\$0.13 per share) to Daselina as partial consideration for the Bridge Loan, and such warrants will be cancelled upon the closing of the Arrangement;

- (c) Daselina will also invest US\$100 million (including the principal advanced under the Bridge Loan) plus an amount equal to the accrued interest under the Bridge Loan up to the time of completion of the Arrangement, by way of a private placement for New Shares, at a subscription price of US\$0.1224 per share (approximately C\$0.13 per share) (the “**Private Placement**”); and
- (d) an amended and restated credit agreement (the “**Amended and Restated Credit Agreement**”) between MPI and its lenders under the existing MPI senior credit facility (the “**Existing MPI Credit Facility**”) will become effective upon the completion of the Arrangement.

We also understand that as part of the Arrangement, the New Shares will be consolidated on a 1 for 50 basis and that the Combined Company will be re-named “Intergeo Mining Ltd.” The information contained herein is on a pre-consolidation basis.

We have been retained to provide financial advice to the Company, including our opinion (the “**Opinion**”) to the board of directors of the Company (the “**Board of Directors**”) as to the fairness from a financial point of view of the Consideration to be received by the Shareholders pursuant to the Arrangement.

Engagement of BMO Capital Markets

The Company initially contacted BMO Capital Markets regarding a potential advisory assignment in late 2011. BMO Capital Markets was formally engaged by the Company pursuant to a letter agreement dated January 18, 2012, as amended and restated by the letter agreement executed July 15, 2013, each between the Company and BMO Capital Markets (collectively, the “**Engagement Agreement**”). Under the terms of the Engagement Agreement, BMO Capital Markets has agreed to provide the Company and the Board of Directors with various advisory services in connection with the Arrangement including, among other things, the provision of the Opinion.

BMO Capital Markets will receive a fee for rendering the Opinion. We will also receive certain fees for our advisory services under the Engagement Agreement, a substantial portion of which is contingent upon the successful completion of the Arrangement. The Company has also agreed to reimburse us for our reasonable out-of-pocket expenses and to indemnify us against certain liabilities that might arise out of our engagement.

Credentials of BMO Capital Markets

BMO Capital Markets is one of North America’s largest investment banking firms, with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment research and investment management. BMO Capital Markets has been a financial advisor in a significant number of transactions throughout North America involving public and private companies, in various industry sectors and has extensive experience in preparing fairness opinions.

The Opinion represents the opinion of BMO Capital Markets, the form and content of which have been approved for release by a committee of our officers who are collectively experienced in merger and acquisition, divestiture, restructuring, valuation, fairness opinion and capital markets matters.

Independence of BMO Capital Markets

Neither BMO Capital Markets, nor any of our affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario) or the rules made thereunder) of the Company, Intergeo, or any of their respective associates or affiliates (collectively, the “**Interested Parties**”).

BMO Capital Markets has not been engaged to provide any financial advisory services nor has it participated in any financings involving the Interested Parties within the past two years, other than: (i) acting as financial advisor to the Company and the Board of Directors pursuant to the Engagement Agreement; and (ii) acting as a financial advisor to Intergeo in connection with an initial public offering contemplated by Intergeo in Canada in 2012.

There are no understandings, agreements or commitments between BMO Capital Markets and any of the Interested Parties with respect to future business dealings. BMO Capital Markets may, in the future, in the ordinary course of business, provide financial advisory, investment banking, or other financial services to one or more of the Interested Parties from time to time.

BMO Capital Markets and certain of our affiliates act as traders and dealers, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of one or more of the Interested Parties and, from time to time, may have executed or may execute transactions on behalf of one or more Interested Parties for which BMO Capital Markets or such affiliates received or may receive compensation. As investment dealers, BMO Capital Markets and certain of our affiliates conduct research on securities and may, in the ordinary course of business, provide research reports and investment advice to clients on investment matters, including with respect to one or more of the Interested Parties or the Arrangement. In addition, Bank of Montreal (“**BMO**”), of which BMO Capital Markets is a wholly-owned subsidiary, or one or more affiliates of BMO, may provide banking or other financial services to one or more of the Interested Parties in the ordinary course of business.

Scope of Review

In connection with rendering the Opinion, we have reviewed and relied upon, or carried out, among other things, the following:

1. a draft of the Arrangement Agreement, and the schedules and attachments thereto, dated December 11, 2013;
2. a draft of the credit agreement in respect of the Bridge Loan, and the schedules and attachments thereto, (the “**Bridge Loan Agreement**”) dated December 10, 2013;

3. a draft of the subscription agreement (the “**Subscription Agreement**”) in connection with the Private Placement dated December 11, 2013;
4. a draft of the share exchange agreement (the “**Share Exchange Agreement**”) to be entered into among the Company, Daselina and Kirkland Intertrade Corp. (“**Kirkland**”) dated December 10, 2013;
5. a draft of the Amended and Restated Credit Agreement to be entered into among MPI and the lenders under the Existing MPI Credit Facility, and the schedules and attachments thereto, dated December 10, 2013;
6. a term sheet dated December 11, 2013 setting forth the key terms and conditions relating to the Put Rights;
7. a draft commitment letter dated December 11, 2013, providing irrevocable commitments and undertakings by Daselina to advance funds in connection with the Bridge Loan, Private Placement and Put Rights;
8. certain ancillary documentation relating to the Arrangement and the transactions contemplated thereby;
9. certain publicly available information relating to the business, operations, financial condition and trading history of the Company and other selected public companies we considered relevant;
10. certain internal financial, operating, corporate and other information prepared or provided by or on behalf of the Company and Intergeo relating to their respective businesses, operations and financial conditions;
11. internal management forecasts, projections, estimates and budgets prepared or provided by or on behalf of management of the Company and Intergeo;
12. discussions with management of the Company relating to the Company’s current business, plan, financial condition and prospects;
13. discussions with management of Intergeo relating to the Combined Company’s business, plan, financial condition and prospects;
14. public information with respect to selected precedent transactions we considered relevant;
15. a letter of representation as to certain factual matters and the completeness and accuracy of certain information upon which the Opinion is based, addressed to us and dated as of the date hereof, provided by senior officers of the Company; and
16. such other information, investigations, analyses and discussions as we considered necessary or appropriate in the circumstances.

BMO Capital Markets has not, to the best of its knowledge, been denied access by the Company to any information under the Company's control requested by BMO Capital Markets.

Assumptions and Limitations

We have relied upon and assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions, representations and other material obtained by us from public sources or provided to us by or on behalf of the Company or otherwise obtained by us in connection with our engagement (the “**Information**”). The Opinion is conditional upon such completeness, accuracy and fair presentation. We have not been requested to, and have not assumed any obligation to, independently verify the completeness, accuracy or fair presentation of any such Information. We have assumed that forecasts, projections, estimates and budgets provided to us and used in our analyses were reasonably prepared on bases reflecting the best currently available assumptions, estimates and judgments of management of the Company, having regard to the Company's business, plans, financial condition and prospects.

Senior officers of the Company have represented to BMO Capital Markets in a letter of representation delivered as of the date hereof, among other things, that: (i) the Information provided to BMO Capital Markets orally by, or in the presence of, an officer or employee of, the Company, or in writing by the Company or any of its subsidiaries, associates or affiliates (as defined in the *Securities Act* (Ontario) (the “**Act**”) or any of its or their representatives in connection with our engagement was, at the date the Information was provided to BMO Capital Markets, and is, as of the date hereof, complete, true and correct in all material respects, and did not and does not contain a misrepresentation (as defined in the Act); and (ii) since the dates on which the Information was provided to BMO Capital Markets, except as disclosed in writing to BMO Capital Markets, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries, associations or affiliates, and no change has occurred in the Information or any part thereof which would have or which could reasonably be expected to have a material effect on the Opinion.

In preparing the Opinion, we have assumed that the executed Arrangement Agreement, Bridge Loan Agreement, Subscription Agreement, Share Exchange Agreement, Amended and Restated Credit Agreement and the other ancillary or related documents we reviewed in connection with the Arrangement will not differ in any material respect from the respective drafts that we reviewed, and that the Arrangement will be consummated in accordance with the terms and conditions of the Arrangement Agreement without waiver of, or amendment to, any term or condition that is in any way material to our analyses.

The Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as of the date hereof and the condition and prospects, financial and otherwise, of the Company as they are reflected in the Information and as they have been represented to BMO Capital Markets in discussions with management of the Company and its representatives. In our analyses and in preparing the Opinion, BMO Capital Markets made numerous judgments and assumptions with respect to industry performance, general business,

market and economic conditions and other matters, many of which are beyond our control or that of any party involved in the Arrangement.

The Opinion is provided to the Board of Directors for its exclusive use only in considering the Arrangement and may not be used or relied upon by any other person or for any other purpose without our prior written consent. The Opinion does not constitute a recommendation as to how any Shareholder should vote or act on any matter relating to the Arrangement. Except for the inclusion of the Opinion in its entirety and a summary thereof (in a form acceptable to us) in the Company's management information circular to be mailed to Shareholders in respect of the Arrangement, the Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without our prior written consent.

We have not been asked to prepare and have not prepared a formal valuation or appraisal of the securities or assets of the Company or of any of its affiliates, and the Opinion should not be construed as such. The Opinion is not, and should not be construed as, advice as to the price at which the securities of the Company may trade at any time. BMO Capital Markets was not engaged to review any legal, tax or regulatory aspects of the Arrangement and the Opinion does not address any such matters. We have relied upon, without independent verification, the assessment by the Company and its legal and tax advisors with respect to such matters. In addition, the Opinion does not address the relative merits of the Arrangement as compared to any strategic alternatives that may be available to the Company.

The Opinion is rendered as of the date hereof and BMO Capital Markets disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of BMO Capital Markets after the date hereof. Without limiting the foregoing, if we learn that any of the information we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, BMO Capital Markets reserves the right to change or withdraw the Opinion.

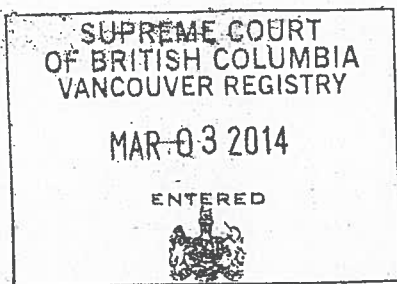
Conclusion

Based upon and subject to the foregoing, BMO Capital Markets is of the opinion that, as of the date hereof, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair from a financial point of view to the Shareholders.

Yours truly,

A handwritten signature in dark ink that reads "BMO Nesbitt Burns Inc." in a cursive, slightly stylized font.

BMO Nesbitt Burns Inc.



D-1

APPENDIX D
INTERIM ORDER

S-141549

No. _____
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 288 OF THE BRITISH COLUMBIA BUSINESS
CORPORATIONS ACT, S.B.C. 2002, C.57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
MERCATOR MINERALS LTD.

MERCATOR MINERALS LTD.

PETITIONER

ORDER MADE AFTER APPLICATION
(INTERIM ORDER)

BEFORE) ~~THE HONOURABLE JUSTICE~~)
))
) **or MASTER TOKAREK**) 3/Mar/2014
))

ON THE APPLICATION of the Petitioner, Mercator Minerals Ltd. ("Mercator") for an Interim Order under section 291 of the British Columbia *Business Corporations Act*, S.B.C. 2002, c. 57, as amended (the "BCBCA") in connection with an arrangement with Intergeo MMC Ltd ("Intergeo") under section 288 of the BCBCA

- ☒ without notice coming on for hearing at 800 Smithe Street, Vancouver, British Columbia on 3/Mar/2014 and on hearing Paula J. Price, counsel for Mercator and upon reading the Affidavit No. 1 of Marc LeBlanc sworn on February 28, 2014 (the "LeBlanc Affidavit");

THIS COURT ORDERS that:

DEFINITIONS

1. As used in this Order, unless otherwise defined, terms beginning with capital letters shall have the respective meanings set out in the Notice of Special Meeting of Shareholders (the "Notice") and accompanying management information circular of

Mercator (the "Information Circular"), attached as Exhibit "A" to the LeBlanc Affidavit.

SPECIAL MEETING

2. Pursuant to sections 291(2)(b)(i) and 289(1)(a)(i) of the BCBCA, Mercator is authorized and directed to call, hold and conduct a special meeting (the "Meeting") of the registered holders of common shares of Mercator ("Registered Mercator Shareholders") to be held at the Rosewood Hotel Georgia, 801 West Georgia Street, Vancouver British Columbia on April 7, 2014 at 10:00 a.m. (Vancouver time) to, *inter alia*, consider and, if deemed advisable, to pass, with or without variation, a special resolution (the "Arrangement Resolution") approving and adopting in accordance with section 289(1)(a)(i) of the BCBCA an arrangement substantially as contemplated in the Plan of Arrangement (the "Arrangement"), a draft of which special resolution is attached as Appendix "A" to the Information Circular.

3. The Meeting shall be called, held and conducted in accordance with the BCBCA, the Notice, the Information Circular, the articles of Mercator and applicable securities laws, subject to the terms of this Interim Order and any further Order of this Court, and the rulings and directions of the Chair of the Meeting, such rulings and directions not to be inconsistent with this Interim Order, and to the extent of any inconsistency (including any inconsistency between this Interim Order and the terms of any instrument creating or governing or collateral to the Mercator Shares) this Interim Order shall govern or, if not specified in the Interim Order, the Information Circular shall govern.

AMENDMENTS

4. Mercator is authorized to make, in the manner contemplated by and subject to the Arrangement Agreement, such amendments, modifications or supplements to the Arrangement, the Plan of Arrangement, the Arrangement Agreement and the Notice as it may determine without any additional notice to or authorization of the holders of common shares of Mercator (the "Mercator Shareholders") or further orders of this Court. The Arrangement, the Plan of Arrangement, the Arrangement Agreement and the Notice as so amended, modified or supplemented, shall be the Arrangement, the Plan of Arrangement, the Arrangement Agreement and the Notice to be submitted to Mercator Shareholders and the Meeting, as applicable, and the subject of the Arrangement Resolution.

ADJOURNMENTS AND POSTPONEMENTS

5. Notwithstanding the provisions of the BCBCA and the articles of Mercator, the board of directors of Mercator (the "Mercator Board") by resolution shall be entitled to adjourn or postpone the Meeting on one or more occasions without the necessity of first convening the Meeting or first obtaining any vote of the Mercator Shareholders respecting the adjournment or postponement, and without the need for approval of this Court, subject to the Arrangement Agreement. Notice of any

such adjournment or postponement shall be given by press release, newspaper advertisement or notice sent to the Mercator Shareholders by one of the methods specified in paragraph 8 of this Interim Order, as determined to be the most appropriate method of communication by the Mercator Board.

RECORD DATE

6. The record date for determining Mercator Shareholders entitled to receive the Notice, the Information Circular, the forms of proxy or voting instruction form, as applicable, for use by the Mercator Shareholders and, in the case of Registered Mercator Shareholders, the letter of transmittal (collectively, the "Meeting Materials") shall be the close of business on February 25, 2014 (the "Record Date"), as previously approved by the Mercator Board and published by Mercator.

NOTICE OF SPECIAL MEETING

7. The Information Circular is hereby deemed to represent sufficient and adequate disclosure, including for the purpose of section 290(1)(a) of the BCBCA, and Mercator shall not be required to send to the Mercator Shareholders any other or additional statement pursuant to section 290(1)(a) of the BCBCA.

8. The Meeting Materials, with such amendments or additional documents as counsel for Mercator may advise are necessary or desirable, and as are not inconsistent with the terms of this Interim Order, shall be sent:

- (a) to Registered Mercator Shareholders determined as at the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing or delivery, by prepaid ordinary mail or by delivery in person or by recognized courier service, addressed to the registered Mercator Shareholder at its address as it appears in the central securities register of Mercator as at the Record Date;
- (b) to beneficial Mercator Shareholders (those whose names do not appear in the central securities register of Mercator), by providing, in accordance with National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators, the requisite number of copies of the Meeting Materials to intermediaries and registered nominees to facilitate the distribution of the Meeting Materials to beneficial Mercator Shareholders;
- (c) at any time by email or facsimile transmission to any Mercator Shareholder who identifies himself to the satisfaction of Mercator (acting through its representatives), who requests such email or facsimile transmission and, if required by Mercator, agrees to pay the charges related to such transmission; and

- (d) to the directors and auditor of Mercator by prepaid ordinary mail or by delivery in person or by recognized courier service or by email or facsimile transmission at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing, delivery or transmission;

and substantial compliance with this paragraph shall constitute good and sufficient notice of the Meeting.

9. The Meeting Materials shall not be sent to Registered Mercator Shareholders where mail previously sent to such holders by Mercator or its registrar and transfer agent has been returned to Mercator or its registrar and transfer agent on at least two previous consecutive occasions.

10. The Information Circular (including the Notice and this Interim Order) with such amendments or additional documents as counsel for Mercator may advise are necessary or desirable, and as are not inconsistent with the terms of this Interim Order (the "Notice Materials"), shall be sent to the holders of Mercator restricted share units (the "Mercator RSU Holders"), holders of Mercator deferred share units (the "Mercator DSU holders"), holders of options to acquire common shares of Mercator, including holders of options of Creston Moly Corp. (the "Mercator Optionholders"), and holders of warrants to acquire common shares of Mercator (the "Mercator Warrantholders") (collectively, along with the Mercator Shareholders, the "Mercator Securityholders") as at the Record Date by any method permitted for service to Registered Mercator Shareholders not later than twenty-one (21) days before the Meeting and such mailing, delivery and distribution shall constitute good and sufficient notice of the Application (as defined at paragraph 24, below) and of the hearing in respect of the Application upon such persons.

11. Accidental failure of or omission by Mercator to give notice to any one or more Mercator Securityholder or the non-receipt of such notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of Mercator (including, without limitation, any inability to use postal services) shall not constitute a breach of this Interim Order or, in relation to notice to Mercator Shareholders, a defect in the calling of the Meeting and shall not invalidate any resolution passed or proceeding taken at the Meeting, but if any such failure or omission is brought to the attention of Mercator, then it shall use reasonable best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

DEEMED RECEIPT OF NOTICE

12. The Meeting Materials and any amendments, modifications, updates or supplements to the Meeting Materials and the Notice Materials and any notice of adjournment or postponement of the Meeting, shall be deemed to have been received,

- (a) in the case of mailing, at the time specified at section 6 of the BCBCA;

- (b) in the case of delivery in person, upon receipt thereof at the intended recipient's address or, in the case of delivery by courier, one (1) business day after receipt by the courier;
- (c) in the case of transmission by email or facsimile, upon the transmission thereof;
- (d) in the case of advertisement, at the time of publication of the advertisement;
- (e) in the case of electronic filing on SEDAR, upon the transmission thereof; and
- (f) in the case of beneficial Mercator Shareholders, three (3) days after delivery thereof to intermediaries and registered nominees.

UPDATING MEETING MATERIALS

13. Notice of any amendments, modifications, updates or supplements to any of the information provided in the Meeting Materials or Notice Materials may be communicated, at any time prior to the Meeting, to the Mercator Securityholders by press release, news release, newspaper advertisement or by notice sent by any of the means set forth in paragraph 8, as determined to be the most appropriate method of communication by the Mercator Board.

PERMITTED ATTENDEES

14. The only persons entitled to attend the Meeting shall be:
- (a) the Registered Mercator Shareholders as at the close of business on the Record Date, or their respective proxyholders;
 - (b) the beneficial Mercator Shareholders, the Mercator RSU Holders, the Mercator DSU Holders, the Mercator Optionholders and Mercator Warrantholders as at the close of business on the Record Date;
 - (c) directors, officers, auditors and advisors of Mercator;
 - (d) directors, officers, and advisors of Intergeo; and
 - (e) other persons with the prior permission of the Chair of the Meeting;

and the only persons entitled to vote at the Meeting shall be the Registered Mercator Shareholders, or their respective proxyholders.

SOLICITATION OF PROXIES

15. Mercator is authorized to use the forms of proxy and voting instruction form for Mercator Shareholders, as applicable, in substantially the same form as are attached as Exhibit "C" to the LeBlanc Affidavit, subject to Mercator's ability to insert dates and other relevant information in the final forms thereof and to make other non-substantive changes and changes legal counsel advise are necessary or appropriate. Mercator is authorized, at its expense, to solicit proxies directly and

through its officers, directors and employees, and through such agents or representatives as it may retain for that purpose and by mail, telephone or such other form of personal or electronic communication as it may determine.

16. The procedures for the use of proxies at the Meeting and revocation of proxies shall be as set out in the Notice and the Information Circular.

17. Mercator may in its discretion generally waive the time limits for the deposit of proxies by Mercator Shareholders if Mercator deems it advisable to do so, such waiver to be endorsed on the proxy by the initials of the Chair of the Meeting.

QUORUM AND VOTING

18. At the Meeting, the votes shall be taken on the following bases:

- (a) each Registered Mercator Shareholder whose name is entered on the central securities register of Mercator at the close of business on the Record Date is entitled to one (1) vote for each Mercator Share registered in his/her/its name;
- (b) the requisite approval required to pass the Arrangement Resolution shall be the affirmative vote of at least two-thirds of the total votes cast by the Registered Mercator Shareholders, voting as a single class, present in person or by proxy and entitled to vote at the Meeting (excluding from the count of total votes cast any spoiled, illegible and/or defective ballots and abstentions); and
- (c) a quorum at the Meeting shall be one (1) person who is a Mercator Shareholder, present in person or by proxy, provided that, if a quorum is not reached within half an hour of the opening of the Meeting, the Meeting shall stand adjourned to be reconvened without further notice on a day in the next week as determined by the Chair of the Meeting at the same time and place and, if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the Meeting, the person or persons present and being, or representing by proxy, a member or members entitled to attend and vote at the Meeting shall constitute a quorum.

CHAIR OF THE MEETING

19. The chair of the Meeting (the "Chair of the Meeting") shall be an officer, director or corporate counsel of Mercator or such other person as may be appointed by the Mercator Shareholders for that purpose.

20. The Chair of the Meeting is at liberty to call on the assistance of legal counsel to Mercator at any time and from time to time, as the Chair of the Meeting may deem necessary or appropriate, during the Meeting, and such legal counsel is entitled to attend the Meeting for this purpose.

21. The Chair of the Meeting shall be permitted to ask questions of, and demand the production of evidence from, Mercator Shareholders, Mercator or such other persons in attendance or represented at the Meeting, as he or she considers appropriate having regard to the orderly conduct of the Meeting, the authority of any person to vote at the Meeting, and the validity and propriety of the votes cast and the proxies submitted.

22. The Chair of the Meeting shall be permitted to waive the deadline specified in the form of proxy for the deposit of proxies.

23. The Chair of the Meeting or another representative of Mercator present at the Meeting, shall, in due course, file with the Court an affidavit verifying the actions taken and the decisions reached at the Meeting with respect to the Arrangement.

SCRUTINEER

24. The scrutineer for the Meeting shall be Computershare Investor Services Inc. (acting through its representatives for that purpose). The duties of the scrutineer shall include:

- (a) reviewing and reporting to the Chair on the deposit and validity of proxies;
- (b) reporting to the Chair on the quorum of the Meeting;
- (c) reporting to the Chair on the polls taken or ballots cast, if any, at the Meeting; and
- (d) providing to Mercator and to the Chair written reports on matters related to their duties.

MERCATOR SHAREHOLDER DISSENT RIGHTS

25. Each Registered Mercator Shareholder is granted the following rights to dissent (the "Dissent Rights") in respect of the Arrangement Resolution:

- (a) a Registered Mercator Shareholder intending to exercise the Dissent Rights must give a written notice of dissent (a "Dissent Notice") to Mercator, at its head office at Suite 1050 – 625 Howe Street, Vancouver, British Columbia V6C 2T6, Attention: Corporate Secretary, to be received by Mercator no later than 4:00 p.m. (Vancouver time) on April 3, 2014, or two business days prior to any adjournment of the Meeting and which must comply with this paragraph 25;
- (b) a Dissent Notice must specify the name and address of the Registered Mercator Shareholder, the number of Mercator Shares in respect of which the Dissent Notice is being given (the "Notice Shares") and:
 - (i) if the Dissent Notice is being given by the Registered Mercator Shareholder on its own behalf, the Dissent Notice must state that either:

- (A) the Notice Shares constitute all of the Mercator Shares of which the Registered Mercator Shareholder is the beneficial owner; or
 - (B) the Notice Shares constitute all of the Mercator Shares of which the Registered Mercator Shareholder is both the registered and beneficial owner, the number of Mercator Shares of which the Registered Mercator Shareholder is the beneficial owner but not the registered owner and, in respect of such shares of which the Registered Mercator Shareholder is only the beneficial owner, the names of the registered owners of such shares, the number of such shares held by each of them and that Dissent Notices are being, or have been, given in respect of all such shares;
- (ii) if the Dissent Notice is being given by the Registered Mercator Shareholder on behalf of another person who is the beneficial owner of the Notice Shares (the "Dissenting Owner"), the Dissent Notice must so state and must also:
 - (A) state the name and address of the Dissenting Owner;
 - (B) state that the Notice Shares represent all of the Mercator Shares registered in the name of the Registered Mercator Shareholder which are beneficially owned by the Dissenting Owner; and
 - (C) include a statement from the Dissenting Owner stating the number of Mercator Shares of which the Dissenting Owner is the beneficial owner and, in respect of any such shares which are not Notice Shares, stating whether the Dissenting Owner is also the registered owner of any such shares (and, if so, stating the number of such shares) and if not, stating the names of the registered owners of such shares and the number of such shares held by each such registered owner, and that notices of dissent are being, or have been, given in respect of all such shares;
- (c) a Registered Mercator Shareholder must not vote in favour of the Arrangement Resolution any Mercator Shares registered in its name in respect of which the Mercator Shareholder has given a Dissent Notice;
- (d) if the Arrangement Resolution is passed at the Meeting, Mercator must send by registered mail to every Registered Mercator Shareholder which has duly and validly given a Dissent Notice, prior to the date set for the hearing of the Final Order, a notice (a "Notice of Intention") stating that, subject to receipt of the Final Order and satisfaction of the

other conditions set out in the Arrangement Agreement, Mercator intends to complete the Arrangement and advising the Registered Mercator Shareholder that if the Registered Mercator Shareholder wishes to proceed with its dissent, the Registered Mercator Shareholder must comply with the requirements of paragraph 25(e);

- (e) a Registered Mercator Shareholder that wishes to proceed with its dissent must give to Mercator at its head office at Suite 1050 – 625 Howe Street, Vancouver, British Columbia V6C 2T6, Attention: Corporate Secretary, to be received by Mercator no later than 4:00 pm (Vancouver time) on the date which is 14 days after the date of mailing of the Notice of Intention:
 - (i) a written statement that the Registered Mercator Shareholder requires Mercator to purchase all of the Notice Shares,
 - (ii) the certificates representing the Notice Shares, and
 - (iii) if paragraph 25(b)(i)(B) or 25(b)(ii) applies, a written statement that:
 - (A) is signed by the beneficial owner on whose behalf the Dissent Rights are being exercised, and
 - (B) sets out whether or not the beneficial owner is the beneficial owner of other Mercator Shares and, if so, states:
 - (I) the names of the registered owners of those other shares,
 - (II) the number of those other shares that are held by each of those registered owners, and
 - (III) that the Dissent Rights have been exercised in respect of all of those other shares;
- (f) if a Registered Mercator Shareholder fails to strictly comply with the foregoing requirements of the Dissent Rights with respect to any Notice Shares, Mercator shall return to the Registered Mercator Shareholder the certificates representing those Notice Shares, if any, delivered to it pursuant to paragraph 25(e), Mercator shall cease to have any further obligation to the Registered Mercator Shareholder under paragraph 25(k) with respect to those Notice Shares and, if the Arrangement is completed, that Registered Mercator Shareholder shall be deemed to have participated in the Arrangement with respect to those Notice Shares on the same terms as other Registered Mercator Shareholders who did not give a Dissent Notice to Mercator;

- (g) if a Dissent Notice is given to Mercator in respect of Notice Shares by a Registered Mercator Shareholder who is the beneficial owner of those Notice Shares, or by a Registered Mercator Shareholder on behalf of another person who is the beneficial owner of those Notice Shares, and the foregoing Dissent Rights are not strictly complied with in respect of all the Mercator Shares beneficially owned by that beneficial owner, Mercator shall return to the Registered Mercator Shareholder the certificates representing those Notice Shares, if any, delivered to it pursuant to paragraph 25(e), Mercator's obligations under paragraph 25(k) shall terminate with respect to those Notice Shares and, if the Arrangement is completed, that Registered Mercator Shareholder shall be deemed to have participated in the Arrangement with respect to those Notice Shares on the same basis as other Registered Mercator Shareholders who did not give a Dissent Notice to Mercator;
- (h) a Registered Mercator Shareholder that complies with the foregoing requirements of the Dissent Rights (a "Dissenting Shareholder") with respect to Notice Shares is not able to withdraw its dissent and, on the Effective Date immediately following completion of the steps described in section 3.1 of the Plan of Arrangement, the Dissenting Shareholder will be deemed to have transferred to Mercator all of those Notice Shares (hereinafter the "Dissent Shares") (free and clear of any mortgage, hypothec, prior claim, lien, pledge, assignment for security, security interest, right of third parties or other charges or encumbrances whatsoever) for cancellation without any further act or formality, and will have no further right in respect of the Dissent Shares other than to be paid for the Dissent Shares in accordance with paragraph 25(k) and, from and after the time at which the Dissenting Shareholder is deemed to have transferred to Mercator the Dissent Shares; (i) in no case shall Mercator or Intergeo be required to recognize such Dissenting Shareholder as a holder of those Dissent Shares; and (ii) the name of such Dissenting Shareholder shall be removed from Mercator's central securities register with respect to those Dissent Shares;
- (i) a Dissenting Shareholder who is ultimately determined not to be entitled, for any reason, to be paid fair value for its Dissent Shares, shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting Mercator Shareholder and shall be entitled to receive only the Resulting Issuer Common Shares and Put Rights that such non-dissenting Mercator Shareholder is entitled to receive pursuant to the Arrangement;
- (j) if a Dissenting Shareholder complies with the foregoing requirements of the Dissent Rights, but the Arrangement is not completed, Mercator

shall return to the Dissenting Shareholder the certificates representing the Dissent Shares, if any, delivered to it pursuant to paragraph 25(e) and Mercator shall have no obligations to the Dissenting Shareholder under paragraphs 25(k) and 25(l);

- (k) Mercator shall promptly pay to a Dissenting Shareholder, for each Dissent Share:
 - (i) the amount agreed upon by that Dissenting Shareholder and Mercator following the reaching of an agreement; or
 - (ii) if that Dissenting Shareholder and Mercator are unable to agree upon an amount, the amount determined under paragraph 25(l); and
- (l) Mercator or a Dissenting Shareholder who has not reached an agreement with Mercator under paragraph 25(k)(i) may apply to the Court and the Court may:
 - (i) determine the fair value that the Dissent Shares had immediately before the passing of the Arrangement Resolution, excluding any appreciation or depreciation in anticipation of the Arrangement unless such exclusion would be inequitable, or order that such fair value be established by arbitration or by reference to the registrar or a referee of the Court;
 - (ii) join in the application every Dissenting Shareholder, other than a Dissenting Shareholder who has reached an agreement with Mercator under paragraph 25(k)(i); and
 - (iii) make consequential orders and give directions it considers appropriate; and
- (m) for greater certainty, neither Mercator, Intergeo, nor any other person shall be required to recognize a Dissenting Shareholder as a registered or beneficial shareholder of Mercator Shares at or after the Effective Time, and at the Effective Time the names of such Dissenting Shareholders shall be deleted from the central securities register of Mercator.

APPLICATION FOR FINAL ORDER

26. Mercator shall include in the Meeting Materials and the Notice Materials, when sent in accordance with paragraphs 8 and 10 of this Interim Order, respectively, a copy of the Notice of Petition herein, in substantially the form attached as Exhibit "B" to the LeBlanc Affidavit, and the text of this Interim Order (collectively, the "Court Materials"), and such Court Materials shall be deemed to have been served at the times specified in accordance with paragraph 8 and/or 12 of

this Interim Order, whether such persons reside within British Columbia or within another jurisdiction.

27. The persons entitled to appear and be heard at any hearing to sanction and approve the Arrangement, shall be only:

- (a) Mercator;
- (b) Intergeo; and
- (c) Mercator Securityholders and other persons who have served and filed a Response to Petition and have otherwise complied with the Supreme Court Civil Rules and paragraph 28 of this Interim Order.

28. The sending of the Meeting Materials and the Notice Materials in the manner contemplated by paragraphs 8 and 10, respectively, shall constitute good and sufficient service and no other form of service need be effected and no other material need be served on such persons in respect of these proceedings, except with respect to any person who shall:

- (a) file a Response to Petition, in the form prescribed by the Supreme Court Civil Rules, together with any evidence or material which is to be presented to the Court at the hearing of the Application; and
- (b) deliver the filed Response to Petition together with a copy of any evidence or material which is to be presented to the Court at the hearing of the Application, to Mercator's counsel at:

Stikeman Elliott LLP
Barristers and Solicitors
1700 - 666 Burrard Street
Vancouver, British Columbia
V6C 2X8

Attention: Paula J. Price

by or before 4:00 p.m. (Vancouver time) on April 4, 2014.

29. Upon the approval by the Mercator Shareholders of the Arrangement Resolution, in the manner set forth in this Interim Order, Mercator may apply to this Court (the "Application") for an Order:

- (a) pursuant to section 291(4)(a) of the BCBCA approving the Arrangement; and
- (b) pursuant to section 291(4)(c) of the BCBCA declaring that the Arrangement is fair and reasonable to the Mercator Shareholders, Mercator RSU Holders and Mercator DSU Holders;
- (c) pursuant to the provisions of s. 291(4) of the BCBCA,

- (i) the exercise of put rights issued and consolidated pursuant to Articles 3.1(h) and (l), respectively, of the Plan of Arrangement (the "Put Rights") in accordance with the put right indenture (the "Put Right Indenture") to be entered into among Mercator, Daselina Investments Ltd. and Computershare Trust Company of Canada (the "Put Right Trustee"); and
- (ii) the Put Rights holders' rights to payment by Intergeo Mining Ltd. or the Put Right Trustee upon the exercise of their Put Rights pursuant to the Put Right Indenture

shall be deemed to be valid and enforceable notwithstanding the provisions of s. 78 of the BCBCA

(collectively the "Final Order")

and the hearing of the Application will be held on April 8, 2014 at 9:45 a.m. (Vancouver time) at the Courthouse at 800 Smithe Street, Vancouver, British Columbia or as soon thereafter as the Application can be heard or at such other date and time as this Court may direct.

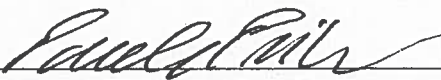
30. In the event that the hearing of the Application is adjourned, then only those persons who filed and delivered a Response to Petition in accordance with paragraph 28, need be served and provided with notice of the adjourned hearing date.

VARIANCE

26. Mercator shall be entitled, at any time, to apply to vary this Interim Order.

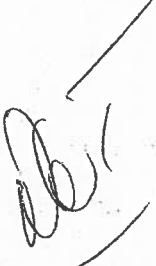
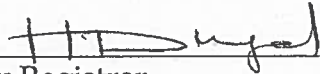
27. Rules 8-1 and 16-1(8) - (12) will not apply to any further applications in respect of this proceeding, including the application for the Final Order and any application to vary this Interim Order.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



Signature of Lawyer for the Petitioner,
Mercator Minerals Ltd.
Lawyer: Paula J. Price

BY THE COURT

Deputy Registrar



D-14

No. _____
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 288 OF THE BRITISH COLUMBIA BUSINESS
CORPORATIONS ACT, S.B.C. 2002, C.57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
MERCATOR MINERALS LTD.

MERCATOR MINERALS LTD.

PETITIONER

ORDER MADE AFTER APPLICATION
(INTERIM ORDER)

STIKEMAN ELLIOTT LLP
Suite 1700, Park Place
666 Burrard Street
Vancouver, BC V6C 2X8
Telephone (604) 631-1300
COUNSEL: Paula J. Price
FILE NO: 1320891001

**APPENDIX E
NOTICE OF PETITION**

No. S-141549
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 291 OF THE BRITISH COLUMBIA BUSINESS
CORPORATIONS ACT, S.B.C. 2002, C.57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
MERCATOR MINERALS LTD.

MERCATOR MINERALS LTD.

PETITIONER

NOTICE OF PETITION

TO: The holders of Mercator Minerals Ltd. ("Mercator") common shares (the "Mercator Shareholders") and holders of restricted share units (the "Mercator RSU Holders"), deferred share units (the "Mercator DSU Holders"), options and warrants of Mercator (collectively, the "Mercator Securityholders")

AND TO: Intergeo MMC Ltd ("Intergeo")

NOTICE IS HEREBY GIVEN that a Petition to the Court has been filed by Mercator in the Supreme Court of British Columbia for approval, pursuant to section 291 of the *Business Corporations Act*, S.B.C. 2002 c. 57 and amendments thereto (the "BCBCA"), of an arrangement contemplated in an Arrangement Agreement dated as of December 12, 2013, as amended on February 28, 2014, involving Mercator and Intergeo (the "Arrangement").

NOTICE IS FURTHER GIVEN that by Order of Master Tokarek, a master of the Supreme Court of British Columbia, dated March 3, 2014, the Court has given directions by means of an interim order (the "Interim Order") as to the calling of a meeting (the "Meeting") of the registered Mercator Shareholders for the purpose of, among other things, considering and voting upon the special resolution to approve the Arrangement.

NOTICE IS FURTHER GIVEN that if the Arrangement is approved at the Meeting, the Petitioner intends to apply to the Supreme Court of British Columbia for a final order (the "Final Order") approving the Arrangement, declaring it to be fair and reasonable to the Mercator Shareholders, Mercator RSU Holders and Mercator DSU Holders and declaring that the exercise of put rights issued and consolidated pursuant to Articles 3.1(h) and (l), respectively, of the Plan of Arrangement and the rights of such holders of put rights to be paid upon the exercise of their put rights are valid and enforceable notwithstanding section 78 of the BCBCA, which application will be heard at the courthouse at 800 Smithe Street, in the City of Vancouver, in the Province of British Columbia on Tuesday, April 8, 2014 at 9:45 a.m. (Vancouver time) or so soon thereafter as counsel may be heard or at such other date and time as the Court may direct.

NOTICE IS FURTHER GIVEN that the Court has been advised that, if granted, the Final Order approving the Arrangement and the declaration that the Arrangement is fair to the Mercator Shareholders, Mercator RSU Holders and Mercator DSU Holders will constitute the basis for an exemption from the registration requirements under the *United States Securities Act of 1933*, pursuant to section 3(a)(10) thereof, upon which the parties will rely for the issuance and exchange of securities in connection with the Arrangement.

IF YOU WISH TO BE HEARD AT THE HEARING OF THE APPLICATION FOR THE FINAL ORDER OR WISH TO BE NOTIFIED OF ANY FURTHER PROCEEDINGS, YOU MUST GIVE NOTICE OF YOUR INTENTION by filing a form entitled "Response to Petition" together with any evidence or materials which you intend to present to the Court at the Vancouver Registry of the Supreme Court of British Columbia and YOU MUST ALSO DELIVER a copy of the Response to Petition and any other evidence or materials to the Petitioner's address for delivery, which is set out below, on or before 4:00 p.m. (Vancouver time) on April 4, 2014.

YOU OR YOUR SOLICITOR may file the Response to Petition. You may obtain a form of Response to Petition at the Registry. The address of the Registry is 800 Smithe Street, Vancouver, British Columbia, V6Z 2E1.

IF YOU DO NOT FILE A RESPONSE TO PETITION AND ATTEND EITHER IN PERSON OR BY COUNSEL at the time of the hearing of the application for the Final Order, the Court may approve the Arrangement, as presented, or may approve it subject to such terms and conditions as the Court deems fit, all without further notice to you. If the Arrangement is approved, it will affect the rights of the Mercator Securityholders.

A copy of the Petition to the Court and the other documents that were filed in support of the Interim Order and will be filed in support of the Final Order will be furnished to any Mercato Securityholder upon request in writing addressed to the solicitors of the Petitioner at the address for delivery set out below.

The Petitioner's address for delivery is:

Stikeman Elliott LLP
Barristers and Solicitors
1700 - 666 Burrard Street
Vancouver, BC V6C 2X8
Attention: Paula J. Price

DATED this 3rd day of March, 2014.



Solicitor for the Petitioner

APPENDIX F DISSENT PROVISIONS

Pursuant to the Interim Order, Registered Shareholders have the right to dissent in respect of the Arrangement. Such right of dissent is described in the Circular. The full text of Part 8, Division 2 of the BCBCA is set forth below. Note that certain provisions of such division have been modified by the Interim Order, a copy which is attached as Appendix E to the Circular.

DIVISION 2 OF PART 8 OF THE BRITISH COLUMBIA BUSINESS CORPORATIONS ACT

Division 2 – Dissent Proceedings

Definitions and application

237 (1) In this Division:

"dissenter" means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

"notice shares" means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

"payout value" means,

- (a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,
- (b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291 (2) (c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement,
- (c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order, or
- (d) in the case of a dissent in respect of a community contribution company, the value of the notice shares set out in the regulations,

excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

- (a) the court orders otherwise, or
- (b) in the case of a right of dissent authorized by a resolution referred to in section 238 (1) (g), the court orders otherwise or the resolution provides otherwise.

Right to dissent

238 (1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent as follows:

- (a) under section 260, in respect of a resolution to alter the articles
 - (i) to alter restrictions on the powers of the company or on the business the company is permitted to carry on, or
 - (ii) without limiting subparagraph (i), in the case of a community contribution company, to alter any of the company's community purposes within the meaning of section 51.91;

- (b) under section 272, in respect of a resolution to adopt an amalgamation agreement;
- (c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;
- (d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;
- (e) under section 301 (5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;
- (f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;
- (g) in respect of any other resolution, if dissent is authorized by the resolution;
- (h) in respect of any court order that permits dissent.

(2) A shareholder wishing to dissent must

- (a) prepare a separate notice of dissent under section 242 for
 - (i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and
 - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,
- (b) identify in each notice of dissent, in accordance with section 242 (4), the person on whose behalf dissent is being exercised in that notice of dissent, and
- (c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.

(3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must

- (a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and
- (b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

Waiver of right to dissent

239 (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.

(2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must

- (a) provide to the company a separate waiver for
 - (i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and
 - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and
- (b) identify in each waiver the person on whose behalf the waiver is made.

(3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to

- (a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and
- (b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.

(4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

Notice of resolution

240 (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,

- (a) a copy of the proposed resolution, and
- (b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.

(2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,

- (a) a copy of the proposed resolution, and
- (b) a statement advising of the right to send a notice of dissent.

(3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,

- (a) a copy of the resolution,
- (b) a statement advising of the right to send a notice of dissent, and
- (c) if the resolution has passed, notification of that fact and the date on which it was passed.

(4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

Notice of court orders

241 If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

- (a) a copy of the entered order, and
- (b) a statement advising of the right to send a notice of dissent.

Notice of dissent

242 (1) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (a), (b), (c), (d), (e) or (f) must,

- (a) if the company has complied with section 240 (1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,
- (b) if the company has complied with section 240 (3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or
- (c) if the company has not complied with section 240 (1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of
 - (i) the date on which the shareholder learns that the resolution was passed, and
 - (ii) the date on which the shareholder learns that the shareholder is entitled to dissent.

(2) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (g) must send written notice of dissent to the company

- (a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3) (b) as the last date by which notice of dissent must be sent, or
- (b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.

(3) A shareholder intending to dissent under section 238 (1) (h) in respect of a court order that permits dissent must send written notice of dissent to the company

- (a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or
- (b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.

(4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:

- (a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;
- (b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and
 - (i) the names of the registered owners of those other shares,
 - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
 - (iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;
- (c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and
 - (i) the name and address of the beneficial owner, and

- (ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.

(5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

Notice of intention to proceed

243 (1) A company that receives a notice of dissent under section 242 from a dissenter must,

- (a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of
 - (i) the date on which the company forms the intention to proceed, and
 - (ii) the date on which the notice of dissent was received, or
- (b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.

(2) A notice sent under subsection (1) (a) or (b) of this section must

- (a) be dated not earlier than the date on which the notice is sent,
- (b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and
- (c) advise the dissenter of the manner in which dissent is to be completed under section 244.

Completion of dissent

244 (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,

- (a) a written statement that the dissenter requires the company to purchase all of the notice shares,
- (b) the certificates, if any, representing the notice shares, and
- (c) if section 242 (4) (c) applies, a written statement that complies with subsection (2) of this section.

(2) The written statement referred to in subsection (1) (c) must

- (a) be signed by the beneficial owner on whose behalf dissent is being exercised, and
- (b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out
 - (i) the names of the registered owners of those other shares,
 - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
 - (iii) that dissent is being exercised in respect of all of those other shares.

(3) After the dissenter has complied with subsection (1),

- (a) the dissenter is deemed to have sold to the company the notice shares, and

- (b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.

(4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.

(5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.

(6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

Payment for notice shares

245 (1) A company and a dissenter who has complied with section 244 (1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

- (a) promptly pay that amount to the dissenter, or
- (b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may

- (a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,
- (b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244 (1), and
- (c) make consequential orders and give directions it considers appropriate.

(3) Promptly after a determination of the payout value for notice shares has been made under subsection (2) (a) of this section, the company must

- (a) pay to each dissenter who has complied with section 244 (1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or
- (b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),

- (a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or
- (b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.

(5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that

- (a) the company is insolvent, or
- (b) the payment would render the company insolvent.

Loss of right to dissent

246 The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

- (a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;
- (b) the resolution in respect of which the notice of dissent was sent does not pass;
- (c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;
- (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;
- (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
- (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;
- (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;
- (h) the notice of dissent is withdrawn with the written consent of the company;
- (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

Shareholders entitled to return of shares and rights

247 If, under section 244 (4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244 (1) (b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under section 244 (6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

APPENDIX G
MINERAL PARK MINE TECHNICAL DISCLOSURE

The information that follows relating to the Mineral Park Mine is an extract from the Mineral Park Technical Report authored by Gary Simmerman, FAusIMM, a consultant and former officer of Mercator. Mr. Simmerman is a "qualified person" as that term is defined in NI 43-101. The complete Mineral Park Technical Report is incorporated by reference into this Circular.

Portions of the following information are based on assumptions, qualifications and procedures that are not fully described herein. Reference should be made to the full text of the Mineral Park Technical Report, which has been filed with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review on Mercator's profile at www.sedar.com. The Mineral Park Technical Report has an effective date of June 1, 2013.

For readers to fully understand the information in this document, they should read the Mineral Park Technical Report in its entirety, including all qualifications, assumptions and exclusions that relate to the information set out in this document which qualifies the technical information. The Mineral Park Technical Report is intended to be read as a whole, and summaries or sections should not be read or relied upon out of context. The technical information in that report is subject to the assumptions and qualifications contained in the Mineral Park Technical Report.

SUMMARY

Mercator Minerals Ltd.'s ("MML" or "Mercator" or the "Company") Mineral Park mine ("Mineral Park") is located in the central Cerbat mountain range in the northwestern part of the state of Arizona, near Kingman. The Mineral Park deposit is a porphyry copper deposit with molybdenum and silver values and a supergene-enriched copper zone. A 17,000 ton per day ("tpd") concentrator operation began production in 1965 and was operated through 1981 by Duval Corporation ("Duval"). Copper leaching occurred continuously from 1965 through June 1, 2013. Previous owners of the Mineral Park property ("Property") recorded a cumulative production of 614 million pounds of copper in concentrate, 160 million pounds of copper as cathode and 55 million pounds of molybdenum in concentrate. Historical records indicate that silver was a substantial by-product with over 5.0 million ounces produced.

MML acquired Mineral Park in 2003 from Equatorial Mining North America, Inc. (a subsidiary of Equatorial Mining Limited of Australia, collectively known as "EMC") by way of a purchase of all the shares of Mineral Park Inc. ("MPI"), which became a wholly owned subsidiary of the Company. At the time of purchase, Mineral Park was producing copper through heap leaching and solvent extraction and electrowinning ("SX-EW"). MPI expanded the SX-EW plant, and recommenced mining operations to deliver fresh leach material to the leach pad. An expansion was completed to add rectifier capacity during the first quarter of 2006, which increased maximum capacity in the SX-EW plant to 15 million pounds of cathode copper production per year. In 2007, construction was initiated to build a 50,000 tpd copper-molybdenum concentrator in two phases. Construction was completed on the first phase (25,000 tpd) by the second quarter of 2009 and the second phase (50,000 tpd) was completed in the fourth quarter of 2011. From MML's acquisition of MPI in 2003 through May 31, 2013, MPI has produced 59 million pounds of cathode copper, 144 million pounds of copper in concentrates, 28 million pounds of molybdenum in concentrates, and 2 million ounces of silver in copper concentrates. Section 6.0 contains details of the production history of Mineral Park.

The Property is accessed via highway 93, and is located approximately 100 miles south of Las Vegas, Nevada. The Property consists of fee lands and patented claims surrounded by unpatented claims and is approximately 6,497 acres in area. The Property is 100% owned by MPI.

Electrical power is supplied to Mineral Park by a 69 KVA line through a local utility company. A General Electric simple cycle natural gas turbine generator and natural gas supply line was constructed in 2011 and provides up to 40 megawatts ("MW") of mine base electrical demand, depending on ambient temperatures. A water utility company located in Golden Valley, Arizona, combined with Company owned wells, provides raw water to the current operations. Rail service is available in Kingman, Arizona. Currently, all incoming supplies and all products going out are delivered by truck.

The Mineral Park deposit is a porphyry copper deposit with molybdenum and silver values and a supergene-enriched copper zone. Minor amounts of silver are present within both the hypogene and supergene zones. Mineral Park occurs within deformed Paleoproterozoic metamorphic and igneous rocks intruded by Cretaceous quartz monzonite porphyry

stocks. Copper and molybdenum mineralization occur within the porphyry stocks and surrounding rocks and is predominately controlled by fracturing, faulting and related quartz veining. Copper occurs as both supergene and hypogene mineralization and molybdenum occurs as primary hypogene mineralization, all of which are suitable for processing by standard flotation methods. Additional copper production is realized from run-of-mine heap leaching of supergene material which grades below the copper mill cut-off grade.

The estimate of the Mineral Park mineral reserves has been prepared in compliance with Canadian Securities Administrator's National Instrument 43-101, Standards of Disclosure for Mineral Projects, ("NI 43-101") and in compliance with Form 43-101F1, and are updated for this technical report ("Technical Report"). Drill data includes 1,109 exploration and development drill holes (which includes 36 development drill holes in 2012) and 29,756 declustered blastholes (derived from 234,079 blastholes). Table 1-1 presents the Mineral Park mineral reserves, separated into proven and probable mineral reserves as of June 1, 2013.

Table 1-1 Mineral Park Mineral Reserves

Proven and Probable Mineral Reserves								
Cu Equiv %	Insitu Tons	Cu¹	Cu	Mo	Ag	Pounds Cu	Pounds Mo	Ounces Ag
Cutoff	(000's)	Equiv %	%	%	(Oz/t)	(000's)	(000's)	(000's)
Proven	208.9	0.300	0.13	0.037	0.081	538.6	154.2	16.9
Probable	160.0	0.279	0.11	0.037	0.087	338.1	119.1	14.0
Total	368.9	0.291	0.12	0.037	0.084	876.7	273.2	30.9

¹A molybdenum factor ("MF") of 4.65 was used to calculate copper equivalent grade.

The metal prices used for determining the mineral reserve were a copper price of \$2.60 per pound, a molybdenum price of \$9.65 per pound, and a silver price of \$3.51 per ounce. The mill mineral reserves are based on the value per ton mined at the internal cutoff. Tons that fall below the mill mineral reserves are routed to leach based on a 0.078% copper grade cutoff.

Table 1-2 presents the Mineral Park mineral resources, separated into measured, indicated, measured and indicated ("M&I"), and inferred mineral resources inclusive of proven and probable mineral reserves as of June 1, 2013.

Table 1-2 Mineral Park Mineral Resource*

Measured								
Cu Equiv	Insitu Tons	Cu¹	Cu	Mo	Ag	Pounds Cu	Pounds Mo	Ounces Ag
Cutoff	(000's)	Equiv %	%	%	(Oz/t)	(000's)	(000's)	(000's)
0.136	317,025	0.274	0.118	0.034	0.076	750,081	212,407	24,030
0.200	261,503	0.296	0.126	0.037	0.077	656,896	191,420	20,188
0.300	100,281	0.368	0.168	0.043	0.079	336,944	86,442	7,902
0.400	22,346	0.484	0.266	0.047	0.081	118,657	20,961	1,808
0.500	6,347	0.592	0.377	0.046	0.074	47,831	5,877	472
Indicated								
Cu Equiv	Insitu Tons	Cu¹	Cu	Mo	Ag	Pounds Cu	Pounds Mo	Ounces Ag
Cutoff	(000's)	Equiv %	%	%	(Oz/t)	(000's)	(000's)	(000's)
0.136	717,857	0.237	0.089	0.032	0.071	1,273,478	457,993	50,968
0.200	490,742	0.268	0.094	0.038	0.072	918,669	368,057	35,530
0.300	109,105	0.339	0.114	0.048	0.077	249,196	105,395	8,368

0.400	9,081	0.440	0.205	0.051	0.094	37,305	9,172	851
0.500	445	0.526	0.316	0.045	0.069	2,814	401	31
Measured + Indicated								
Cu Equiv	Insitu Tons	Cu¹ Equiv %	Cu %	Mo %	Ag (Oz/t)	Pounds Cu (000's)	Pounds Mo (000's)	Ounces Ag (000's)
Cutoff	(000's)	%	%	%	(Oz/t)	(000's)	(000's)	(000's)
0.136	1,034,882	0.248	0.098	0.032	0.072	2,023,559	670,400	74,998
0.200	752,245	0.278	0.105	0.037	0.074	1,575,565	559,477	55,718
0.300	209,386	0.353	0.140	0.046	0.078	586,140	191,838	16,270
0.400	31,427	0.471	0.248	0.048	0.085	155,962	30,132	2,659
0.500	6,792	0.588	0.373	0.046	0.074	50,645	6,279	502
Inferred								
Cu Equiv	Insitu Tons	Cu¹ Equiv %	Cu %	Mo %	Ag (Oz/t)	Pounds Cu (000's)	Pounds Mo (000's)	Ounces Ag (000's)
Cutoff	(000's)	%	%	%	(Oz/t)	(000's)	(000's)	(000's)
0.136	399,275	0.207	0.102	0.023	0.078	812,924	180,472	31,183
0.200	189,696	0.247	0.104	0.031	0.083	394,947	116,473	15,650
0.300	19,086	0.322	0.107	0.046	0.073	40,882	17,674	1,384
0.400	92	0.410	0.073	0.073	0.035	135	133	3
0.500	0	0.000	0.000	0.000	0.000	0	0	0

¹ A molybdenum factor ("MF") of 4.65 was used to calculate copper equivalent grade.

** Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. These mineral resource estimates include inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred mineral resources will be converted to the measured and indicated categories through further drilling, or into mineral reserves, once economic considerations are applied.*

Mining is currently being conducted in shifts, 24 hours-per-day, seven days-per-week, using two 22-yard shovels, two CAT 992 front end loaders and twenty 100-ton haul trucks with related support equipment. Waste benches are drilled in a pattern varying from 16' by 16' to 18' by 18', depending on material hardness; and ore benches are similarly drilled at a pattern varying from 11' by 11' to 16' by 16', depending on material hardness. All blastholes are sampled and assayed for metals. The holes are loaded and shot with a combination of ANFO and emulsion. Benches are 25 feet in height and the blastholes are drilled to a depth of 28 feet to include sub-drill. Assay analyses provide grade control for mill and leach material. Low grade supergene material is sent to existing leach areas for processing and higher grade materials are sent to the flotation mill.

In late 2008, Phase I of the copper-molybdenum concentrator was brought online and began processing material at a nominal rate of 25,000 tpd. Expansion phases completed in 2010 and again in 2011 increased processing capacities to 30,000 tpd and then to the targeted 50,000 tpd. Milling rates as high as 60,000 tpd have been achieved.

The main process facility is located on a barren core of waste in the center of the mining area. These process facilities include crushed material stacking, coarse material reclaim, semi-autogenous grinding ("SAG"), ball mill grinding, bulk rougher and cleaning flotation, differential copper – molybdenum flotation and concentrate filtering and handling and support facilities. Primary crushing facilities are located in close proximity to the mill.

The process plant is designed to operate 24 hours-per-day, 7-days-per-week and 365-days-per-year. The utilization factor used for the calculation of the nominal hourly flow rates is 92.5 %. Metallurgical work indicates that copper recovery increases at finer grind sizes for 21% of the material that is supergene schist (100 micron) and to a significantly lesser

extent for all remaining ores based on metallurgical testing from Duval core rejects. For the operating period through December 2012, a grind size of 70% passing (P80) of 105 micron has been targeted.

KD Engineering previously estimated metallurgical recoveries of 80% for supergene copper, 82% for hypogene copper, 75% for supergene molybdenum and 76% for hypogene molybdenum and 50% for silver. Since Phase 2 startup through May 31, 2013, or the last twenty months, actual mill recovery for copper has averaged 80.3%, molybdenum recovery has averaged 78.5% and silver recovery has averaged 47.7%.

Products include copper flotation concentrates for offsite smelter processing, molybdenum flotation concentrates for sale freight on board ("FOB") the mine site, and cathode copper for shipment and offsite sale.

Mineral Park is an operating mine with all of the required federal, state and local environmental permits in place. Mineral Park continues to be operated in an environmentally sound manner and continues to have satisfactory working relations with federal, state and local agencies.

Table 1-3 presents the Production Summary for the years 2011 and 2012, and for the five month period ("YTD May 2013") through May 2013.

Table 1-3 Production Summary

		YTD May 2013	2012	2011
Production (millions)				
	Copper in concentrate (lbs)	14.3	37.3	38.8
	Cathode copper (lbs)	1.5	3.6	3.6
	Total copper (lbs)	15.7	40.9	42.4
	Molybdenum in concentrate (lbs)	4.3	10.3	7.0
	Silver (oz)	0.2	0.7	0.7
Mine (millions of tons)				
	Total tons mined	12.1	29.5	23.2
	Mill feed tons mined	6.5	16.6	12.0
	Leach tons mined	0.8	3.2	4.8
	Low grade tons mined	1.2	3.0	1.9
	Waste tons mined	3.6	6.7	4.4
Mill				
	Tons processed (millions)	6.7	16.7	13.0
	Tons processed per day	44,518	45,570	35,503
	Copper grade (%)	0.132	0.140	0.195
	Molybdenum grade (%)	0.040	0.039	0.039
	Silver grade (oz/t)	0.083	0.090	0.113
Recoveries				
	Copper (%)	80.5%	79.9%	77.2%
	Molybdenum (%)	80.1%	79.5%	70.1%
	Silver (oz/t)	42.5%	44.2%	49.3%
Concentrates				
	Copper concentrates (dry tons)	36,285	90,816	109,097
	Copper (%)	19.7%	20.5%	17.8%
	Silver (oz/t)	6.9	7.5	6.6
	Molybdenum concentrates (millions dry lbs)	9.4	21.1	14.7
	Molybdenum (%)	45.9%	48.7%	48.0%

Table 1-4 presents the Cost Per Ton Summary for the years 2011 and 2012, and through May 2013.

Table 1-4 Cost Per Ton Summary

	YTD May 2013	2012	2011
Mining cost per ton of material (\$/t)	2.03	1.67	1.83
Waste to mill ore ratio	0.83	0.77	0.93
Waste to mill ore plus leach ore ratio	0.64	0.49	0.37
Processing cost per ton (\$/t)	5.91	6.15	6.23
General administration cost per ton milled (\$/t)	0.94	1.00	1.16

Table 1-5 presents the Operating Cost Summary for the years 2011 and 2012, and for YTD through May 2013.

Table 1-5 Operating Cost Summary*

	YTD May 2013	2012	2011
Total Minesite Cost Per Ton Milled (\$/t)	10.86	10.45	11.04
Total Direct Cost Cu in Conc⁽¹⁾ (\$/lb)	2.81	2.59	2.39
Total Direct Cost Cu Cathode⁽²⁾ (\$/lb)	1.65	1.55	1.40
Total Direct Cost Cu⁽³⁾ (\$/lb)	2.71	2.51	2.31
Total Direct Cost Mo⁽⁴⁾ (\$/lb)	10.81	10.50	11.58
(1) Cost per pound of copper in concentrates is calculated as total costs multiplied by copper revenue percentage of total revenue, divided by total copper pounds produced.			
(2) Cost per pound of copper cathode.			
(3) Cost per pound of copper including both concentrates and cathode.			
(4) Cost per pound of molybdenum is calculated as total costs multiplied by molybdenum revenue percentage of total revenue, divided by total molybdenum pounds produced.			

*** Alternative Performance Measures**

This Technical Report refers to "cash costs" which are not performance measures recognized as having a standardized meaning under IFRS. The Company discloses these performance measures, which have been derived from the financial statements on a consistent basis, because the Company believes they are of assistance in understanding the results of Mercator's operations and financial position, and are meant to provide further information about the Company's financial results to the investors. These performance measures may not be comparable to similar data presented by other mining companies. Refer to "Alternative Performance Measures" section in Appendix page 27 for additional information.

1.1 Conclusions and Recommendations

The purpose of this Technical Report is to support the Mineral Park June 1, 2013 mineral reserve and mineral resource estimate and statement. At a 0.20% copper equivalent cutoff, the 2013 mineral resource model compared to the 2006 mineral resource model for measured and indicated mineral resources resulted in a tonnage decrease of 4% and a copper grade decrease of 11%, yielding 14% less copper pounds. Molybdenum grade increased 3% and molybdenum pounds remained the same due to a 4% decrease in tons. The mineral reserve tons have decreased 4% (383 to 369 million tons), copper grade decreased 14% (from 0.138% to 0.119%), molybdenum grade decreased 7% (from 0.040% to 0.037%), copper pounds decreased 17% (from 1,058 to 877 million pounds), molybdenum pounds decreased 11% (from 305 to 273 million pounds), and the mine life decreased one year, from 21 to 20 years. The heap leach mineral reserve tons have decreased 50% (66.4 to 33.4 million tons), copper grade for the heap leach increased 66% (from 0.064% to 0.107%) and leach copper pounds decreased 16% (from 85.6 to 71.6 million pounds); the drop in mineral reserves is primarily due to a reduction of the mineral reserve copper grade by 14% and mining since 2006 which has reduced the deposit by 55.1 million tons grading 0.157% copper, 0.039% molybdenum and 0.080 opt silver, containing 184.3 million pounds of copper, 37.3 million pounds of molybdenum and 4.0 million ounces of silver.

With the hard-to-grind material and the mill throughput at 91% (45,570 vs. 50,000 tpd) of design rate for 2012, the optimization opportunities for the comminution circuit should be further reviewed. This optimization could include changes to SAG liner configuration, crusher optimization, increased SAG mill horsepower and (or) grate and screen size optimization.

It is recommended that MPI:

- 1) Continue to assess the effect of hard-to-grind material on mill throughput and make necessary modifications to increase the crushing/grinding capacity to meet design production levels.
- 2) Assess critical spare inventory for the mine and mill.
- 3) Secure permit for centerline tailings deposition.
- 4) Continually review the performance of the hybrid mineral resource model and update accordingly and if necessary, increase the drill density in the lower mineralization zones.
- 5) Investigate changing the mining fleet size from 100 to 200 ton class trucks and in-pit crushing and conveying to lower unit material movement and crushing costs.

APPENDIX H AK-SUG PROJECT TECHNICAL DISCLOSURE

AK-SUG PROJECT

The information that follows relating to the Ak-Sug Project and Greater Ak-Sug is derived from, and in some instances is an extract from, the Ak-Sug Technical Report authored by Alexander Peretyatko, M. AIG, Len Holland, FIMMM, FMES, CEng, and David Pearce, FAusIMM (CP) of SRK Russia. Each of Messrs. Peretyatko, Holland and Pearce is independent of Intergeo and is a "qualified person" as that term is defined in NI 43-101.

Portions of the following information are based on assumptions, qualifications and procedures that are not fully described herein. Reference should be made to the full text of the Ak-Sug Technical Report which has been filed with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review on Mercator's profile at www.sedar.com. The Ak-Sug Technical Report has an effective date of November 8, 2012.

For readers to fully understand the information in this document and the Ak-Sug PEA, they should read the Ak-Sug Technical Report in its entirety, including all qualifications, assumptions and exclusions that relate to the information set out in this document which qualifies the technical information. The Ak-Sug Technical Report is intended to be read as a whole, and summaries or sections should not be read or relied upon out of context. The technical information in that report is subject to the assumptions and qualifications contained in the Ak-Sug Technical Report.

Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The Ak-Sug Technical Report has not estimated any mineral reserves for the Ak-Sug Project. The Ak-Sug PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the Ak-Sug PEA will be realized. See "Appendix U – Risks Related to the Resulting Issuer".

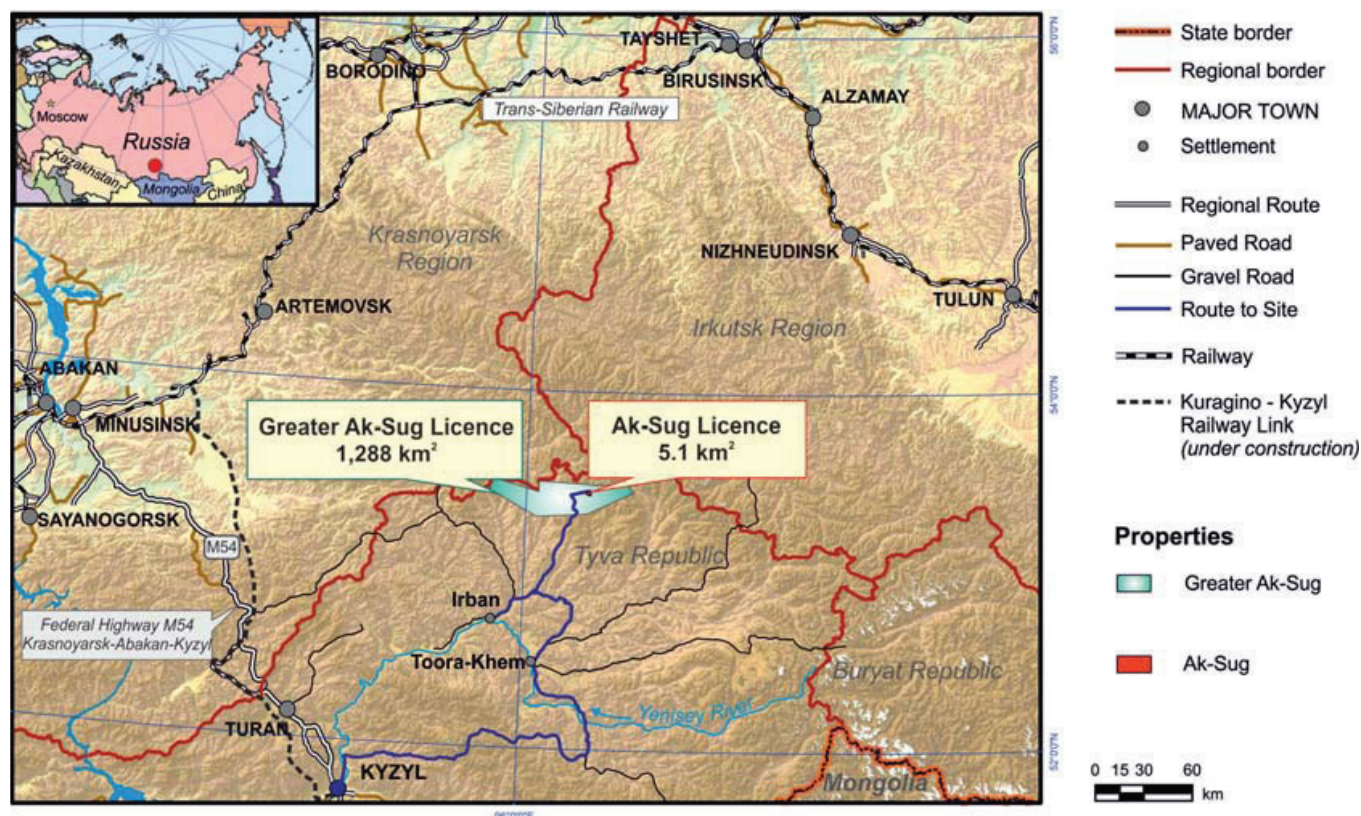
Project Description and Location

The Ak-Sug Project is located in the northern part of the Tyva Republic in southern Siberia, Russia. Golevskaya, a 100% owned subsidiary of Intergeo Russia, is the owner of exploration and mining licence KZL 13960 TE (the "**Ak-Sug Licence**") in respect of the exploration and mining of copper, molybdenum and associated minerals on the Ak-Sug Project. Following an auction, the Ak-Sug Licence was issued by the FASU on February 21, 2007 and expires on February 1, 2027. The Ak-Sug Licence was updated on August 29, 2012 to extend the deadlines attached to specific project milestones. The Ak-Sug Licence covers 5.1 square kilometres and the mineral resources for the Ak-Sug Project are located within the licence boundaries. Mining is permitted from surface to a maximum depth of 1,000 metres.

A prospecting, appraisal, exploration and mining licence KZL 00397 TR (the "**Greater Ak-Sug Licence**") was issued to Tyvamed, a 100% owned subsidiary of Intergeo Russia, covering an area of 1,288 square kilometres.

The Ak-Sug Licence and the Greater Ak-Sug Licence cover the deposit, one covering the Ak-Sug Project and the other the Greater Ak-Sug area which surrounds the Ak-Sug Project and are valid until 2027 and 2034, respectively.

The Ak-Sug Project is not located near a national park or other area designated as being environmentally sensitive. Therefore, SRK Russia considers that the key environmental considerations are the typical issues associated with developing an open pit mine and associated infrastructure.



Accessibility, Climate, Local Resources, Infrastructure and Physiography

Accessibility

The Ak-Sug Project and Greater Ak-Sug area are located approximately 220 kilometres northeast from the town of Kyzyl, Russia, the capital of the Tyva Republic with a population of 110,000 (based on a 2010 census). It is presently accessed either by helicopter from Kyzyl or by four-wheel drive vehicles on a poorly maintained dirt road. Ice roads along the Ak-Sug and Yenisey rivers are not used.

Local Resources and Infrastructure

The site is remote and an exploration camp has been established. There are no nearby villages although the area is frequented by local herders who graze their animals in the valleys.

The nearest existing railway line is approximately 320 kilometres from the site at Kuragino although a railway spur to the Elegeest coking coal deposit is being evaluated by the government which would reduce the distance to the nearest point for a siding to 240 kilometres from the site. The nearest connection to the national electricity grid is approximately 220 kilometres from the site.

The processing plant will be located adjacent to the mine and waste dumps and tailings storage facilities will be placed in valleys surrounding the mine.

Climate

Climate characteristics of the area are based on two sources: long-term analysis of data from the Verkhnyaya Gutara weather station and the Alygdzher weather station located 90 kilometres – 110 kilometres to the northeast from the Ak-Sug Project and observations of exploration teams that worked at the Ak-Sug Project in 1966 – 1980.

The climate is classified as "extreme continental" with warm summers (average July temperature: +13°C with a maximum of +26°C) and cold winters (average January temperature: –28°C with a minimum temperature of –43°C). The annual average

temperature is -6°C . Average annual precipitation is approximately 737 millimetres with maximum precipitation in the summer. The typical depth of snow cover reaches 1.5 metres - 2 metres in the valleys and 0.5 metres - 0.7 metres on the slopes.

The proposed mine is intended to be operated all year and an all-weather access road constructed. There may be short interruptions to production if the temperature drops below -40°C or during blizzards but these are not expected to be material.

Physiography

The site area is mountainous with the Ak-Sug Project located between 1,360 metres and 1,600 metres above sea level.

The Ak-Sug river is likely to be intersected by the open pit and would therefore need to be diverted. During the spring flood, which lasts approximately 14 days each year, the river is approximately 10 metres – 12 metres wide, approximately 0.8 metres deep with flow rates of up to 5.9 cubic metres per second which SRK Russia considers can be managed with an open diversion channel. Outside of the spring flood the flow rate drops to approximately 0.4 cubic metres per second. The river freezes from the end of October until late April.

Some permafrost exists but is not extensive. The Ak-Sug Project is largely covered by unconsolidated sediments 3 metres – 8 metres thick. The site is covered by larch, spruce and cedar forests.

The area is classified as being seismic although no major events have been recorded in the region.

Manpower

The Ak-Sug Project site is remote and therefore manpower will need to be recruited from across Russia and the Commonwealth of Independent States. There are no large-scale mines within a radius of several hundred kilometres. Accommodations will need to be constructed on site.

History

Exploration History

The Ak-Sug Project was discovered by an exploration team working for the Russian authorities in the 1950's. Systematic exploration has been conducted by Russian authority exploration teams including soil sampling, geophysics, geochemistry, trenching, drilling and test pits. In the early 1980's eight metallurgical bulk samples were taken and evaluated by Russian technical institutes (initially Kuzbass Polytechnical Institute and then the Siberian non-ferrous metallurgy design institute). In 1985, a technical study estimated mineral resources in line with the Russian resource reporting code as category C1+C2 (non-CIM code compliant). However, due to relatively low metal recoveries and the remote location, the Ak-Sug Project was not approved for commercial development.

Between 2007 and 2010, Golevskaya conducted additional geological drilling and metallurgical studies. A revised resource estimate was submitted to the GKZ in 2010 and was approved.

For the Greater Ak-Sug Licence, airborne geophysical data has been collected and analysed and areas of interest have been identified.

The Ak-Sug Technical Report is the first CIM code compliant mineral resource estimate to be published for the Ak-Sug Project since Golevskaya acquired the Ak-Sug Licence. Non-CIM code compliant mineral resource estimates had been published as part of the tender process when Golevskaya acquired the Ak-Sug Licence. The mineral resources set out in the Ak-Sug Technical Report have been estimated from first principles and do not relate to these previous estimates.

Ownership History

The Ak-Sug Licence and Greater Ak-Sug Licence were acquired from the Russian authorities. There were no previous private owners of the Ak-Sug Project and Greater Ak-Sug area.

Licences

The conditions of the Ak-Sug Licence are summarized below:

Year 1 (May 2008 – May 2009): Drilling not less than 1,000 metres

Year 2 (2009): Drilling not less than 1,000 metres

Year 3 (2010): Drilling not less than 1,000 metres

Year 4 (2011): Drilling not less than 4,000 metres

Year 5 (2012): Drilling not less than 2,000 metres

Years 6 and 7 (2013-2014): Drilling not less than 2,000 metres

Golevskaya actually achieved:

- in 2007: 930 metres
- in 2008: 24,008 metres
- in 2009: 0 metres
- in 2010: 0 metres
- in 2011: 31,199 metres
- in 2012: 11,170 metres

Golevskaya is required to prepare a development plan by August 1, 2016, to start infrastructure construction by February 1, 2017, to start mining by August 1, 2017 and achieve design capacity by February 1, 2018.

SRK Russia considers that Golevskaya is in compliance with the Ak-Sug Licence requirements for drilling and considers that the development requirements are achievable. However, Mercator Shareholders should understand the risks associated with achieving the development requirements. See "Appendix U – Risks Related to the Resulting Issuer – The Resulting Issuer's licences, in particular the license relating to the Ak-Sug Project will be important for the Resulting Issuer's prospects and the loss or failure to maintain, or the failure on expiry to extend, the Resulting Issuer's licences and other authorizations could materially adversely affect the Resulting Issuer".

Due to the remote location of the Ak-Sug Project and Greater Ak-Sug area and the lack of local communities, there are no surface right issues since the surface rights in remote areas are held by the Russian authorities. Golevskaya has received the necessary permits for this stage of the project evaluation from the local administrative authorities to use the land for exploration and metal production, and permits from the relevant Russian federal authorities for exploration and mining activities. Further permits must be acquired when approval is given for the project's development.

Golevskaya has implemented an exploration program and embarked on a pre-feasibility study and Russian technical study scheduled for completion in 2013. Assuming that these studies are positive then Golevskaya intends to continue with a feasibility study. SRK Russia considers that it should be possible to complete these studies and gain the approvals and financing to start production in 2017 to meet the design capacity requirements by 2018.

The right to exploit a deposit in Russia requires the licence holder to have exploration and mining licence, which are not granted under a prospecting and appraisal licence, to have the mineral resources/ reserves approved and placed on the State Balance by the GKZ, and to have submitted a detailed design report for approval to the Russian authorities. The State Balance is a record of the resources, which have been estimated according to the Russian resource reporting code and approved following a review by relevant experts appointed by the Russian authorities. The information on the State Balance is updated either following further evaluations or through depletion if the deposit is in operation. An exploration and mining

licence is typically valid for 25 years, with 5 years allocated for completing exploration and technical studies and 20 years allocated for operations.

The Ak-Sug Project is a Strategic Plot. See "Appendix Q – Background Information on Russian Legal Framework – Strategic Plots" for details of the Russian legal framework regarding Strategic Plots.

Geological Setting

Regional Geology

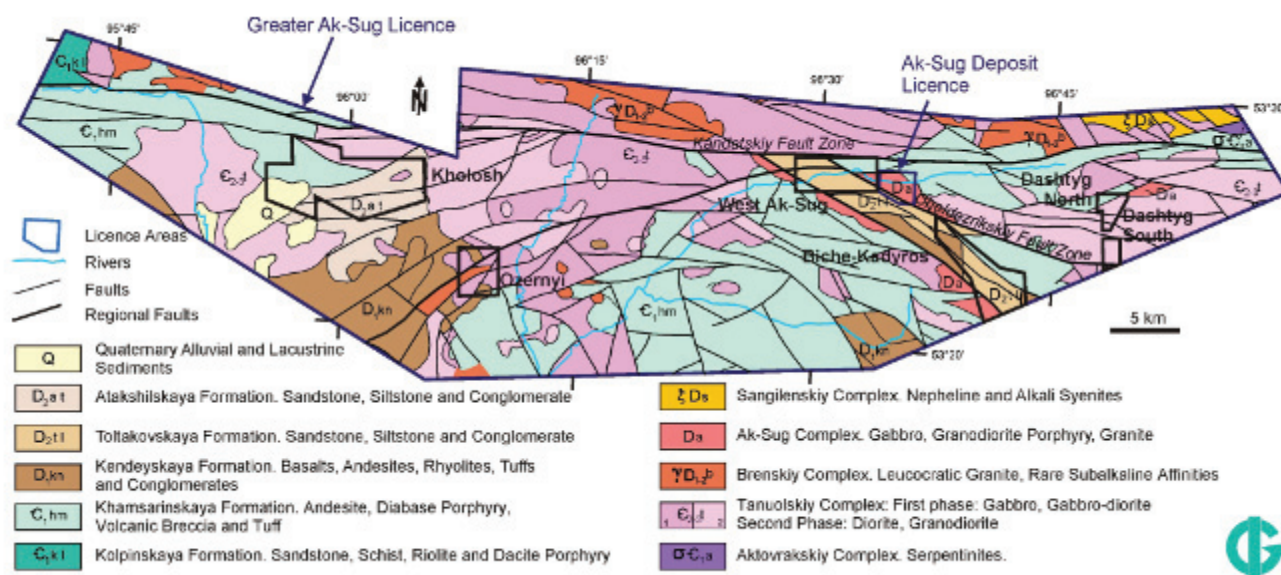
The Ak-Sug Project area is located in the Sayan Platform, which is situated along the southwest margin of the Siberian Craton. Northward migration of the North China Craton resulted in the development of the Sayan accretionary complex accompanied by the first magmatic event in the middle Cambrian. Continued northward migration of the China and Southeast Asia micro-continents created a collage of sub-parallel accretionary belts.

The sedimentary and volcanic units extend from the Upper Proterozoic to the Late Devonian in age.

The Palaeozoic stratigraphy comprises interbedded intermediate volcanics and pyroclastics with coarse clastics including red beds. The magmatic units are widespread and were emplaced during two time periods: the Cambrian and Devonian. The Ak-Sug copper mineralization is associated with a Devonian diorite.

The generalised geology of the Greater Ak-Sug Licence is illustrated in the figure below.

Generalised geology of the Greater Ak-Sug Licence (Source: Tyvamed, 2011)



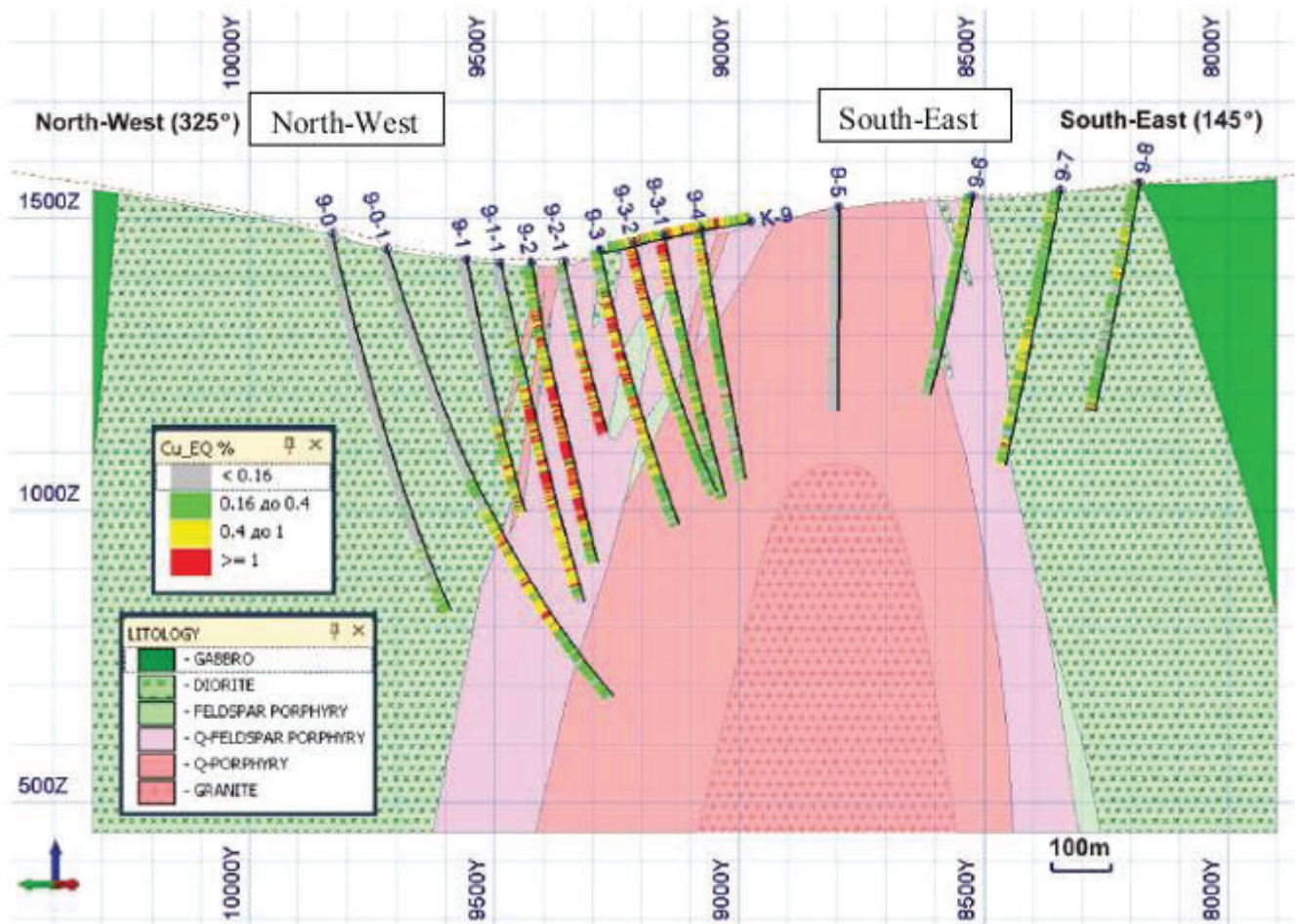
Property Geology

The Ak-Sug complex comprises a triangular shaped batholith which is 5 kilometres in width and 8 kilometres in length and is fault bounded on three sides. The majority of the complex consists of sodic, calc-alkaline gabbro, diorite and quartz-diorite exposed in the east and southeast parts of the complex. The early intrusive phases have been intruded by a later series of stocks and dykes of quartz diorite, tonalite and granodiorite porphyries of the Ak-Sug intrusion, which are located in the central part of the Ak-Sug batholith.

The Ak-Sug intrusion is an asymmetric dome-like shape with contacts steeply dipping outward at 60° – 80°. As illustrated in the following figure, the broad architecture of the Ak-Sug Project consists of an outer diorite, an intermediate zone of porphyritic tonalite and central core of porphyritic tonalite to granodiorite. The diorites are weakly mineralized, however, the degree of mineralization increases towards the porphyry stock. Tonalite forms the northern and northwestern part of the

complex and occurs as a horseshoe body around the porphyry stock from the east. These strata are broken by dykes of andesite and diorite porphyrites containing impregnation and veinlets of copper sulphide. The thickness of the dykes range from 0.5 metres – 3.0 metres, with lengths of up to several tens of metres.

Cross-section 9 through the Ak-Sug Intrusive (Source: SRK Russia, 2011)



The Kandatskiy fault represents a reactivated basement structure and is thought to represent the main conduit for the Ak-Sug mineralization. The fault zone ranges up to 10 kilometres in width and consists of a series of sub-parallel faults with intervening zones of mylonitisation. The fault zone comprises steep dipping normal faults with displacements of 2 kilometres – 3 kilometres. Splays branch off of the Kandatskiy fault trending northeast and northwest with vertical displacement of several hundred metres.

The Ak-Sug intrusive massif is located near the junction of the Ak-Sugsky and Cheldezriksky regional faults. The Ak-Sugsky fault is the northern boundary of the deposit, has near latitudinal strike and is a branch of the deeper Kandatsky fault. The rocks within the Ak-Sugsky fault zone demonstrate intensive fracturing and displacement (up to several hundred metres).

The Cheldezriksky fault dips to the northwest, along the side of the Dashtygoysky trench fault. The Cheldezriksky fault has been defined using surface mapping and geophysics and little is known about its structure at depth. It is probably sharply dipping in the northern direction and has branches of sublatitudinal and submeridional orientations. Like the Ak-Sugsky fault, the Cheldezriksky fault is a large regional structure. It limits diorites of the Ak-Sug massif from the south, and may have had a role in bounding the placement of the Ak-Sug type intrusions.

The Ak-Sug river valley follows the Ak-Sugsky faults while the Dashtygoysky river valley follows the Cheldezriksky fault.

Quaternary sediments are well developed in the valleys of the Ak-Sug and Dashtyg-Oy rivers, which flow through the Ak-Sug Project and on flat slopes and watersheds of mountains.

More than 95% of the mineralized material is localized in porphyries, porphyritic plagiogranite and tonalite, which were mostly modified into quartz-sericite metasomatite.

Mineralization is not controlled by lithology. There is no coincidence of the most altered strata and higher grade material. Precise geological boundaries of the primary intrusive strata that would limit the mineralized stockwork have also not been determined. Consequently, the stockwork outline was determined based on core sampling results.

Exploration

Geological and Geomorphological Surveys

This section focuses on the exploration conducted since 2005 as this is the data that has been used primarily to define the mineral resource estimate. Historical exploration was used to help define the outline of the Ak-Sug Project, and to guide the more recent exploration.

A series of surveys were conducted since 2005, which were aimed at mapping quaternary formations, determining features of geological and geomorphological structures, specifying drilling locations, studies and mapping of outcrops of pre-Quaternary strata. In total, 30 kilometres of geological routes were covered.

The surveys were performed across valleys (partially covering slopes) every 100 metres with compulsory observations along the designed drill lines. Part of the routes (10% of the total) were planned to study pre-Quaternary formations, hydrothermally altered and mineralized rocks, and also to track geological boundaries along strike. Geology, elements of valley and slope geomorphology, loose sedimentary formations and pre-Quaternary rocks in outcrops on the valley sides were logged on the routes. Particular attention was given to hydrothermally altered rocks and mineralization. The routes were planned according to the topographic network, using a topographic base at a scale of 1:25,000. Distance between observation points was measured by footsteps (or by surveyor's stakes), azimuth reference was made using a compass, and geomorphological elements were determined using an elevation meter and a ruler, if required.

Geophysical Surveys

Ground and airborne geophysical surveys have been completed over the Ak-Sug Licence area and Greater Ak-Sug Licence area. The surveys were carried out using the modern geophysical methods applied to the properties since the late 1980's, and represent the first stage in the exploration of the project by Golevskaya and Tyvamed. Data and results from the surveys have been used to assist with the planning of the ongoing exploration and development of the Ak-Sug and Greater Ak-Sug tenements.

Based on results of the 2010 airborne survey, areas of interest for the 2011 ground geophysical and geochemical soil surveys were delineated. The areas of interest are:

- 1 – Dashtyg (North and South), 5.9 square kilometres;
- 2 – Kholosh, 43.7 square kilometres;
- 3 – Biche-Kadyros, 17.4 square kilometres; and
- 4 – Ozyornyi, 10 square kilometres.

During 2011, a ground gravity survey was conducted over the Ak-Sug Project and a 9 kilometre extension to the west. In conjunction with the geophysical studies, soil sampling was conducted at 50 metre intervals along the geophysical profiles (except for the gravity survey area).

In 2012, three drill holes were completed on the Kholosh prospect in the Greater Ak-Sug Licence area, three holes were completed to test geophysical targets located to the west of the Ak-Sug Project and three holes and 17,164 cubic metres of trenching were completed in the northeast extension of the Ak-Sug intrusive complex.

Ground Surveys

In 2008, ground magnetic, gammaspectrometry and IP/resistivity surveys were undertaken over the Ak-Sug Project and adjacent areas along the same profiles. Line spacing within the known mineralization was 50 metres, and 100 metres outside of the Ak-Sug Project. Sampling distance varied from 20 metres to 40 metres for different surveys. A Schlumberger array with A100m40n100B was used in the frequency IP/resistivity profiling. Theoretical depth of investigation for this type of array is 150 metres – 200 metres. Proton magnetometers "MINIMAG" were used for the magnetic survey and recording the earth magnetic field variations. Proprietary – multichannel receiver "MARY-24" and transmitter "ASTRA-100" developed in Russia by the Nord-West Ltd. (Moscow State University) – equipment was used for the IP/resistivity and radiometric surveys.

Geophysical interpretation of new data allowed defining in greater detail of the geometry and shape of the mineralization zones, and recommends further test drilling of the Ak-Sug Project and Greater Ak-Sug.

Airborne Surveys

Helicopter airborne magnetic, electromagnetic and radiometric surveys at a scale of 1:25,000 (250 metres line spacing) were flown by the NF VSEGEI in June and July 2010. The magnetic and radiometric survey covered an area of 1,300 square kilometres and was flown at an average height of 70 metres over the terrain. The EM survey was flown along the same lines over two separate blocks selected on results of previous exploration data. The total distance of the magnetic-radiometric surveys is 5,642 linear kilometres, and the EM survey size is 1,249 linear kilometres. Brief survey equipment/specifications are as follows:

magnetics: cesium magnetometer CS-3 (15,000 – 105,000 nT range), recording on four independent channels with 1 sec – 0.05 sec sampling rate.

gammaspectrometry: gammaspectrometer GSA with six NaI(Tl) crystal blocks of 37.8 litres in total, 512 recording channels, measured energy range 0.1 – 3.0 MeV, sampling rate 0.25 sec – 4 sec.

electromagnetics: Russia's newly developed time-domain electromagnetic system EQUATOR – first system, using advantages of both time-domain and frequency technologies.

The surveyor, NF VSEGEI, integrated and compiled the data from all airborne surveys, preparing a set of interpretive and prognosis maps. A number of target areas of different priorities were recommended for the ground follow-up in the future.

Geophysical Studies in Drillholes

The studies were performed by the geophysical logging department of the Southern Geophysical Exploration Company (a branch of JSC "Krasnoyarskgeologiya").

The objectives of the geophysical studies were:

- defining lithological boundaries by petrologic and physical rock properties;
- domaining of perspective mineralization in the cross-sections, with sulphide and magnetic mineralization, determination of thicknesses, internal structure and bedding depths;
- domaining and outlining intervals with higher natural radioactivity of rocks; and
- control over technical condition of walls and location of end of the hole.

This was achieved using a range of geophysical methods, including:

- gamma-logging for differentiation of rocks by natural radioactivity (as best linked with petrographic compound of rocks), domain of zones with changing radioactivity under influence of hydrothermal metasomatism. Coverage – 98.9%;

- electric resistivity logging for petrographic breakdown of cross-section, domaining of perspective mineralization intervals, study of specific electric resistivity of rocks. Coverage – 88.7%;
- magnetic susceptibility logging for finding of intervals with magnetite impregnation and determination of magnetite grade in skarns. Coverage – 94%;
- spontaneous potential logging characterizing natural electric fields appearing in drillholes due to oxidation-reduction processes, diffusion and filtration. Coverage – 87.5%;
- IP logging to determine sulphide mineralization zones. Coverage – 69.2%;
- electrode potential logging to determine sulphide mineralization zones. Coverage – 94.2%;
- deviation survey to determine spatial location of the drillhole. Coverage – 99.6%; and
- caliper logging to measure actual drillhole diameter. Coverage – 92.7%.

Some drillholes could not be logged due to the drillholes collapsing, especially in structurally weakened areas, after flushing of the holes prior to lifting drill rods and logging.

There has been an extensive program of geophysical and geochemistry surveys across the Ak-Sug Licence, both historically and more recently using state-of-the-art techniques and equipment. This indicates the potential for extensions of the existing Ak-Sug Project. Preliminary results of the 2011 ground magnetic, IP and audio MT surveys within four areas, selected based on results of 2010 airborne geophysics, showed high exploration potential. Some drilling was conducted at Kholosh, west Ak-Sug geophysical anomalies and east Ak-Sug. Although no economic intersections were encountered in the drilling program, zones of phyllic and propylitic alteration have been identified at Kholosh and east Ak-Sug with disseminated pyrite and minor chalcopyrite. In east Ak-Sug, the alteration and pyrite mineralization is associated with the eastern extension of the diorite porphyry that hosts the Ak-Sug deposit. Tyvamed plans to continue drilling on a number of coincident geophysical and geochemical targets in Kholosh and Dashtyg in 2013 and 2014. SRK Russia considers that there is potential for extensions of the existing Ak-Sug Project and discovering new deposits within the Greater Ak-Sug Licence. SRK Russia considers that the program proposed for 2013 will determine if the targets contain attractive mineralization.

Tyvamed's exploration program over the next two years, 2013 and 2014, will evaluate the geological and geophysical target areas located to the east and west of the Ak-Sug deposit as well as three of the key target areas: Kholosh, east Ak-Sug and Dashtyg. During 2012, Tyvamed completed 17,164 cubic metres of trenching at east Ak-Sug and anticipates the completion of 10,000 metres of drilling by the end of December 2012.¹ A further 16 holes are planned to be drilled in 2013 and 2014 (10,000 metres) and a further 5,000 cubic metres of trenching and 77 square kilometres of ground geophysics is planned in 2013. A total expenditure of US\$4.1 million is planned in 2013-2014.

Mineralization

The mineralization at Ak-Sug is generally divided into four components, the northern, southern and western mineralized zones and the quartz core. The early Cu-Mo-Au mineralization is restricted to the northern and southern mineralized zones while a later porphyry Mo-Cu system is restricted to the quartz core. In places the molybdenum system overprints the early copper system, resulting in higher molybdenum grades.

The deposit is some 900 metres long along the principal SW-NE axis, 1,400 metres wide and has been defined to a depth of 1,200 metres. The mineralization is open at depth. The mineralization dips at approximately 60° – 80° in the northwest zone and has a shallower dip of around 50° – 65° in the southeast.

The sulphide mineralization is generally fine grained with predominately disseminated and vein-disseminated structure with a number of small veins. Chalcopyrite and pyrite are the main sulphide minerals though bornite occurs in the northern zones. Other copper minerals in order of significance are: in the northern and western zones, tennantite, a copper-arsenic mineral; in the western zone – native copper, and lesser chalcocite, covellite and enargite. Though there is limited oxidation due to

¹ Tyvamed completed 8,709 metres of drilling at Greater Ak-Sug in 2012 and 7,076 meters in 2013.

weathering, some copper oxide minerals occur, principally as malachite and azurite, with minor supergene cuprite, digenite and chalcocite.

Molybdenite occurs as lamella aggregates, sheet formations, sulphide inter-growths and fine disseminations in quartz. Rhenium is associated with higher molybdenum grades.

Gold and silver occur in all zones as fine disseminations, as thin vein-like inclusions in quartz and on sulphide contacts.

Other non-metallic minerals are sericite and chlorite (50%), quartz (20% – 35%), and carbonates, ankerite and calcite (5% – 10%).

Drilling

Since 2007 to the end of November 2012, 153 holes totalling 69,934 metres have been drilled using tracked rigs mounted with wire-line Boart Longyear drills, of which 49 holes totalling 28,443 metres were drilled after July 15, 2011 (the cut-off date for the mineral resource estimate contained in the Ak-Sug Technical Report).

Drilling at Ak-Sug Prior to July 15, 2011

From 1977 to 1985, 72 holes were completed for a total of 24,545 metres by Krasnoyarsk Geological State Enterprise within the Ak-Sug Licence area. Due to the practice of using single barrel tubing, core recovery was low with, only 14,864 samples out of 22,783 collected used in the estimation of the 2009 GKZ resource estimate.

From 2007 to July 15, 2011, 104 holes totalling 41,491 metres were drilled using tracked rigs mounted with wire-line Boart Longyear drills. This total includes a further 12 holes totalling 1,903 metres drilled to collect hydrogeological data. Core recovery was high: 99.6% in mineralization, 98.9% in barren intervals. The core is of good quality although in the more fractured areas the core is highly fragmented with pieces not larger than 5 centimetres. All core is photographed before it is sent for assaying.

Drilling operations are carried out by LLC "Prikladnaya Geologia" (Applied Geology) on Golevskaya's and Tyvamed's instructions.

The majority of holes drilled historically and since 2007 were drilled to a depth of 500 metres (150 metres below the pit shell according to preliminary design of 1977 – 1983).

After the holes were completed, geophysical measurements were undertaken in them, including down-hole deviation survey (which were collected at 10 metre intervals).

The spacing between drillholes was defined using Russian resource reporting criteria using the historical drillholes to guide the hole length. As a rule, each cross-section contains at least three holes intersecting the mineralization and two holes outside the mineralization, one at each end of the section, to define the limits. The spacing between cross-sections is 100 metres. Exploration density is from 50 – 75 × 100 metres to 200 × 100 – 200 metres. In-fill drilling was started in 2011 at a spacing of 50 × 50 metres to improve confidence of the resource estimate.

The orientation and location of exploration lines was based on historical results with new lines drilled between the exploration lines. Hole inclinations were selected to ensure full intersection of mineralization.

The highest density of drillhole intersections is in the western part of the northwest zone. This part of the deposit has the highest grades to date.

Drilling at Ak-Sug Since July 15, 2011

Between July 15, 2011 and September 20, 2012, 49 holes totalling 28,443 metres were drilled. The new drilling was predominately in the southeast, the central core and the northwestern edge (to define the boundary of the mineralization at depth). The central zone contains less mineralization than modelled and the southeastern boundary is tighter than previously assumed. However, it is also apparent that the mineralization extends into the centre at depth, indicating that the south east structure may be dipping more steeply than previously assumed. The results show the same trend with respect to the

boundaries of the core and southeastern zone, together with the higher grades in the southeast. A deep hole shows low grade mineralization at depth and should be viewed in conjunction with results which shows the upper portion of the hole. SRK Russia considers that the overall net result is likely to be comparable to the current resource estimate with deeper mineralization replacing material lost in the central core.

Drilling at Greater Ak-Sug

In 2012, a total of 10,000 metres (estimated to the end of 2012) will be drilled on the Greater Ak-Sug Licence area by the same drilling company as was used at Ak-Sug, being LLC "Prikladnaya Geologia" (Applied Geology), and using the same procedures.²

By the end of September 2012, approximately 7,330 metres of drilling had been completed with three holes on the Kholosh prospect, three holes on geophysical targets located to the west of the Ak-Sug deposit and three holes testing the northeast extension of the Ak-Sug intrusive complex. Core recovery was high, exceeding 98%. The core is reportedly of good quality although in the more fractured areas the core is highly fragmented with pieces not larger than 5 centimetres. Tyvamed advises that all core is photographed before it is sent for assaying.

Trenching

Four deep trenches (up to 5 metres) were excavated within the Ak-Sug Licence area to collect channel samples, to map the lithology and to collect samples for pilot plant processing tests. The trenches were developed along exploration lines (profiles). Three trenches crossed the northern mineralization on profiles 7, 9 and 10, approximately 200 metres apart, and the fourth trench crossed the western mineralization along profile 6. A total of 904 metres was excavated. The trenches were excavated parallel to historical trenches developed in 1982 – 1985.

Trenches were excavated by drilling, blasting and dozing the blasted rock to one side using a 200 kilowatt bulldozer. The trenches were excavated through the full thickness of loose eluvial-deluvial sediments and moraines (average thickness 4.4 metres according to drilling) and oxidation zone to expose strata not affected by oxidation. The trenches are approximately 10 metres wide at surface to provide an average width of trench bed of 5 metres. After bulldozing, the bed of the trench was cleaned manually. The average depth of manual development was 0.6 metres. The trenches were logged and sampled after manual cleaning.

Channel sampling of trenches was performed along all trenches to characterize mineralization and determine boundaries on surface. Samples were taken manually. The standard dimensions of the channels were 10 centimetres wide by 3 centimetres deep, with the sample interval typically being 2 metres in length unless it intersected a geological boundary.

SRK Russia considers that the drilling program since 2008 has been well-planned and is of a high standard. SRK Russia is satisfied with the core recovery achieved during this period and has identified no potential factors that could materially impact the accuracy or reliability of the results. The trenches were partially filled at the time of SRK Russia's visit but SRK Russia considers that the approach is reasonable for noting geological detail and collecting bulk samples for metallurgical tests. While SRK Russia does not consider that the bulk samples are representative of the deposit due to oxidation and the fact that the trenches are located in the northwest zone only, SRK Russia considers that the bulk samples are useful in providing indicative metallurgical results.

Sampling, Analysis and Security of Samples

Trench Sampling

Channel sampling of trenches was performed along all trenches to characterize mineralization and determine geological boundaries on surface. Samples were taken manually using hand-held tools. The standard dimensions of the channels were 10 centimetres wide by 3 centimetres deep. The length of the channels was 2 metres or was limited to geological boundaries. Trench samples were continuous without spaces, through the full mineralization thickness and 10 metres – 20 metres outside mineralization. The samples weighed between 13.3 kilograms and 17.9 kilograms (and averaged 15.4 kilograms). In total, 904 metres of trenches were sampled.

² Tyvamed completed 8,709 metres of drilling at Greater Ak-Sug in 2012 and 7,076 metres in 2013.

Trenches completed on the Greater Ak-Sug Licence area were sampled in the same manner as in the Ak-Sug Licence area. In total 768 linear metres of trenches were sampled and 222 samples collected.

SRK Russia did not observe the trench sampling at Ak-Sug as this was completed in 2008 and the trenches were subsequently partially filled with debris at the time of the visit. Similarly, the trenching in the Greater Ak-Sug Licence area was conducted after SRK Russia's site visit. While this information at Ak-Sug was used in the resource estimation, SRK Russia considers its influence to be limited. SRK Russia considers that its principal benefit is to provide detail to help understand the geology.

Drill Core Sampling

Samples collected by drilling are the principal source of information used for the resource estimation.

Core samples were taken continuously along the full length of hole, with the typical sample length of 2 metres, except where the sample was limited to the geological boundaries.

The core was split along its axis with one-half forming the sample and the other stored in the core shed. Fines generated during core splitting were divided into halves, one-half joining the sample and the other to the duplicate.

The core sample weight varied from 1.2 kilograms to 10.1 kilograms (4.5 kilograms – 4.6 kilograms on average) depending on hole diameter, sample length, core recovery and specific gravity of the rock. SRK Russia noted that the core sample weights did not deviate from theoretical estimates by more than 20%.

Sample Preparation Procedure

All drill core and trench samples from Ak-Sug and Greater Ak-Sug were prepared by Golevskaya and Tyvamed staff on site.

The samples were dried and weighed, and then crushed to 3 millimetres particle size, the sample was then screened and divided into two equal parts using a Jones sample divider. One part was stored as geological duplicate, and the other was crushed in a roll crusher to 1 millimetre size, screened, mixed and split into two parts with a sample divider, the parts being between 400 grams – 600 grams depending on the initial sample weight. The first part was stored as a coarse duplicate and the second served as the laboratory sample. The laboratory sample was then milled to 0.074 millimetres size, thoroughly mixed and divided into four parts using a sample divider, resulting in an analytical sample (200 grams – 300 grams) and pulp duplicate (200 grams – 300 grams). The 200 grams – 330 grams analytical sample was then sent for analyses and the duplicate stored for future reference.

After each cycle of sample preparation, the equipment was cleaned with high-pressure air and quartz material.

Within the database used for the resource estimate, 17,828 samples were assayed for copper, 17,298 for molybdenum and 16,462 for gold, though only 2,658 samples were assayed for rhenium. This is largely because the samples assayed for rhenium were prepared from composites of two to five other samples. Given the fact that rhenium is recovered with molybdenum, that the rhenium samples were capped and that the value of rhenium within the resource estimate represents some 4% of the total value of recoverable metal, SRK Russia considers that it is reasonable to report rhenium in the mineral resource estimate at this stage of the study.

A further 15,091 copper assays, 15,091 molybdenum assays, 2,495 gold assays and 2,641 rhenium assays have been sampled since July 15, 2011. While SRK Russia has not been to site since July 2011, SRK Russia has been advised that the same procedures for drilling, sample preparation and assaying were used on the samples collected after July 15, 2011. SRK Russia has conducted a QA/QC review of the assays collected since July 2011, reviewing the results of the blanks and standards and saw no material problems. This data has not been included in the database used to prepare the resource statement.

Specific Gravity Data

The specific gravities of mineralized and barren rock were measured by the Krasstroy Testing Centre of JSC "Krasnoyarsk PromstroyNIIProekt". The methodology conforms to the Russian standard GOST standard 30629-99 "Materials and lining products made of rocks. Test methods". This involved drying the sample by storing the sample above sulphuric acid or salt to absorb any moisture and crushing it to below 5 millimetres. The sample is then weighed before some of the sample is poured

into a measuring cylinder filled with water until the water level rises to the nearest measuring point. The mass of the remaining sample is measured. The specific gravity is therefore taken as the ratio of the mass added to the measuring cylinder to the volume of water displaced. The result used is the arithmetic mean of five tests. A total of 423 samples were analysed and the results are shown in the table below.

SRK Russia considers that the methodology is suitable for the estimation of mineral resources.

Specific gravities of mineralized material of Ak-Sug deposit

#	Rocks	SG, g/cm ³		
		From	To	Average
4	Quartz diorite	2.73	2.78	2.76
5	Tonalite	2.68	2.83	2.76
6	Tonalite with small porphyritic content	2.38	2.82	2.74
7	Porphyritic tonalite	2.69	2.72	2.70
8	Tonalite-porphyry	2.49	2.83	2.72
9	Plagiogranite-porphyry	1.96	2.79	2.68
10	Metasomatite on quartz diorite	2.65	2.72	2.70
11	Metasomatite on porphyritic tonalite	2.64	2.71	2.69
12	Mudstone porphyrite	2.69	2.79	2.72
13	Quartz-sericite metasomatite	2.61	2.78	2.70
	Total	1.96	2.83	2.71

Quality Assurance and Quality Control Programs

A robust QA/QC program has been put in place by Golevskaya and Tyvamed for the current exploration activities, with quality assurance managed through detailed protocol documents describing activities to be followed and quality control through inclusion of duplicate samples, CRMs, and blanks, as well as investigation into sample splitting.

The samples were assayed by the independent LLC Alex Stewart Group Geo Analytics Ltd (Moscow) laboratory for the main (Cu, Mo) and associated (Au, Ag) components and contaminants (As, P, Sb) in all group and ordinary samples. The laboratory is certified in Russia and complies with ISO/IEC 17025:2005. All of the samples used for the resource estimation were assayed by LLC Alex Stewart Group Geo Analytics Ltd (Moscow) using the same methodology.

External assay control of these analyses was performed in the independent regional analytical centre of CJSC "Mekhanobr Engineering Analit" (St. Petersburg). The laboratory is certified in Russia. The Mekhanobr laboratory also performed analysis for Re content in group samples, which was not tested at the LLC Alex Stewart Group Geo Analytics Ltd (Moscow) laboratory.

Golevskaya and Tyvamed applied the following criteria to ensure that the assaying was of an acceptable standard:

- If two or more (depending on batch size) consecutive reference material assays are greater than two standard deviations limit on the same side of the mean then the batch of samples is failed.
- If two or more (depending on batch size) consecutive reference material assays are greater than the Round Robin three standard deviations limit, independent of the character (plus or minus) of the deviation from the certified value then the batch of samples is failed.

The laboratory is immediately informed about any problems. If no explanation is provided (e.g. a sample transcription error is found) the laboratory is asked to re-assay the sample interval between the failed reference materials (out-of-control samples) together with some neighbouring samples. This is aimed to determine if the odd CRM value resulted from a random or a systematic error. Only in the latter case is the repetition of the entire batch requested.

For blanks, the rejection threshold is the method detection limit multiplied by 5 for copper, and multiplied by 10 for gold. But, as coarse blanks are used mainly to monitor sample preparation, the analysis of results for blanks is always carried out along with analysis of CRM results, in order to divide the errors introduced during assay from those introduced during sample preparation.

Results for duplicates alone are not used as batch rejection criteria. The statistics are accumulated and used to monitor precision and to help analyse the batch assay results together with other quality control samples.

Blanks

Blanks are inserted at fixed sample number positions at the rate of 2 blanks per 100, to ensure that there is one blank in each assay batch.

The results on Ak-Sug show good quality of analysis except for two extreme values, which Golevskaya considers is a transcription error. SRK Russia deem these results as acceptable.

Standards

Seven groups of certified reference materials (CRMs or standards) were inserted into the sample stream, chosen to reflect the range of copper grades seen throughout the Ak-Sug Project. The CRMs chosen reflect the following grades associated to the deposit:

- low-grade values (~0.3% Cu);
- a grade close to the average grade of the deposit (~0.7% Cu);
- high grade values (~1% Cu); and,
- 'extra' high grade values (~3% Cu).

The CRM used are from GEOSTATS and CANMET, and contain copper, molybdenum, gold and silver grades. Standards are inserted at the rate of 3 – 4 per 100 to ensure that there is one standard in each assay batch. A total of 264 standard samples were used.

SRK Russia has analysed the data received from Golevskaya and Tyvamed. The majority of results lie within the 10% deviation, however, three samples from AS_c9-1-1 batch taken from Ak-Sug show significant deviations. SRK Russia has been advised that these are transcription errors. SRK Russia considers that the results demonstrate that the assays are appropriate for estimating mineral resources.

Pulp Duplicates

These duplicates consist of a split taken from the pulp prepared at the end of the sample preparation procedure. The pulp duplicates were analysed by the same laboratory as the original samples under different sample numbers, in the same sample batch, but under a different sample number, so that assaying follows a similar procedure in order to ensure repeatability. The pulp duplicates are indicators of the analytical precision, which may be also affected by the quality of pulverization and homogenization. Duplicates are inserted at fixed sample number positions at the rate of 3 – 4 per 100.

Copper

The diagram of original data versus control data shows good correlation between the original results and internal control results.

The HARD plot confirms this statement demonstrating good reproducibility of assay results; 99% of data have deviation of less than 10%.

Molybdenum

The diagram of original data versus control data shows good correlation between the original results and internal control results.

The HARD plot confirms this statement demonstrating good reproducibility of assay results; where 97% of data have deviation of less than 10%.

Gold

The diagram of original data versus control data for gold shows good correlation between the original results and internal control results.

The HARD plot confirms this statement demonstrating good reproducibility of assay results; 89% of data have deviation of less than 10%.

Rhenium

No comparison of duplicates was presented to SRK Russia as the assays were only assayed by one laboratory. SRK Russia understands that Golevskaya plans to implement a system of independent checks for rhenium assays in order for the results to comply with Russian and international standards.

Coarse Duplicates

Coarse duplicates are taken immediately after the crushing and splitting step. In order to test the repeatability of results, both the original and the coarse duplicate samples were submitted to the LLC Alex Stewart Group Geo Analytics Ltd (Moscow) laboratory, in the same sample batch, and under a different sample number, so that they followed similar pulverization and assaying procedures.

Copper

The HARD plot demonstrated that the assay results for copper shows a high degree of reproducibility, where 100% of the data for the coarse rejects have a deviation of no more than 10%.

Molybdenum

The HARD plot demonstrated that the assay results for molybdenum show a high degree of reproducibility, where 98% of the data for coarse rejects have a deviation of less than 10%.

Twin Duplicates

Twin Duplicates were prepared by cutting a fillet or slice, which is kept as backup, and cutting the remaining core piece in half, one portion representing the original sample, and the remaining portion representing the twin sample.

Copper

The HARD plot for duplicates shows a reasonable level of convergence for copper, where almost 75% of samples have deviation less than 10%.

Molybdenum

The HARD plot for duplicates shows a poor level of convergence for molybdenum; where almost 40% of samples have deviation more than 10%.

SRK Russia believes that the reason for the large deviation is due to nugget effect caused by the molybdenum is located in lamella sheets.

SRK Russia Comments

In the opinion of SRK Russia, the sampling preparation, security and analytical procedures used by Golevskaya are consistent with generally accepted industry best practices and are therefore appropriate for the estimation of mineral resources.

Similarly, SRK Russia reviewed the sample preparation methodology, results and methodology of external and internal control and considers that the reproducibility of component determination results in external and internal control is satisfactory.

Data Verification

SRK Russia did not independently collect any samples for verification. SRK Russia did observe the process of handling the drill core and preparing the samples for assaying. SRK Russia also reviewed the distribution of the sample data, conducted geostatistical analysis and checked the external control of sampling results. SRK Russia did not identify any issues and considers that the data is appropriate for the estimation of mineral resources.

Mineral Resource Estimates

The mineral resource statement presented in the Ak-Sug Technical Report represents the first mineral resource evaluation prepared for the Ak-Sug Project in accordance with NI 43-101.

The mineral resource model prepared by SRK Russia includes 130 core boreholes drilled during the period of 1985 to 2011. The resource estimation work was completed by Alexander Peretyatko, M. AIG, an appropriate independent "qualified person" as this term is defined in NI 43-101. The resource statement is dated July 15, 2011 since this was the date SRK Russia received the final geological data used to prepare the geological model. Since that date, 49 holes totalling 28,443 metres were drilled but this data has not been analysed by SRK Russia or included in the mineral resource assessment, though SRK Russia did visually compare the sample grades in each borehole against the block model. SRK Russia considers that the in-fill drilling generally confirmed the block model though it also indicated that the mineralization envelope in the southeast will need to be re-evaluated in the future as the drilling shows the barren core to be larger than originally indicated and the mineralization in the southeast to extend further at depth. SRK Russia considers that the overall net result is likely to be comparable to the current resource estimate with deeper mineralization replacing material lost in the central core.

This section describes the resource estimation methodology and summarizes the key assumptions considered by SRK Russia. In the opinion of SRK Russia, the resource evaluation reported in the Ak-Sug Technical Report is a reasonable representation of the global mineral resources found in the Ak-Sug Project at the current level of sampling. The mineral resources have been estimated in conformity with generally accepted CIM "Estimation of Mineral Resource and Mineral Reserves Best Practices" guidelines and are reported in accordance with NI 43-101. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resource will be converted into mineral reserve.

The database used to estimate the Ak-Sug Project mineral resources was audited by SRK Russia. SRK Russia is of the opinion that the current drilling information is sufficiently reliable to interpret with confidence the boundaries for copper-molybdenum-gold mineralization and that the assay data are sufficiently reliable to support mineral resource estimation.

The geological modelling software Micromine Version 2010 was used to construct the geological solids, prepare assay data for geostatistical analysis, construct the geological block model, estimate metal grades and tabulate mineral resources.

Resource Estimation Procedures

The resource evaluation methodology involved the following procedures:

- Database compilation and verification;
- Construction of wireframe models for the boundaries of the copper equivalent mineralization;
- Definition of resource domains;
- Data conditioning (compositing and capping) for geostatistical analysis and variography;
- Block modelling and grade interpolation;

- Resource classification and validation;
- Assessment of "reasonable prospects for economic extraction" and selection of appropriate cut-off grades; and
- Preparation of the mineral resource statement.

Resource Database

The database was provided by Golevskaya in a ".dat" format file containing collars, down-hole survey data, sampling and lithology. The database includes exploration drilling performed in 1977 – 1985 and in 2008 – 2011.

The project database was provided by Golevskaya and includes data on 225 holes and 4 trenches. The database contains 40,876 entries. Standard checks (missing intervals, missing holes, overlapping intervals) did not reveal any mistakes in the database. SRK Russia also checked the database by comparing with the original drillhole data, initial plans and cross-sections. No mistakes were found.

SRK Russia did not model silver as more work is needed to separate the values coded as being near the detection limit as these coded values could be mistaken for real values.

Solid Body Modelling

SRK Russia has delineated the main mineralization zones of the Ak-Sug Project based on the existing geological interpretation taken from cross-sections and plans provided by Golevskaya.

Golevskaya provided a geological model of the Ak-Sug Project, which was used to determine the lower margin of the mineralized zone adjacent to the non-mineralized quartz core.

The Ak-Sug Project may be split into two deposit areas, the northwest Ak-Sug 'main' deposit and southeast deposit, which are separated by the 'empty' quartz core.

Each zone has been assigned a unique code according to their location (NW or SE from quartz core).

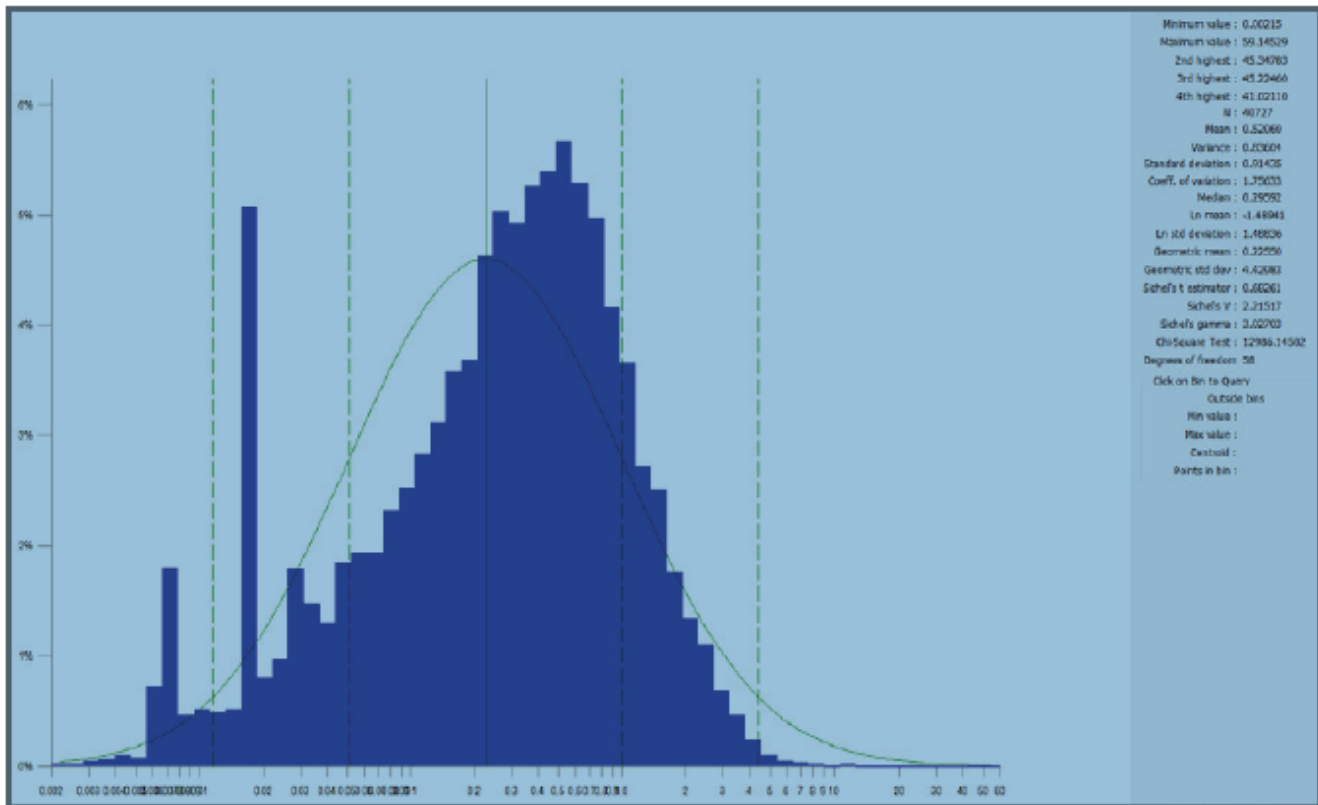
SRK Russia has estimated Cu equivalent grades based on the following parameters (see the table below). The equivalent copper grade is determined by adding the total of the copper grade and the grade of the individual elements multiplied by the factors.

Parameters for copper grade estimation

	Cu	Au	Ag	Mo	Re
	%	g/t	g/t	%	g/t
Recovery					
from in-situ mineralization	95.0%	95.0%	95.0%	95.0%	95.0%
into concentrate	86.4%	52.6%	57.0%	61.2%	77.5%
into metal	95.0%	96.8%	94.6%	99.0%	94.0%
Revenue per unit (% or gram per ton)	US\$70	US\$37.9	US\$0.69	US\$397.35	US\$10.0
Factors		0.34	0.01	4.19	0.14

SRK Russia determined the wireframe boundaries based on a combination of a grade of 0.16% Cu equivalent and a minimum width of 15 metres of mineralization. The figure below is a histogram of the copper equivalent grades.

Histogram of copper equivalent grades (Source: SRK Russia, 2011)



Compositing

SRK Russia has performed statistical analysis of sample lengths distribution inside the mineralized zone. 95% of samples were 2 metres in length, it was therefore decided that it was not necessary to composite the samples.

Evaluation of Outliers

Analysis of probability graphs and histograms has shown the requirement to cap outliers with regard to several of the elements studied. The capping study was separated into the two domains so that the northwestern part of the Ak-Sug Project was analysed separately from the southeastern part.

In both the northwestern domain and the southeastern domain the copper histograms show a strong correlation to a normal distribution without any high grade outliers. It was therefore deemed that it was not necessary to apply capping to the copper data for each of the domains.

SRK Russia notes that there are far fewer rhenium samples than copper, molybdenum or gold samples. This is largely because the samples assayed for rhenium were prepared from composites of two to five other samples.

Statistical Analysis and Variography

The statistical study has been undertaken using the Micromine 2010 software package. The statistical study is based upon the data provided as described above, after capping.

Geostatistical analysis was performed in Micromine 2010 software.

The following types of analysis were undertaken on the resulting variograms:

- estimation of main directions of strike and dip and comparison of the data with directions obtained from variography.

- estimation of variograms down the hole by composites to determine nugget effect.
- generation of experimental variograms in the directions of maximum continuity to determine directed variograms along dip, strike and across strike of mineralization (using Gaussian transformation).

The variograms were generated in three main directions: along dip and strike and across strike. Separate variograms were generated for the non-oxidized mineralization and for the weathering crust.

Because the distance between exploration lines was considered too great to permit reliable variographic analysis in the southeastern part of the Ak-Sug Project, SRK Russia decided to use the data in the northwestern part for variography for the whole deposit, changing the azimuth for the southeast region in line with the change in dip.

Variography was performed on one element (Cu).

Block Model and Grade Estimation

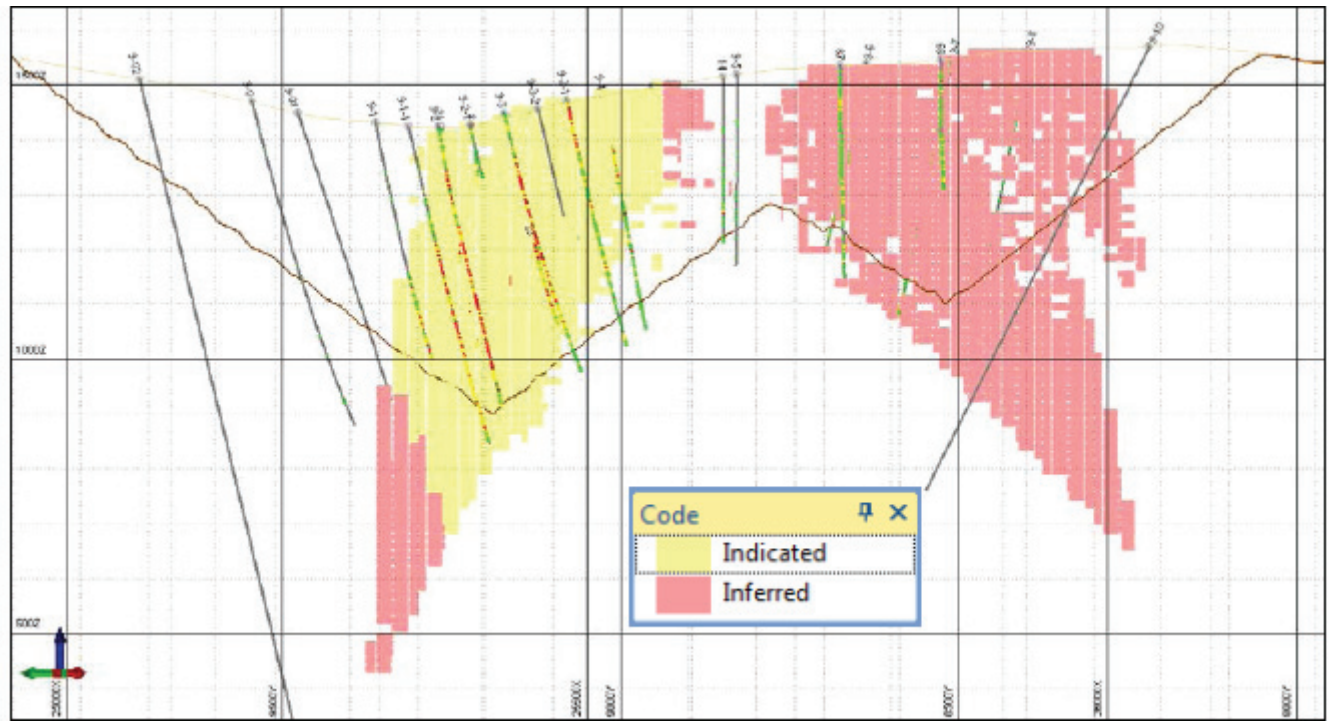
The block model covers a larger area than the Ak-Sug Project in order to perform optimization in Whittle software. The block model was not rotated. Parent block size (25 metres (X) by 25 metres (Y) by 15 metres (Z)) was selected based on approximately one-third of the drillhole spacing.

Sub-blocking was not applied. The amount of ore, waste rock and air in a block was used to classify the blocks as mineralized, hosting or blank, respectively. Each attribute was assigned with a factor depending on the percentage of block within the wireframe. Sum of the three attributes would be equal to one. For preparation of the resource report, the resulting volume on each block was multiplied by the corresponding factor.

Grades (Cu, Au, Mo, Re, As, S) were interpolated into the block model using ordinary kriging. Different ellipses were used for the northwestern and for southeastern parts.

The surface is located at approximately 1,500 metres and the deepest borehole is approximately 1000 metres. The difference in grades in the block model between elevations 150 metres to 600 metres is primarily due to extrapolation of grades below the drilling. The maximum depth of the mineral resources is approximately 600 metres (see the figure below) and is therefore within the region of reasonable correlation of block model and sample grades.

Classification of resources (section 9) (Source: SRK Russia, 2011)



Mineral Resource Classification

Block model quantities and grade estimates for the Ak-Sug Project were classified according to the CIM Definition Standards for Mineral Resources and Mineral Reserves (November 2010) by Alexander Peretyatko, M. AIG, an appropriate independent "qualified person" for the purpose of NI 43-101.

Mineral resource classification is typically a subjective concept. Industry best practices suggest that the resource classification should consider both the confidence in the geological continuity of the mineralized structures, the quality and quantity of exploration data supporting the estimates and the geostatistical confidence in the tonnage and grade estimates. Appropriate classification criteria should aim at integrating both concepts to delineate regular areas at similar resource classification.

SRK Russia is satisfied that the geological modelling honours the current geological information and knowledge. The location of the samples and the assay data are sufficiently reliable to support resource evaluation. The sampling information was acquired primarily by core drilling on sections spaced at 50 metres – 100 metres.

Generally, for mineralization exhibiting good geological continuity investigated at an adequate spacing with reliable sampling information accurately located, SRK Russia considers that blocks estimated during the estimation run considering full variogram ranges (second pass of interpolation) can be classified in the indicated resource category within the meaning of the CIM Definition Standards for Mineral Resources and Mineral Reserves (November 2010). For those blocks, SRK Russia considers that the level of confidence is sufficient to allow appropriate application of technical and economic parameters to support mine planning and to allow evaluation of the economic viability of the deposit.

Conversely, blocks estimated during the second pass considering search neighbourhoods set at twice the variogram ranges should be appropriately classified in the inferred resource category because the confidence in the estimate is insufficient to allow for the meaningful application of technical and economic parameters or to enable an evaluation of economic viability.

SRK Russia then created wireframes to encompass areas which were predominately classified as either indicated or inferred. This resulted in the upper levels of the northwest zone is classified as indicated and the southeast zone is classified as inferred. This is due to the data points being too far apart and insufficient data to enable a local geostatistical analysis to be performed.

Mineral Resource Statement

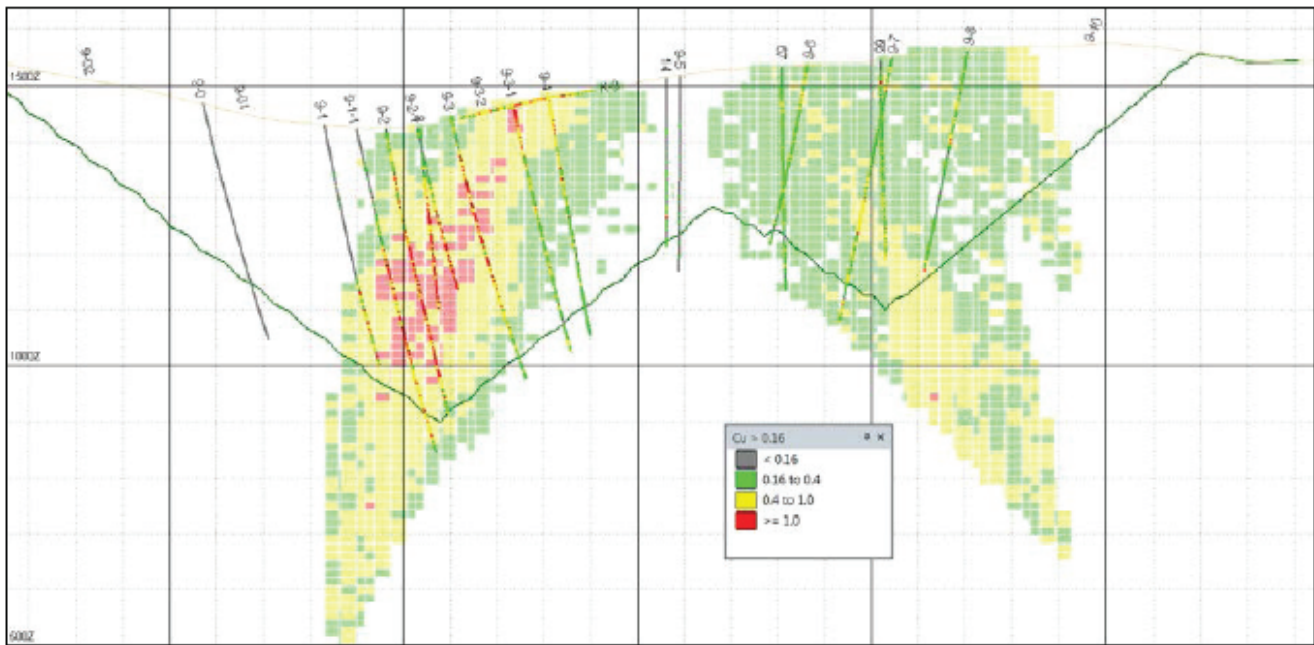
CIM Definition Standards for Mineral Resources and Mineral Reserves (November 2010) defines a mineral resource as:

"a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge".

The "reasonable prospects for eventual economic extraction" requirement generally implies that the quantity and grade estimates meet certain economic thresholds and that the mineral resources are reported at an appropriate cut-off grade taking into account extraction scenarios and processing recoveries. In order to meet this requirement, SRK Russia considers that major portions of the Ak-Sug Project are amenable for open pit extraction.

In order to determine the quantities of material offering "reasonable prospects for economic extraction" by an open pit, SRK Russia used a pit optimizer and reasonable mining assumptions to evaluate the proportions of the block model (indicated and inferred blocks) that could be "reasonably expected" to be mined from an open pit (see figure below) defined by metal prices 30% above the long term price forecast.

Cross-section showing location of pit limit used to define mineral resources, drilling and grade distribution (Section 9) (Source: SRK Russia, 2011)



The reader is cautioned that the results from the pit optimization are used solely for the purpose of testing the "reasonable prospects for economic extraction" by an open pit and do not represent an attempt to estimate mineral reserves as the confidence in the metallurgical and geotechnical information is insufficient. There are no mineral reserves for the Ak-Sug Project. The results are used as a guide to assist in the preparation of a mineral resource statement and to select an appropriate resource reporting criteria.

SRK Russia considers that the blocks located within the conceptual pit envelope show "reasonable prospects for economic extraction" and can be reported as a mineral resource. SRK Russia is not aware of any factors which could be a constraint on the reasonable prospects for economic extraction of the declared mineral resources.

While 17,828 samples were assayed for copper, 17,298 for molybdenum and 16,462 for gold, only 2,658 samples were assayed for rhenium. This is largely because the samples assayed for rhenium were prepared from composites of two to five

other samples. Given the fact that rhenium is recovered with molybdenum, that the rhenium samples were capped and that the value of rhenium within the resource estimate represents some 4% of the total value of recoverable metal, SRK Russia considers that it is reasonable to report rhenium in the mineral resource estimate at this stage of the study.

Mineral Resource Statement⁽¹⁾, Ak-Sug Project, Russia, SRK Russia Consulting (Russia), July 15, 2011.

Category	Quantity	Grade	Metal						
		Cu	Au	Mo	Re	Cu	Au	Mo	Re
	Mt	%	g/t	%	g/t	000't	t	000't	t
Indicated	236	0.67	0.18	0.019	0.29	1,582	43	45	68
Inferred	486	0.37	0.07	0.008	0.16	1,797	34	39	78

Note:

- (1) Mineral resources are reported in relation to a conceptual pit shell. Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate. All composites have been capped where appropriate. Open pit mineral resources are reported at a cut-off grade of 0.18% Cu. Cut-off grades are based on a price of US\$3.40 per pound of copper, and copper recoveries of 90%. The Ak-Sug PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them and cannot be categorized as mineral reserves, and there is no certainty that the Ak-Sug PEA will be realized.

Readers should note that the Ak-Sug PEA mine plan and economic model include the use of inferred mineral resources. Inferred mineral resources are considered to be too speculative to be used in an economic analysis except as allowed for by NI 43-101 in preliminary economic assessment studies. There is no guarantee that inferred mineral resources can be converted to indicated or measured mineral resources, and, as such, there is no guarantee the Ak-Sug Project economics described herein in the Ak-Sug PEA will be achieved.

Grade Sensitivity Analysis

The mineral resources of the Ak-Sug Project are sensitive to the selection of the reporting cut-off grade. To illustrate this sensitivity, the block model quantities and grade estimates within the conceptual pit used to constrain the aggregated indicated and inferred mineral resources are presented in the tables and figure below. The reader is cautioned that the figures presented in the table below should not be misconstrued as a mineral resource statement. The figures are only presented to show the sensitivity of the block model estimates to the selection of cut-off grade.

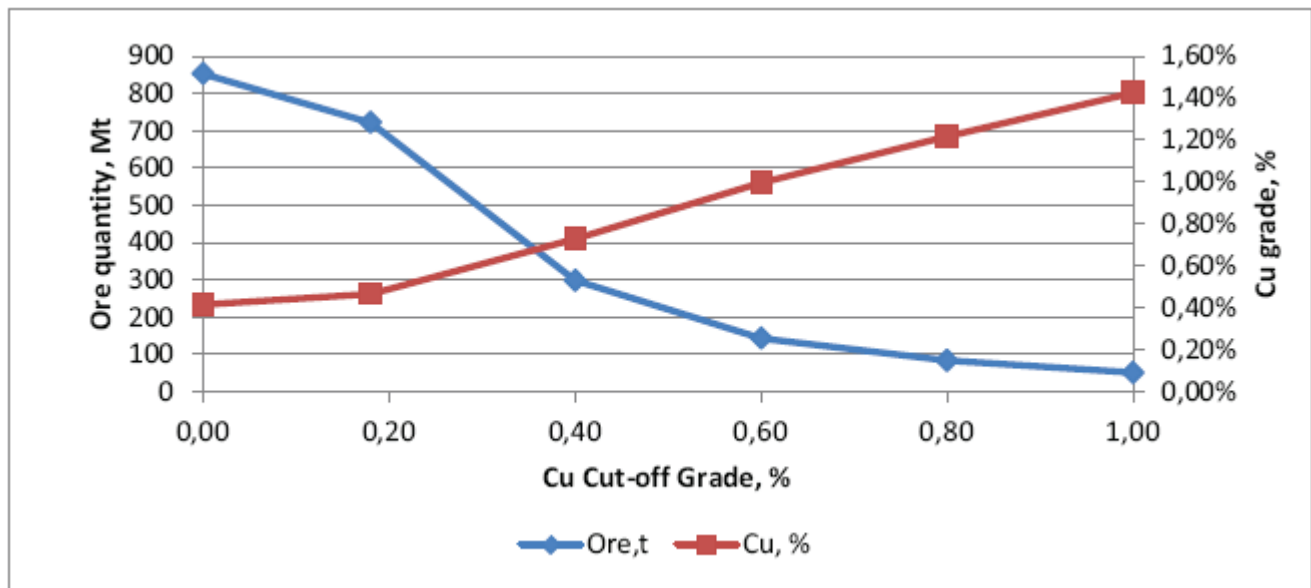
**Global Block Model Quantities and Grade Estimates⁽¹⁾, Ak-Sug Project at Various cut-off Grades
Indicated and Inferred resources combined**

Cut-off Grade	Quantity	Grade	Metal Content
Cu (%)	(Mt)	Cu (%)	(Mt)
0.00	853	0.42%	3.54
0.18	722	0.47%	3.36
0.40	298	0.73%	2.17
0.60	143	1.00%	1.43
0.80	83	1.22%	1.02
1.00	51	1.43%	0.72

Note:

- (1) The figures in this table should not be misconstrued as a mineral resource statement. The figures are only presented to show the sensitivity of the block model estimates to the selection of cut-off grade.

Grade Tonnage Curves for Ak-Sug (Source: SRK Russia, 2011)



SRK Russia Comments on Recent Drilling

Comparing the 69 holes drilled between July 15, 2011 and September 20, 2012 against the block model, SRK Russia notes the following:

- In-fill drilling generally confirmed the geological model.
- Drilling in the centre indicates that the barren core extends further to the southeast than previously expected, while drilling in the southeast defines the southeast limit of mineralization making the mineralization some 150 metres narrower than previously estimated.
- Drilling in the southeast indicates more mineralization beneath the current interpretation of the mineralized envelope, widening the mineralized envelope at depths of 500-750 metres by some 200- 250 metres.
- Hole 2-0 in the northwest corner indicates that the high grade zone continues at depth and to the west, which adds potential for an underground resource.

SRK Russia expects that the additional mineralization at depth in the southeast is likely to replace the resource lost with the expansion of the barren central core. SRK Russia also considers that the density of drilling in the southeast may be sufficient to upgrade the resource from inferred to indicated though further geostatistical analysis is required and that future drilling should focus on defining the boundary of the mineralization in the southeast and eastern sections of the deposit.

Recommendations for Conversion of the Ak-Sug Project's Mineral Resources into Mineral Reserves

The principal tasks required to convert the mineral resources into a mineral reserve is to complete a pre-feasibility study. Key elements of the study include:

- collection of representative metallurgical samples;
- new metallurgical laboratory scale test-work to assess how to produce a higher grade concentrate (to reduce freight costs) while maintaining a high processing recovery and suppressing contamination (arsenic in the copper concentrate; copper in the molybdenum concentrate);
- a more detailed analysis of the geotechnical domains to determine whether the slope angles can be steepened and to demonstrate safe slope angles which comply with Russian pit design standards;

- a more detailed analysis of hydrogeological and hydrological factors and the impact on dewatering and the design of water management systems;
- more detailed analysis of the costs; and
- determining whether the cost of developing the infrastructure can be shared with the regional authorities.

Additional exploration drilling is also required to upgrade the inferred resources, mainly in the south eastern part of the pit, to indicated resources. SRK Russia estimates approximately 15,000 metres to 20,000 metres of drilling is needed to create an indicated resource of 450 million tonnes – 500 million tonnes. Much of this drilling was completed in 2011-2012 and a further 5,000-10,000 metres is required in 2013³ to confirm the structure of the deposit and to complete the in-fill drilling program.

Proposed Mining Operations

Mining Methods

SRK Russia evaluated the potential to mine the deposit using open pit mining methods. SRK Russia reviewed the available geotechnical and hydro-geological information to determine a suitable slope angle. SRK Russia then used commercial pit optimization software to determine potential open pit boundaries, scheduled production and estimated the mining costs. Several iterations of the schedule were evaluated using operational cut-off grades to stockpile low grade material to maximise the feed grade in the early years.

Most of the geotechnical data was collected in the 2007 – 2009 drilling campaign though a new program started in June 2011. One of SRK Russia's geotechnical engineers visited the site to observe the geotechnical drilling and logging of core. The rock mass properties classified according to Russian standards are between Medium Strong and Very Strong. SRK Russia considers that the joints and faults will be the principal determinant of slope angle. SRK Russia selected an overall slope angle of 40 degrees for the pit design but considers that it should be possible to steepen the slopes around the perimeter following further geotechnical analysis with possibly flatter slopes near the centre of the pit at depth where the rock mass is more affected by the Ak-Sug fault zone. The area is classified as being moderately seismic and this will need to be taken into account when defining the final pit slopes.

The Ak-Sug Project is located in the watershed of the Sorugsky ridge between two streams Ak-Sug and Dashtyg-Oy, which are the main watercourses within the vicinity of the deposit. Both streams are intersected by the final pit limits. As waste dumps will be placed in each valley the diversion will need to be cut into the hill-side to by-pass the dumps. The dumps will also form dams which can attenuate the water flows. Besides the surface water, there are also fracture zone aquifers within the Ak-Sug complex and granitoids of the Devonian igneous-sedimentary rocks. Previous assessments by the Tyva expedition estimated water inflows of 172 cubic metres per hour to 375 cubic metres per hour to the 1,400 metres level and up to 1,170 cubic metres per hour at a depth of 500 metres. These flows are significant but can be controlled through a combination of dewatering and managing the recharge of the aquifer.

SRK Russia used the Whittle 4X pit optimization software to determine the preliminary economic distribution of the mineral inventory. It should be noted that the mineral inventory includes inferred resources which are considered to be geologically speculative and that there is no certainty that the preliminary economic assessment would be realized following further exploration and studies. Technical and economic parameters were applied to the block model to create a net value block model which can then be evaluated using pit optimization software. For the optimization, all indicated and inferred mineral resources were evaluated. No allowance for mining loss or dilution was applied as the geological modelling process includes any internal dilution and the width of mineralization (more than 300 metres) means that any external loss and dilution will be negligible. SRK Russia selected as the optimum pit a pit shell below the undiscounted peak cash flow to reflect the impact of discounting and the cost of capital for the mining fleet.

The table below shows the life of mine schedule for the part of the indicated and inferred resources within the pit limits and adjusted for modifying factors using a declining operational cut-off grade, while the last table below shows a summary of the results split into three phases of the mine life.

³ Tyvamed completed 7,076 metres of drilling at Greater Ak-Sug in 2013 and the in-fill drilling program was completed.

Proposed Life of Mine schedule – Declining cut-off grade scenario

Parameter	Units	Total	Year -1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Years 19-24	Year 25	
RoM to Plant	Mt	327	—	18	24	24	24	24	24	24	24	21	24	20	10	12	12	10	16	13	3	—	—	
Cu%		0.64	0	0.56	0.85	0.83	0.81	0.79	0.80	0.59	0.54	0.58	0.47	0.67	0.54	0.66	0.44	0.42	0.34	0.45	0.68	0.56	0.59	
Au (g/t)		0.14	0	0.13	0.16	0.18	0.18	0.17	0.17	0.12	0.09	0.13	0.08	0.15	0.14	0.15	0.08	0.06	0.09	0.12	0.28	0.13	0.12	
Mo (%)		0.014	0	0.015	0.015	0.015	0.017	0.017	0.019	0.014	0.010	0.012	0.009	0.015	0.012	0.015	0.008	0.007	0.011	0.012	0.017	0.015	0.014	
Re (g/t)		0.25	0	0.23	0.28	0.31	0.28	0.29	0.31	0.23	0.15	0.18	0.21	0.29	0.30	0.23	0.12	0.14	0.31	0.29	0.26	0.23	0.23	
To Low Grade S/P	Mt	254	—	—	23	19	32	23	28	23	19	19	18	8	10	10	16	7	—	0	—	—	—	
Waste	Mt	702	15	20	53	64	42	57	52	49	48	40	38	58	44	43	28	26	15	10	0	—	—	
Total mined	Mt	1,283	15	38	100	107	98	104	104	96	91	80	80	86	64	65	56	43	31	24	3	—	—	
RoM rehanded	Mt	65	—	4	5	5	5	5	5	5	5	4	5	4	2	2	2	2	3	3	1	—	—	
Strip Ratio		1.2	—	2.1	4.2	4.5	4.1	4.3	4.3	4.0	3.8	3.9	3.4	4.2	6.2	5.4	4.8	4.3	1.9	1.8	1.0	—	—	
LG S/P to Plant	Mt	254	0	—	0	0	0	0	0	0	0	3	0	4	14	12	12	14	8	11	21	24	10	
Cu%		0.27	—	—	—	—	0.40	—	—	—	—	—	0.40	—	0.40	0.39	0.33	0.33	0.33	0.33	0.29	0.29	0.22	0.22
Au (g/t)		0.14	—	—	—	—	0.17	—	—	—	—	—	0.16	—	0.15	0.15	0.15	0.15	0.14	0.14	0.14	0.14	0.14	
Mo (%)		0.014	—	—	—	—	0.016	—	—	—	—	—	0.016	—	0.015	0.015	0.015	0.015	0.014	0.014	0.014	0.014	0.014	
Re (g/t)		0.24	—	—	—	—	0.29	—	—	—	—	—	0.27	—	0.25	0.26	0.26	0.26	0.25	0.24	0.24	0.24	0.24	
Mill Feed	Mt	580	0	18	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	10.3	
Cu%		0.47	0	0.56	0.85	0.83	0.80	0.79	0.80	0.58	0.54	0.56	0.47	0.63	0.45	0.50	0.38	0.37	0.34	0.38	0.34	0.22	0.22	
Au (g/t)		0.14	0	0.13	0.16	0.18	0.18	0.17	0.17	0.12	0.09	0.14	0.08	0.15	0.15	0.15	0.11	0.11	0.11	0.13	0.16	0.14	0.14	
Mo (%)		0.014	0	0.015	0.015	0.015	0.017	0.017	0.019	0.014	0.010	0.012	0.009	0.015	0.014	0.015	0.011	0.011	0.012	0.013	0.014	0.014	0.014	
Re (g/t)		0.25	0	0.23	0.28	0.31	0.28	0.29	0.31	0.23	0.15	0.20	0.21	0.28	0.28	0.24	0.19	0.20	0.29	0.27	0.24	0.24	0.24	
Payable metal																								
Cu	kt	2,387	0.0	86.8	176.7	171.7	167.3	164.7	166.0	121.7	112.8	115.9	98.2	131.3	94.6	103.8	79.5	76.7	69.8	79.6	71.0	46.9	19.9	
Au	koz	1,176	0	33	56	64	64	60	59	41	31	48	30	53	51	52	40	39	38	45	55	49	21	
Mo	t	48,202	0	1,588	2,162	2,198	2,447	2,465	2,737	2,057	1,394	1,763	1,365	2,158	1,961	2,118	1,630	1,604	1,761	1,888	2,050	2,000	858	
Re	koz	3,138	0	91	146	164	146	154	163	122	77	103	112	148	144	127	99	106	152	141	128	127	54	

Summary of Proposed Life of Mine Schedule – Declining Cut-off grade scenario

Period	Units	Yr 1-7	Yr 8-18	Yr 19-25	Total
RoM to Plant	Mt	161	162	3	327
Cu	%	0.75	0.52		0.64
Au	g/t	0.16	0.11		0.14
Mo	%	0.016	0.011		0.014
Re	g/t	0.28	0.22		0.25
RoM to S/P	Mt	147	106	0	254
Waste	Mt	352	351	0	702
Total mined	Mt	660	619	3	1283
RoM rehandled	Mt	32	33	1	65
Strip Ratio		3.1	1.6		1.2
Stockpile to Plant	Mt	1	78	175	254
Cu	%	0.40	0.34	0.23	0.27
Au	g/t	0.17	0.15	0.14	0.14
Mo	%	0.016	0.014	0.014	0.014
Re	g/t	0.29	0.25	0.24	0.24
Mill Feed	Mt	162	240	178	580
Cu	%	0.75	0.46	0.24	0.47
Au	g/t	0.16	0.12	0.14	0.14
Mo	%	0.016	0.012	0.014	0.014
Re	g/t	0.28	0.23	0.24	0.25

The table above includes the part of the indicated and inferred mineral resources within the pit limits and adjusted for modifying factors.

Recovery Methods

The processing plant design is based on a conventional flowsheet for treating copper-molybdenum ore, including grinding prior to flotation to produce a bulk sulphide concentrate containing both copper and molybdenum, followed by differential flotation to separate the copper and molybdenum. Gold and silver report to the copper concentrate, while rhenium reports to the molybdenum concentrate. Regrinding of the rougher concentrate and middlings is included in the bulk flotation circuit to improve liberation of valuable minerals and thus improve grade and recovery.

Concentrate is planned to be transported by truck to the railhead, a journey time of approximately nine hours round trip to the likely railhead on the new railway line to Elegest.

Tailings will be stored in one of the many valleys. The tailings containment dam will be built from mine waste rock and locally available materials. Two options for storing the tailings were evaluated with tailings placed behind either an engineered tailings dam or a large rock dump with geo-textile fabric placed on the shaped upstream face to reduce seepage. Due to the proximity of several valleys suitable for storing tailings to the open pit, the option for placing tailings behind a large rock dump was determined to be the most economic.

The fresh water pond will provide potable water and process make-up water. The fresh water pond will be located in one of the valleys and will store run-off.

Project Infrastructure

Access

The existing road needs to be upgraded to allow for transport of materials and equipment to site for the construction phase, and continuous maintenance to facilitate safe and efficient transport of personnel, supplies and concentrate. This will involve the construction of bridges and widening the road to allow safe passage of two way traffic, taking into account the fact that trucks will be transporting concentrate on such road.

Transporting Concentrates

An earlier trade-off study by others concluded that transport of concentrate from the plant to the railhead some 240 kilometres away by road is the most economical option. Consequently, the Ak-Sug Technical Report assumed that the transport of concentrate to the railhead will be carried out by a contractor at a cost of US\$34 per tonne concentrate. This equates to US\$0.14/t-km which SRK Russia considers is relatively conservative with other projects achieving costs of between US\$0.06 and US\$0.10/t-km for similar haul lengths.

A transfer facility will therefore need to be built at the railhead where concentrate will be stored temporarily prior to being loaded into rail cars for shipping to market. In addition, bulk supplies will in general be delivered to this facility by rail, where they will be off-loaded and transported by the owner to the mine site by road. The Ak-Sug Technical Report assumed that rail shipping will be carried out by the regional or national rail operator.

Electricity

The Ak-Sug Technical Report assumed that power will be provided from the electricity authority power grid at 110 kilovolts at the location of the process plant main substation. At present no power line exists to site, but Intergeo considers that it is likely that the regional electricity supplier would construct the power line. The typical process in Russia is that when the construction of the line is included into the State Grid Development Program approved by the Department of Energy of Russia, the construction is financed by the Russian authorities or from Federal Grid Company sources. The current budget for infrastructure includes an allowance to co-fund the construction of the power line.

See "Appendix U – Risks Related to the Resulting Issuer – *The infrastructure in Russia is inadequate, which could increase costs or result in losses and disrupt normal business activities.*"

Market Studies and Contracts

Golevskaya proposes to sell the concentrates to Russian or Asian smelters. There are copper smelters at Chelyabinsk, in the southern Urals, and a molybdenum smelter at Skopin, south of Moscow. The concentrates could also be exported to Asia though freight costs will be higher. SRK Russia based the freight cost estimates on the costs to Russian smelters. It is not clear whether the Russian smelters will pay either a premium or discount for Russian feed. SRK Russia has assumed that normal international commercial rates will be charged. No specific market studies have been commissioned at this stage. No contracts for construction, land acquisition or other material expenditures associated with project development have been committed.

Environmental Studies, Permitting and Social Impacts

As part of the TEO Konditsii of Temporary Conditions (a technical study which reports the preliminary estimate of the mineral resources according to Russian reporting requirements) prepared by Giprosvetmet in 2009, Golevskaya collected preliminary baseline information and established an environmental monitoring program. This highlighted that there are no fish in the Ak-Sug stream, and therefore presumably any tributary such as the Dashtyg-Oy stream, due to the fact that the stream has a natural waterfall barrier for fish and the altitude. Some natural background contamination of copper and zinc exists, which needs to be understood and some of the flora and fauna are in the Red Book of Russian Federation for rare species though it was not clear whether these species occur at the site or just in the region. The site is remote and the most likely sources of social impact will be felt in the wider region through the employment opportunities as well as construction and operation of the site access roads.

No studies have been conducted to determine the potential for acid rock drainage. Given that the deposit contains sulphide mineralization, SRK Russia considers that the risk for acid rock drainage exists and this will need further study in the future.

Overall, SRK Russia did not identify any social or environmental issues which would prevent the project from being developed. Further studies will need to be conducted.

Key mitigation measures required for the project include: (i) managing water discharges from the open pit, waste dumps and tailings dams to comply with Russian and international requirements, (ii) selective placement and capping of material with acid rock drainage potential, and (iii) developing the access road to minimise the impact of the transportation of concentrates on local communities.

Capital and Operating Costs

SRK Russia estimated the mining capital and operating costs, and the costs for constructing the waste dump tailings dam, and SNC Lavalin Incorporated estimated the capital and operating costs for the processing plant, the engineered tailings dam and site infrastructure including transfer station at the railway. Intergeo estimated the cost of off-site infrastructure.

SRK Russia estimated the truck requirements by estimating the cycle times from the pit depth and typical haul distances to the crusher, waste dump and low grade stockpile. For the rest of the mining equipment SRK Russia estimated the number of units required from the productivity and assuming 5,800 operating hours per year. SRK Russia included allowances for other mining equipment (graders, dozers, etc.) and minor support equipment (lubrication trucks, fuel trucks, etc.). SRK Russia allowed 5% of the initial capital cost for mining fleet for spares and 10% contingency. Equipment was replaced typically every 8 years (45,000 hours).

The estimates for future studies required to take the Ak-Sug Project through to feasibility study and to approval by the Russian authorities include further in-fill and step-out drilling (approximately US\$11.4 million for 23,000 metres), field and metallurgical tests (approximately US\$11.3 million) and engineering studies for project development and infrastructure which are to be developed to comply with both Russian approval requirements as well as international requirements (approximately US\$11.1 million for the pre-feasibility phase and approximately US\$61.3 million for the feasibility phase).

The estimated initial capital costs are summarized in the table below.

Description	Total Cost (US\$M)
The intended level of accuracy of estimates in this table is $\pm 35\%$	
INFRASTRUCTURE	250
MINING	320
TAILINGS	126
PROCESSING	
DIRECTS	
Process Plant Site	543
Transfer Site	47
Sub-Total Directs	590
INDIRECTS	
Engineering Procurement and Construction Management	103
Construction Indirects	148
Freight	51
Spares	17
Owner Costs	45
Contingency	286
Sub-Total – Indirects	649
TOTAL PROCESSING	1,239
STUDIES	
Pre-feasibility Study including drilling and test-work	34
Feasibility Study	61
Sub-total – Studies	95
PROJECT TOTAL INCLUDING STUDIES	2,030

Sustaining and replacement capital for the processing plant is mainly for additional pumps and pipelines as the tailings dam rises and replacing mobile equipment. Sustaining and replacement capital for the mining operation was estimated to reflect the additional equipment required as the pit depths increased and changes in strip ratio, as well as replacing mining equipment every 8 years for the major equipment.

SRK Russia estimated the mining operating costs from the Whittle report i.e. US\$1.83/t mined plus US\$0.03 per 10 metres, which gave an average mining cost of US\$2.10 per tonne mined. In addition SRK Russia allowed US\$0.65 per tonne for mill feed rehandled at the RoM crusher (20% of total feed) and US\$1.00 per tonne to load and haul the low grade mill feed from the low grade stockpile to the crusher.

SNC Lavalin Incorporated estimated the operating cost for processing with an intended level of accuracy of $\pm 35\%$ based on the design of the plant and facilities as described in the Ak-Sug Technical Report. The cost estimate was prepared following SNC Lavalin Incorporated's methodology and procedures and exercising due care consistent with the intended level of accuracy using professional judgement. The reader should not infer an intended accuracy greater than that stated.

The average LOM operating cost was estimated at US\$6.49/t of mill feed at an annual throughput of 24 million tonnes. Electricity, at US\$0.06 per kilowatt- hours, makes up 25% of the total treatment costs at US\$1.67 per tonne of mill feed. The largest consumers of electricity are the grinding circuits, at a cost of US\$1.19 per tonne, and adding the cost of grinding media at US\$2.52 per tonne to this gives a cost for grinding excluding maintenance of US\$3.71 per tonne, or 56% of total treatment costs. Maintenance materials were estimated at US\$0.93 per tonne, or 3% of installed mechanical equipment capital cost.

Concentrate shipping is estimated at US\$34 per tonne from the mine site to the railhead and US\$35.5 per tonne from the railhead to the copper smelters and US\$49 per tonne to the molybdenum smelter.

General and administration costs (marketing, procurement, accounting, management, security, etc.) are estimated at US\$0.75 per tonne mill feed or US\$18 million per year.

Preliminary Economic Analysis

The Ak-Sug PEA was determined using a discounted cash flow evaluation of the estimated annual revenue and operating costs, taking into account the initial, sustaining and replacement capital required. The estimated production schedules and capital operating costs estimates are described above and below. The cost of the pre-feasibility study and feasibility study and time taken for such studies are not included in the Ak-Sug PEA as these are considered to be sunk costs at the time that the investment decision will be taken. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. The Ak-Sug Technical Report has not estimated any mineral reserves for the Ak-Sug Project. The Ak-Sug PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred mineral resources will be converted to the measured and indicated categories through further drilling, or into mineral reserves, once economic and technical considerations are applied. There is no certainty that the Ak-Sug PEA will be realized.

The long term prices used in the analysis are summarized in the table below. These prices were provided by Intergeo based on third-party research reports published in January 2012. SRK Russia reviewed the price forecast and found the prices comparable to consensus market forecasts.

Metal Prices

Metal	Unit	Unit price (US\$)	% payable / net of discount
Cu	US\$/lb Cu	2.75	96.3%
Au	US\$/oz	1,100	91%
Mo	US\$/kg MoO ₃	35	93%
Re	US\$/kg	7,000	95%

Property tax was calculated at a rate of 2.2% of the capital invested net of amortisation. Profit tax is calculated at a rate of 20% based on the annual profit net of amortisation. There is no allowance for accelerated capital depreciation in Russia. Mining equipment was amortised at 12.5% per year (i.e. life of 8 years) while the fixed plant was amortised at 6% per year (i.e. life of 15 years).

A discount factor of 8% (real terms) was used based on research provided by Golevskaya for international mining projects over the past 24 months.

The estimated key economic results of the preliminary economic analysis of the part of the indicated and inferred mineral resources within the pit limits and adjusted for modifying factors are presented in the table below.

Summary of key economic parameters – declining operational cut-off grade scenario at different copper prices

Copper Price (US\$/lb Cu)	NPV	IRR
US\$2.00	–US\$432M	3.7%
US\$2.25	–US\$11M	7.9%
US\$2.50	US\$399M	11.6%
Base Case US\$2.75	US\$802M	14.9%
US\$3.00	US\$1,202M	18.1%
US\$3.25	US\$1,602M	21.0%
US\$3.50	US\$2,003M	23.8%

The sensitivity of the project NPV to changes in price, capital costs, and operating costs are shown in the following tables.

Sensitivity of NPV to revenue and discount rate – declining operational cut-off grade scenario

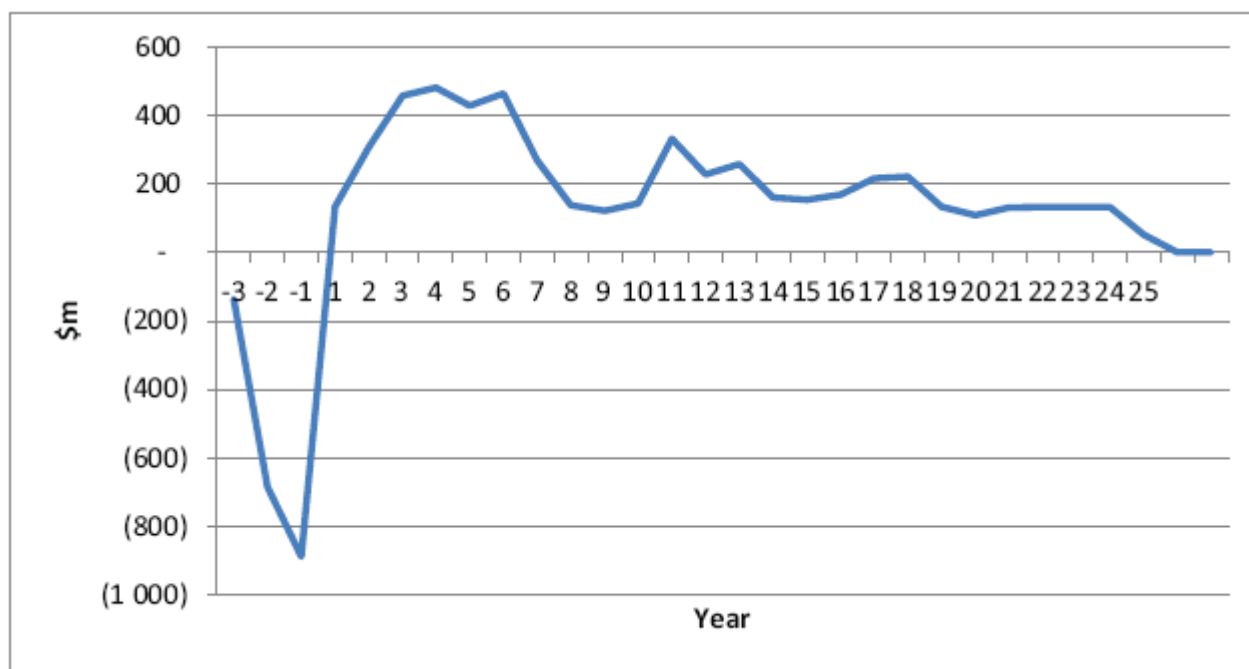
NPV (US\$m)		Revenue				
		-20%	-10%	0%	10%	20%
Discount rate	3%	376	1 293	2 188	3 074	3 960
	4%	202	1 018	1 815	2 603	3 392
	5%	57	786	1 498	2 203	2 908
	6%	-65	589	1 229	1 862	2 496
	7%	-167	422	999	1 570	2 141
	8%	-253	280	802	1 319	1 836
	9%	-326	158	632	1 102	1 572
	10%	-387	53	485	914	1 342
	11%	-439	-36	359	750	1 142
	12%	-483	-114	248	608	967
	13%	-520	-181	152	483	814

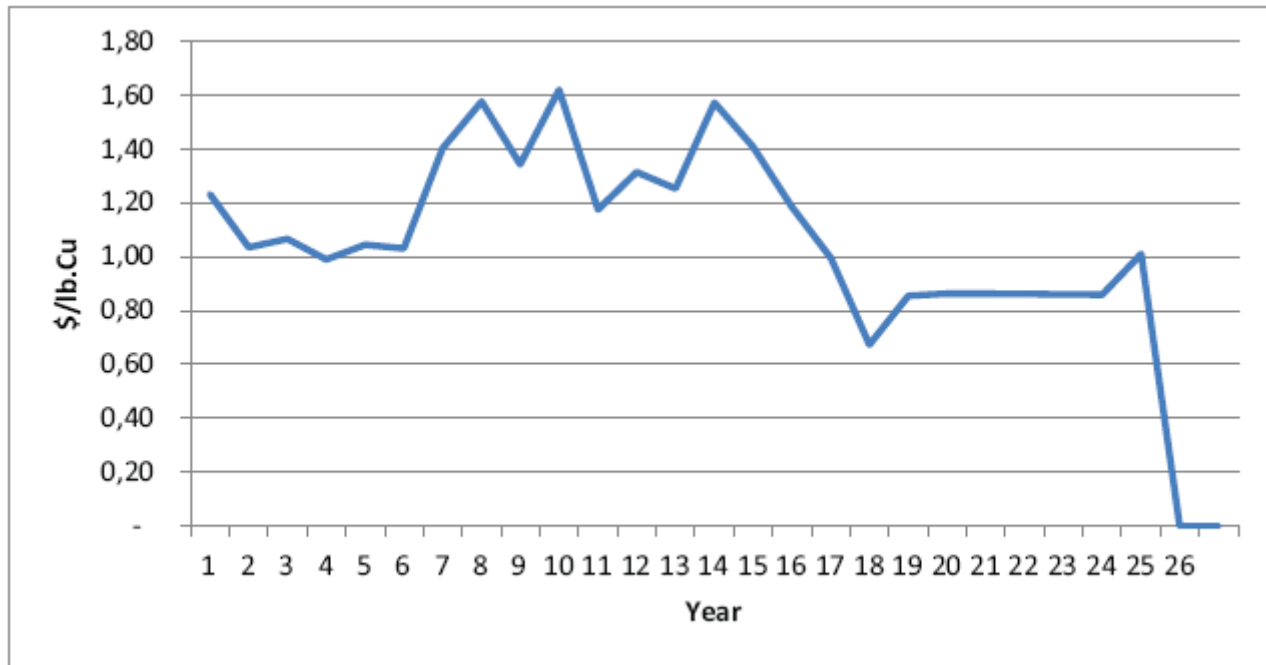
**Sensitivity of NPV to operating and capital costs —
declining operational cut-off grade scenario**

NPV (US\$m)		Operational cost				
		-10%	-5%	0%	5%	10%
Capital Expenditures	-10%	1 285	1 130	974	819	661
	-5%	1 199	1 044	888	732	575
	0%	1 113	957	802	646	488
	5%	1 026	871	715	560	402
	10%	940	785	629	473	316

The estimated annual free undiscounted cash flow and cash costs (mine site costs plus freight and smelter charges less the value of by-product credits) divided by the saleable copper are shown in the figures below.

Free cash flow – declining operational cut-off grade scenario



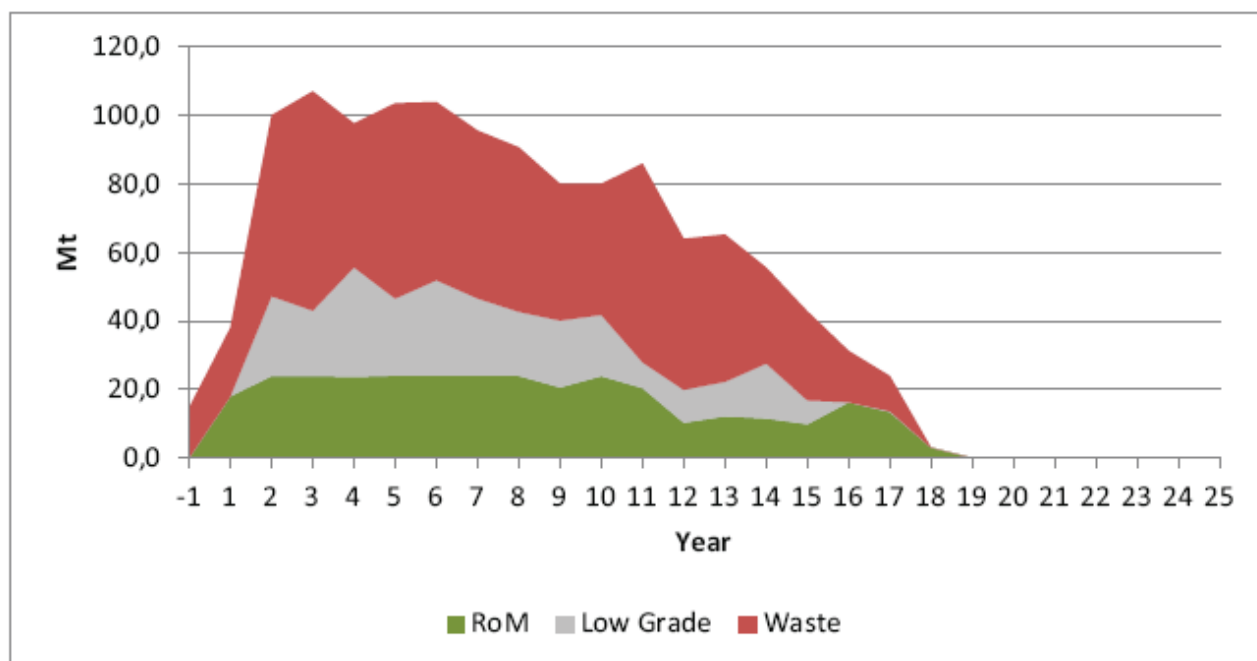
Cash Cost – declining operational cut-off grade scenario

The average estimated cash cost is US\$1.16 per pound.

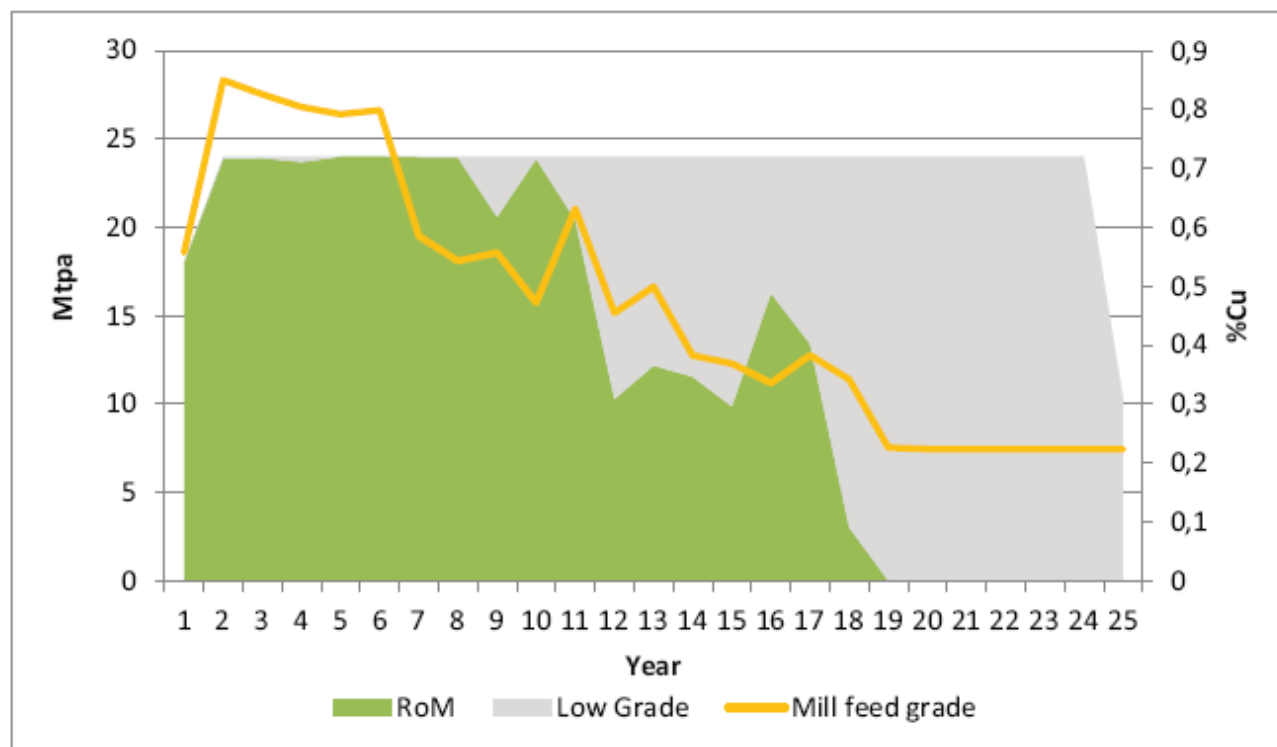
The decline in cash flow over the years is due to a combination of declining grades, deeper operations and higher strip ratios.

Production schedules were developed using Whittle software based on six cut-backs. Several schedules were evaluated and the optimum schedule selected as the base case used an initial operating cut-off grade of 0.4% copper for five years then declining to 0.3% copper until Year 16 after which all economic material was processed. The low grade material was stockpiled for processing during the final years of the mine life and once the open pit closed. SRK Russia has assumed that the low grade material does not oxidise materially and can still be recovered at high recovery rates using flotation. The results are shown in the following figures.

Material mined – declining operational cut-off grade scenario



Mill feed – declining operational cut-off grade scenario



Exploration and Development

SRK Russia considers that the project has been extensively explored to a high standard and that the Ak-Sug PEA is based on some relatively detailed processing test-work and process design studies.

The Ak-Sug PEA indicates that the Ak-Sug Project is potentially economic with a relatively low cash cost of US\$1.16 per pound of copper due to the presence of by-product credits. It is therefore SRK Russia's opinion that Golevskaya should progress to develop the pre-feasibility study and to collect additional data needed to firm up the engineering analysis.

The project is sensitive to the initial capital investment and metal prices. Therefore further studies should identify possible solutions to minimise the capital investment. This work should be scheduled to be part of the pre-feasibility study.

The Greater Ak-Sug Licence area has identified additional target areas which if proved up could be developed at a much lower cost after Ak-Sug with the necessary infrastructure in place. SRK Russia noted that Tyvamed has a plan for extensive exploration in 2013 and 2014 including drilling.

If the pre-feasibility study results are positive, Golevskaya intends to go straight into the feasibility study in order to comply with the project development requirements. See "Appendix U – Risks Related to the Resulting Issuer – *The Resulting Issuer may be unable to obtain, maintain or comply with the terms of required Russian permits and licences.*"

Recommendations

SRK Russia considers that the next phases of work for the pre-feasibility study should include:

- Some additional exploration drilling to upgrade the inferred resources within potential open pit limits to indicated resources so that mineral reserves can be declared. It is recommended that Golevskaya drill 23,000 metres in 2013⁴, comprising in-fill drilling to upgrade resources for the pre-feasibility study and step-out drilling to define the limits of the deposit and to determine the potential for additional mineralization which may have been dislocated from the main orebody due to faults.
- Determining the slope stability through evaluating the orientation of joints and the joint strength through focused studies. It is recommended that Golevskaya drill nine boreholes in 2013, totalling 2,900 metres, to collect oriented core.⁵
- Additional metallurgical tests using drillhole samples to determine the potential to improve processing efficiencies and to understand the variability of recoveries with grade and location. It is recommended that Golevskaya plan to collect material for further flotation tests in 2013 from fresh core and from pulp samples collected within the past two years for further tests. The location of each sample should be selected based on specific criteria provided by SNC Lavalin Incorporated and located by SRK Russia.⁶ If tests indicate that the pulp samples are too oxidized then samples from fresh drill-holes will be required. Where possible, samples for the semi-autogenous grinding tests will be taken from core collected from the hydrogeological holes.
- Evaluating ways to reduce or defer the initial capital costs. It is recommended that this be part of the scope of the pre-feasibility study.
- Evaluating ways to divert water around the waste dumps, open pit and tailings dam, and to have the water drop to the valley floor without causing erosion. It is recommended that this be part of the scope of the pre-feasibility study.
- Site investigations for the tailings dam sites. It is recommended that this be part of the scope of the pre-feasibility study.
- Hydrogeological investigation for the open pit. It is recommended that Golevskaya measure water pressure and flow rate in five 63.5 millimetre core diameter boreholes drilled either specifically for hydrogeological sampling, or as part of the geotechnical and/or metallurgical sampling programs.
- Additional environmental baseline data, seismicity study and hydrological studies.

⁴ Golevskaya completed 13,724 metres of drilling at Ak-Sug in 2013.

⁵ Golevskaya did not conduct any drilling to collect oriented core in 2013.

⁶ The location of each sample was selected by AMEC Americas Limited based on specific criteria provided by SNC Lavalin Incorporated.

SRK Russia also recommends that Tyvamed drill the targets identified by the geophysical and geochemical surveys within the Greater Ak-Sug Licence area to determine whether there is potential for another deposit which could share the Ak-Sug infrastructure.

The proposed budget for the work recommended above is summarised in the table below. The budget is split into two phases – the work required for the pre-feasibility study and for the feasibility study. Some costs for the feasibility study are expected to be committed before the pre-feasibility study has been completed in order to maintain the project momentum and timelines. It should be noted that this program will be adapted and adjusted in light of results from the drilling, test-work and studies.

Proposed Budget

Site / Item	Phase 1 2013 (US\$)	Phase 2 2013-2014 (US\$)	Total (US\$)
Ak-Sug Project			
Field studies (environment, geotechnics, hydrogeology) and Environmental and Social Impact Assessment	9.0	0.0	9.0
Geological drilling: Step-out and in-fill	11.4	0.0	11.4
Metallurgical Test-work	2.3	0.0	2.3
Pre-feasibility Study	9.0	0.0	9.0
Feasibility Study	-	30.0	30.0
Russian technical studies	1.2	21.7	22.9
Infrastructure study	0.8	9.7	10.5
Total	33.7	61.3	95.0
Greater Ak-Sug Licence			
Exploration drilling	4.1	0.0	4.1
Total: Ak-Sug Project and Greater Ak-Sug Licence	37.8	61.3	99.1

SRK Russia considers the principal risks to be:

- The project economics assume some improvements in processing efficiency following further test-work. Further test-work may result in higher or lower parameters.
- If a significant proportion of potentially acid generating material is identified then this could require selective placement of the material, which may change the mining schedule and/or require longer hauls, and possibly lining of the tailings dam.
- If placing the tailings behind a large waste dump is not accepted by the Russian authorities then a more expensive engineered tailings dam may be required.
- If the low-grade material oxidizes while on the stockpile and the resultant flotation recovery is reduced significantly then it may be necessary to process this material earlier, which would reduce the material mined and mining capital, but also reduce the NPV as revenue is deferred.
- At present a constant metallurgical recovery is used for all material irrespective of grade or mineralogy.

Subsequent to the date of the Ak-Sug Technical Report and as at the date of this Circular, Intergeo management anticipates that the work program at Ak-Sug will be carried out as follows:

	Phase 1	Phase 2		
Site / Item	Phase 1 2013 (US\$m)	2013-14 (US\$m)	2015-16 (US\$m)	Total (US\$m)
Ak-Sug deposit				
Field studies (environment, geotechnics, hydrogeology) and Environmental and Social Impact Assessment.....	4.5	0.1	0.0	4.6
Geological drilling: Step-out and in-fill	5.8	0.0	0.0	5.8
Metallurgical Test-work	0.7	0.1	0.0	0.8
Pre-feasibility Study	5.8	4.0	0.0	9.8
Feasibility Study	0.0	2.7	24.1	26.8
Russian technical studies	0.0	0.9	25.3	26.2
Infrastructure study ⁽¹⁾	0.0	0.5	23.8	24.3
Total	16.8	8.3	73.2	98.3
Greater Ak Sug licence				
Exploration drilling	3.3	1.8	0.0	5.1
Total: Ak-Sug & Greater Ak-Sug	20.1	10.1	73.2	103.4

Note:

(1) Includes some work for temporary construction access road Torahem to Ak-Sug.

APPENDIX I
INTERGEO AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED DECEMBER 31, 2012 AND FOR THE PERIOD FROM INCORPORATION
(JUNE 9, 2011) TO DECEMBER 31, 2011

Intergeo MMC Ltd

Consolidated Financial Statements
For the year ended December 31, 2012
and
for the period from incorporation (June 9, 2011) to December 31, 2011

Independent Auditor's Report

To the Board of Directors of
Intergeo MMC Ltd

We have audited the accompanying consolidated financial statements of Intergeo MMC Ltd, which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity (deficit) and consolidated statements of cash flows for the year ended December 31, 2012 and the period from June 9, 2011 (the date of incorporation) to December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Intergeo MMC Ltd as at December 31, 2012 and December 31, 2011, and its financial performance and its cash flows for the year ended December 31, 2012 and the period from June 9, 2011 (the date of incorporation) to December 31, 2011 in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
November 11, 2013

Intergeo MMC Ltd

Consolidated Statements of Financial Position

(in US\$ 000's)

As at December 31,	Note	2012 (Note 3a)	2011 (Note 3a)
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	6	13,076	11,606
Other receivables	7	2,121	3,877
Financial assets	8	11,287	1,760
Prepaid expenses and other		405	417
		26,889	17,660
Non-current assets			
Exploration and evaluation assets	9, 26	183,731	170,507
Property, plant and equipment	10	4,408	5,280
Other assets		315	288
		188,454	176,075
Total assets		215,343	193,735
Liabilities			
Current liabilities			
Borrowings	2, 12, 22	7,371	205,591
Accounts payable and accrued liabilities	13	7,048	5,220
		14,419	210,811
Non-current liabilities			
Deferred tax liabilities	14	14,882	12,828
Provisions	15	494	255
		15,376	13,083
Total liabilities		29,795	223,894
Equity (Deficit)			
Share capital	2, 16	240,518	10
Additional paid-in capital	17	42,783	46,773
Deficit		(111,230)	(80,815)
Unrealized gain on financial assets reserve	8	4,726	—
Foreign currency translation reserve		7,916	2,653
Equity (deficit) attributable to owners of the Company		184,713	(31,379)
Non-controlling interest		835	1,220
Total equity (deficit)		185,548	(30,159)
Total liabilities and equity		215,343	193,735
Contingencies and commitments (Note 23)			
Subsequent events (Note 26)			

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

APPROVED ON BEHALF OF THE BOARD ON November 11, 2013

"Maxim Finskiy"

Director

"Dmitry Razumov"

Director

Intergeo MMC Ltd

Consolidated Statements of Comprehensive Loss

(in US\$ 000's, except share and per share amounts)

	Note	For the year ended December 31, 2012 (Note 3a)	For the period from incorporation to December 31, 2011 (Note 3a)
		\$	\$
General and administrative expenses	18	(24,256)	(10,586)
Impairment of exploration and evaluation assets	9	—	(445)
Other income		321	45
Other expenses	19	(774)	(242)
Finance income	20	182	221
Finance costs	20	(2,098)	(700)
Change in fair value of derivative financial asset	8	—	63
Loss on disposal of Uralmining, Ltd.	21	(1,184)	—
Loss on acquisition of Intergeo Management Limited	11	—	(490)
Loss before income tax		(27,809)	(12,134)
Income tax expense	14	(2,927)	(1,061)
Loss for the period		(30,736)	(13,195)
Other comprehensive income			
Foreign currency translation adjustments		4,811	3,244
Unrealized gain on financial assets	8	4,726	—
Total other comprehensive income		9,537	3,244
Total comprehensive loss for the period		(21,199)	(9,951)
Loss attributable to:			
Owners		(30,415)	(12,999)
Non-controlling interest		(321)	(196)
		(30,736)	(13,195)
Total comprehensive loss attributable to:			
Owners		(20,882)	(9,971)
Non-controlling interest		(317)	20
		(21,199)	(9,951)
Loss per share for the period			
Basic and diluted		(0.32)	(1,299.90)
Weighted average number of shares outstanding			
Basic and diluted		96,007,268	10,000

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

Intergeo MMC Ltd

Consolidated Statements of Changes in Equity (Deficit)

(in US\$ 000's)

For the year ended December 31, 2012 (Note 3a)	Note	Share capital	Additional paid-in capital	Deficit	Unrealized gain on financial assets reserve	Foreign currency translation reserve	Total equity (deficit) attributable to the owners of the Company	Non- controlling interest	Total Equity (Deficit)
		\$	\$	\$	\$	\$	\$	\$	\$
Balance, January 1, 2012		10	46,773	(80,815)	—	2,653	(31,379)	1,220	(30,159)
Loss for the period		—	—	(30,415)	—	—	(30,415)	(321)	(30,736)
Other comprehensive income		—	—	—	4,726	4,807	9,533	4	9,537
Total comprehensive (loss)		—	—	(30,415)	4,726	4,807	(20,882)	(317)	(21,199)
Disposal of Uralmining, Ltd.	21	—	—	—	—	160	160	(975)	(815)
Adjustment to related party promissory notes exchanged for share capital	17	—	(3,083)	—	—	296	(2,787)	—	(2,787)
Non-controlling interest in LLC Intergeo Managing Company as a result of the Reorganization Transaction	2, 17	—	(907)	—	—	—	(907)	907	—
Shares issued as a result of the Reorganization Transaction	2	215,508	—	—	—	—	215,508	—	215,508
Shares issued as a result of the Private Placement	16	25,000	—	—	—	—	25,000	—	25,000
Balance, December 31, 2012		240,518	42,783	(111,230)	4,726	7,916	184,713	835	185,548

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

Intergeo MMC Ltd

Consolidated Statements of Changes in Equity (Deficit)

(in US\$ 000's)

For the period from incorporation to December 31, 2011 (Note 3a)	Note	Share capital	Additional paid-in capital	Deficit	Unrealized gain on financial assets reserve	Foreign currency translation reserve	Total equity (deficit) attributable to the owners of the Company	Non- controlling interest	Total Equity (Deficit)
		\$	\$	\$	\$	\$	\$	\$	\$
Balance, June 9, 2011		—	—	—	—	—	—	—	—
Loss for the period		—	—	(12,999)	—	—	(12,999)	(196)	(13,195)
Other comprehensive income		—	—	—	—	3,028	3,028	216	3,244
Total comprehensive (loss) income		—	—	(12,999)	—	3,028	(9,971)	20	(9,951)
Shares issued as a result of incorporation		10	—	—	—	—	10	—	10
Acquisition of control of LLC Intergeo Managing Company	3, 17		40,322	(67,816)	—	(375)	(27,869)	1,200	(26,669)
Fair value adjustment of related party loans on issue, (net of tax of \$1,543)	17	—	6,451	—	—	—	6,451	—	6,451
Balance, December 31, 2011		10	46,773	(80,815)	—	2,653	(31,379)	1,220	(30,159)

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

Intergeo MMC Ltd

Consolidated Statements of Cash Flows

(in US\$ 000's)

	Note	For the year ended December 31, 2012 (Note 3a) \$	For the period from incorporation to December 31, 2011 (Note 3a) \$
Operating activities			
Loss for the period		(30,736)	(13,195)
Adjustments for			
Deferred income tax	14	2,882	1,061
Finance costs	20	2,098	700
Finance income	20	(182)	(221)
Change in fair value of derivative financial instruments		—	(63)
Depreciation	18	318	156
Loss on disposal of Uralmining, Ltd.	21	1,184	—
Impairment of exploration and evaluation assets	9	—	445
Loss on acquisition of Intergeo Management Limited	11	—	490
Other		193	125
		(24,243)	(10,502)
Movements in working capital			
Decrease (increase) in other receivables		1,434	(470)
Decrease in prepaid and other assets		228	219
Increase in provisions		—	28
Increase (decrease) in accounts payable and accrued liabilities		2,506	(1,203)
Cash flow from operations before income taxes and interest paid		(20,075)	(11,928)
Interest paid		(655)	(892)
Income tax paid		—	(15)
		(20,730)	(12,835)
Investing activities			
Loans receivable		1,061	—
Interest received		395	87
Proceeds from disposal of financial assets	8	431	3
Proceeds from disposal of property, plant and equipment		83	—
Additions to property, plant and equipment		(367)	(1,098)
Additions to exploration and evaluation assets		(18,312)	(13,311)
Cash outflow on disposal of Uralmining, Ltd.	21	(876)	—
Acquisition of control of LLC Intergeo Managing Company		—	9,403
Acquisition of Intergeo Management Limited	11	—	79
Acquisition of Kingashskaya mining company LLC, net of cash acquired	9	—	(68,119)
		(17,585)	(72,956)
Financing activities			
Proceeds from issue of share capital	2, 16	32,262	10
Proceeds from borrowings	12	13,963	185,098
Repayment of borrowings	12	(7,145)	(89,483)
		39,080	95,625
Effect of exchange rate changes on cash and cash equivalents		705	1,772
Net increase in cash and cash equivalents		1,470	11,606
Cash and cash equivalents, beginning of period		11,606	—
Cash and cash equivalents, end of period		13,076	11,606

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

Intergeo MMC Ltd

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

And for the period from incorporation (June 9, 2011) to December 31, 2011

(in US\$ 000's)

1. General information

Intergeo MMC Ltd ("Intergeo" or the "Company") was incorporated under the laws of the British Virgin Islands on June 9, 2011 as Intergeo Group Ltd. On July 6, 2011, the Company changed its name to Intergeo MMC Ltd.

The Company's registered and head office is located at 19 Waterfront Drive, P.O. Box 3540, Road Town, Tortola, British Virgin Islands.

Intergeo had the following controlled entities at December 31, 2012 and December 31, 2011:

Subsidiary	Project	Jurisdiction of Incorporation	Ownership as at December 31, 2012	Ownership as at December 31, 2011
Intergeo Management Limited		Cyprus	100%	100%
Intergeo Canada Management Services Inc.		Ontario	100%	100%
LLC Intergeo Managing Company Limited Liability Company		Russia	99.5%	0%
Golevskaya GRK	Ak-Sug	Russia	100%	0%
Kingashskaya mining company LLC	Kingash	Russia	100%	0%
Limited Liability Company Tyvamed	Greater Ak-Sug	Russia	100%	0%
Limited Liability Company East Sayan nickel company	East Sayan	Russia	100%	0%
Limited Liability Company Amurmed	Arbinsk	Russia	100%	0%
LLC Asian Copper Company		Russia	100%	0%
Limited Liability Company Zabaikalpolymetal		Russia	100%	0%
Limited Liability Company Orekitkanskaya GRK		Russia	100%	0%
Uralmining, Ltd.		Russia	0%	0%

Intergeo is a mineral resource company with immediate focus on developing its two key open pit projects located in Russia: the Ak-Sug copper porphyry deposit and the Kingash nickel sulphide property. The Company defines its operations as a single operating segment, being its exploration and evaluation activities. At December 31, 2012, the Company's portfolio included licences covering five properties. The Company's current projects are located in Siberia and the Far East regions of the Russian Federation.

Although the Company has taken steps to verify title to properties in which it has an interest, these procedures do not guarantee the Company's title. Property title may be subject to, among other things, a failure to obtain governmental approvals in instances where the authorities could view it as necessary.

The Company is also subject to certain additional restrictions regarding properties designated by the Russian authorities as "Strategic Plots". These restrictions include certain restrictions on transfers and acquisitions of subsoil rights to Strategic Plots. In addition, certain legal restrictions apply to direct and indirect acquisitions of corporate control over the Strategic Plots through corporate transactions involving direct or indirect transfers of control over companies holding subsoil rights to Strategic Plots. The list of Strategic Plots has been prepared and published by the Russian authorities and is regularly updated. The list of Strategic Plots is not exhaustive and any properties which meet the criteria may be deemed strategic irrespective of whether they are included in the list. The Ak-Sug Project, the Kingash Project and the East Sayan property are on the list of Strategic Plots. The Arbinsk property and the Greater Ak-Sug property may also be considered Strategic Plots.

Intergeo MMC Ltd

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

And for the period from incorporation (June 9, 2011) to December 31, 2011

(in US\$ 000's)

2. Reorganization Transaction

During the period from January 19 to February 9, 2012, Intergeo MMC Ltd, Intergeo Management Limited and LLC Intergeo Managing Company completed a series of corporate reorganization transactions (the "Reorganization Transaction") for the purposes of:

- (i) eliminating the existing related party borrowings owed by LLC Intergeo Managing Company and Intergeo Management Limited by a debt to equity conversion; and
- (ii) establishing the ownership structure whereby Intergeo MMC Ltd has a 99.5% indirect interest in LLC Intergeo Managing Company through Intergeo Management Limited.

Prior to the date of the Reorganization Transaction and at December 31, 2011:

- (i) Intergeo MMC Ltd was 100% beneficially owned by Mr. Mikhail Prokhorov through Daselina Investments Ltd.;
- (ii) Intergeo MMC Ltd owned 100% of Intergeo Management Limited; and
- (iii) Mr. Mikhail Prokhorov owned a 99.9995% interest in LLC Intergeo Managing Company with the remaining 0.0005% interest being indirectly owned by Intergeo MMC Ltd through Intergeo Management Limited.

The Reorganization Transaction was completed through the following steps:

On January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 and Intergeo Management Limited totalling \$5,083 were assigned to Daselina Investments Ltd. The loans and promissory notes receivable aggregating \$208,246 and cash of \$7,262 were transferred by Daselina Investments Ltd. to Intergeo MMC Ltd in exchange for 100,000,000 common shares of Intergeo MMC Ltd. As a result of this step, Intergeo MMC Ltd continued to be 100% owned by Daselina Investments Ltd., which is 100% owned by Mr. Mikhail Prokhorov.

Immediately following the above step, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 and Intergeo Management Limited totalling \$5,083 were owed to Intergeo MMC Ltd.

On January 19, 2012, the loans and promissory notes receivable (including accrued interest) aggregating \$208,246 and cash of \$6,762 were transferred by Intergeo MMC Ltd to Intergeo Management Limited in exchange for 10,000 common shares of Intergeo Management Limited. Loans and promissory notes receivable (including accrued interest) in the amount of \$5,083 were eliminated against existing loans and promissory notes of Intergeo Management Limited. As a result of this step, Intergeo Management Limited continued to be 100% owned by Intergeo MMC Ltd.

Immediately following the above step on January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 were owed to Intergeo Management Limited.

On January 23, 2012 and February 1, 2012, promissory notes receivable (including accrued interest) aggregating \$204,603 and cash of \$6,989 were transferred by Intergeo Management Limited to LLC Intergeo Managing Company in exchange for additional charter capital and additional paid-in capital of LLC Intergeo Managing Company. The increase in charter capital was registered with the Russian tax authorities and became effective on February 9, 2012. The promissory notes (including accrued interest) aggregating \$204,603 were eliminated against existing promissory notes of LLC Intergeo Managing Company.

Intergeo MMC Ltd

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

And for the period from incorporation (June 9, 2011) to December 31, 2011

(in US\$ 000's)

As a result of this Reorganization Transaction and the related adjustment to net assets of LLC Intergeo Managing Company, Intergeo MMC Ltd increased its indirect ownership interest in LLC Intergeo Managing Company from 0.0005% to 99.5% and diluted Mr. Mikhail Prokhorov's direct ownership interest in LLC Intergeo Managing Company from 99.9995% to 0.5%. In addition, the Company recorded non-controlling interest in the amount of \$907 as a result of the 0.5% direct ownership. Mr. Prokhorov continued to beneficially own Intergeo MMC Ltd through Daselina Investments Ltd.

3. Significant Accounting Policies

The significant accounting policies set out below have been applied consistently in these consolidated financial statements, unless otherwise stated.

(a) Financial statement presentation

During the period from January 19 to February 9, 2012, Intergeo, Intergeo Management Limited ("Intergeo Cyprus") and LLC Intergeo Managing Company ("Intergeo Russia") completed a Reorganization Transaction (see Note 2) in order to eliminate existing related party borrowings by a debt to equity conversion and to establish the ownership structure whereby Intergeo has a 99.5% indirect interest in Intergeo Russia, which holds investments in mineral exploration companies located in Russia.

The Reorganization Transaction is considered a transaction between entities under common control. As such, the Company has presented its financial results on the book value (carry-over basis) accounting of the assets and liabilities – the financial statements of the Company and Intergeo Russia are combined together at book value for the current and comparative periods to account for the entity as though they had always been combined together as one entity. Accordingly, the consolidated statements of comprehensive loss, changes in equity (deficit) and cash flows include the activities for Intergeo Russia from June 29, 2011, the date the entities came under common control.

Intergeo was incorporated on June 9, 2011 and as the Company's sole shareholder and director Mr. Lambros Soteriou controlled the Company from incorporation to June 29, 2011 at which time all of the outstanding shares of Intergeo were transferred from Mr. Soteriou to Onexim Holdings Limited. Mr. Mikhail Prokhorov is the ultimate beneficial owner of Onexim Holdings Limited. In April 2011, Intergeo Russia came under the control of Mr. Mikhail Prokhorov when he became the direct owner of a 99.9995% interest in Intergeo Russia. As a result of the transfer of ownership of Intergeo to Onexim Holdings Limited on June 29, 2011, Intergeo and Intergeo Russia came under the common control of Mr. Mikhail Prokhorov effective June 29, 2011.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are deconsolidated from the date that control ceases.

Intercompany transactions, balances, revenues and expenses are eliminated. The Company and all of its subsidiaries use uniform accounting policies consistent with the Company's policies and in accordance with International Financial Reporting Standards ("IFRS").

Intergeo MMC Ltd

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

And for the period from incorporation (June 9, 2011) to December 31, 2011

(in US\$ 000's)

(c) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

(d) Functional and presentation currency

The United States dollar is the functional and presentation currency of the Company. These consolidated financial statements are presented in United States dollars, except as otherwise stated herein. Unless otherwise indicated, references to "US\$" and "\$" are to United States dollars.

The translation of the financial statements of Intergeo Russia and Intergeo Canada Management Services Inc. from their functional currencies of Russian roubles ("RUB") and Canadian dollars ("C\$"), respectively, to the US\$ presentation currency is performed as follows:

- all assets, liabilities, both monetary and non-monetary, are translated at closing exchange rates at each reporting period end date;
- all income and expenses items are translated at the average exchange rates for the period presented, except for significant transactions that are translated at rates on the date of such transactions;
- resulting exchange differences are included in equity and presented as foreign currency translation differences within the foreign currency translation reserve; and
- in the statement of cash flows, cash balances at the beginning and end of each reporting period presented are translated at exchange rates at the respective dates. All cash flows are translated at the average exchange rates for the period presented, except for significant transactions that are translated at rates on the date of transaction.

The Company has used the following exchange rates in the preparation of the consolidated financial statements:

	As at December 31, 2012	Average for the year ended December 31, 2012	Average for the Period from incorporation to December 31, 2011	As at December 31, 2011
RUB/US\$	0.03276	0.03224	0.03410	0.03108
US\$/C\$	0.9949	0.9995	0.9891	1.0170

(e) Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue its activities for the foreseeable future and that all its obligations will be settled in the normal course of business.

To date, the Company has been reliant on borrowings and equity provided by related parties. To continue its planned activities, the Company will continue to be reliant on funding provided by related parties and/or successful raising of alternative sources of equity or debt finance. In the absence of a letter of financial support, there would be material uncertainties that may cast significant doubt regarding the Company's ability to continue as a going concern.

Intergeo MMC Ltd

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

And for the period from incorporation (June 9, 2011) to December 31, 2011

(in US\$ 000's)

On March 15, 2013, the Company received a letter of financial support from Onexim Holdings Limited under which an undertaking has been given to provide sufficient funding to ensure that the Company has the ability to meet its obligations and liabilities as and when they fall due during the period of one year subsequent to the date of signing of the audited consolidated financial statements for the year ended December 31, 2012.

Onexim Holdings Limited has provided the letter of support because as of December 31, 2012 the common shares of the Company are 98.94% indirectly owned by Mr. Mikhail Prokhorov, who also controls and is the ultimate beneficial shareholder of Onexim Holdings Limited.

(f) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable the acquisition or issue of financial assets or financial liabilities, except for those that are designated as fair value through profit and loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. For those financial assets and liabilities that are classified as fair value through profit and loss, transaction costs are taken directly to profit and loss.

(i) Financial assets

Cash and cash equivalents

Cash and cash equivalents are designated as loans and receivables and are measured at amortized cost, which approximates fair value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other receivables are classified as loans and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as loans and receivables; held-to-maturity investments; or financial assets at fair value through profit or loss. The Company's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive loss and presented within equity in an unrealized gain on financial asset reserve. When an investment is derecognized or impaired, the cumulative gain or loss in other comprehensive loss is transferred to profit or loss.

(ii) Financial liabilities

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Intergeo MMC Ltd

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

And for the period from incorporation (June 9, 2011) to December 31, 2011

(in US\$ 000's)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Other financial liabilities

On initial recognition, the fair value of other financial liabilities is determined by reference to estimated market interest rates. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The effect of discounting other financial liabilities from related parties is credited to additional paid-in capital, as it is considered to be a capital contribution. The effect of discounting other financial liabilities from third parties is charged to profit or loss for the period.

Borrowings and accounts payable and accrued liabilities are classified as other financial liabilities.

(iii) Derivative financial instruments

Derivatives are recognized initially at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized immediately in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

(g) Mineral exploration and evaluation expenditure

Mineral exploration and evaluation expenditures are capitalized as exploration and evaluation assets when it is expected that the expenditure related to an area of interest will be recouped by future exploitation and/or sale, or at the reporting date the exploration and evaluation activities have not reached a stage that permits a reasonable assessment of the existence of commercially recoverable ore reserves.

The capitalized expenditure includes the cost of acquiring the legal rights to explore and costs that are directly attributable to exploration and evaluation activities such as exploratory drilling, trenching and analysis. Borrowing costs related to exploration and evaluation assets are recognized as part of the cost of such assets.

Capitalized exploration and evaluation expenditures are stated at cost less impairment losses. As the asset is not available for use, it is not depreciated. Capitalized exploration and evaluation expenditure are monitored for indications of impairment. Where there are indicators of potential impairment, an assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash-generating unit) to which the exploration is attributed. Exploration areas at which reserves have been discovered but require major capital expenditures before production can begin are evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway or planned. To the extent that capitalized expenditures are not expected to be recovered, costs are charged to profit or loss.

Intergeo MMC Ltd

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

And for the period from incorporation (June 9, 2011) to December 31, 2011

(in US\$ 000's)

Exploration and evaluation assets are transferred to mine properties once the work completed supports the future development of the property and such development receives appropriate approvals. In addition, capitalized exploration and evaluation costs are assessed for impairment at the point the assets are reclassified in the financial statements.

(h) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in profit or loss as incurred.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit and loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its estimated residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Plant, machinery and equipment	3-10 years
Other	3-5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end, with the effect of any changes in estimates accounted for on a prospective basis. Construction in progress is not depreciated.

(i) Accounting for borrowing costs on qualifying assets

Intergeo MMC Ltd

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

And for the period from incorporation (June 9, 2011) to December 31, 2011

(in US\$ 000's)

In respect of borrowing costs relating to qualifying assets, the Company capitalizes borrowing costs directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that asset. Borrowing costs incurred on loans and borrowings obtained by the Company to finance exploration and evaluation activities are capitalized to the cost of exploration and evaluation assets.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property. The Company's operations to date are limited to exploration and evaluation activities.

Under its licence agreements, the Company is not responsible for any material restoration, rehabilitation and environmental expenditures that may be incurred subsequent to the cessation of exploration and evaluation operations at each land site, apart from the obligation to perform re-cultivation of certain disturbed lands and tailing pits in the areas of its operating activity.

Costs arising from the site restoration work, discounted using a risk-free rate to their estimated present value, are provided for and capitalized within exploration and evaluation assets. These provisions do not include any additional obligations, which are expected to arise from future damage and are estimated on the basis of a closure plan. These costs are charged against income over the life of the operation, through the depreciation of the asset as an operating cost and the unwinding of the discount on the provision as a finance cost.

Changes in the measurement of a provision relating to the site restoration work that result from changes in the estimated timing or amount of the cash flow, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the current period.

(k) General and administrative expenses

General and administrative expenses are defined as supporting main activities and not linked to exploration and evaluation assets directly. Such expenses include payroll and other expenses of administrative personnel and related taxes, rent of head office, and depreciation of office equipment. General and administrative expenses are included in comprehensive loss when incurred.

(l) Employee benefits

Salaries, annual bonuses, paid annual leave and cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

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(m) Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in comprehensive loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of exploration and evaluation asset may exceed the recoverable amounts. The factors that are considered include:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and
- the receipt of information after the reporting period indicating that an asset was impaired at the end of the reporting period, or that the amount of a previously recognized impairment loss for that asset needs to be adjusted.

Exploration and evaluation assets are also assessed for impairment at the point the assets are reclassified to mine properties in the financial statements.

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When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an impairment loss is recognized.

(n) Finance income

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and foreign currency gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the dividend is declared.

(o) Finance costs

Finance costs comprise interest expense on borrowings, foreign currency losses and impairment losses recognized on financial assets.

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Intergeo MMC Ltd is incorporated in the British Virgin Islands where the corporate income tax rate is set at zero.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(q) Seasonality of operations

The Company's exploration operations are subject to seasonal fluctuations as a result of weather conditions. In particular, exploration activities in Siberia and the Far East regions of the Russian Federation are reduced by winter weather conditions, which occur primarily from November to April.

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4. New or revised standards and interpretations

Standards, amendments and interpretations to existing standards and new standards that are not yet effective and have not been early adopted by the Company.

IAS 27 (2011) - Separate Financial Statements

IAS 27 (2011) - Separate Financial Statements will become effective for annual periods beginning on or after January 1, 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The amended standard will become effective for annual periods beginning on or after January 1, 2013. This amendment will not have an impact on the Company's consolidated financial statements.

IAS 28 (2011) – Investments in associates and joint ventures

IAS 28 (2011), "Investments in associates and joint ventures" (IAS 28) was re-issued by the IASB in May 2011. IAS 28 continues to prescribe the accounting for investments in associates but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

Amendments to IAS 32 – Financial Instruments: Presentation

On December 16, 2011 the IASB published amendments to IAS 32 Financial Instruments: Presentation to clarify the application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Amendments to IFRS 7 – Financial Instruments

On December 16, 2011 the IASB published new disclosures requirements jointly with the Financial Accounting Standards Board ("FASB") that enable users of the financial statements to better compare financial statements prepared in accordance with IFRS and US GAAP. The new requirements are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Amendments to IFRS 9 – Financial instruments

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB in November 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In December 2011, the IASB issued amendments to IFRS 9 that defer the mandatory effective date to annual periods beginning on or after January 1, 2015. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9 which was originally limited to companies that

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chose to apply IFRS 9 prior to 2012. Alternatively, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments. The Company is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

Amendments to IAS 1 – Presentation of financial statements

The amendment requires separate presentation for items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met, from those that would never be reclassified to profit or loss. The effective date is for annual periods beginning on or after July 1, 2012 and earlier adoption is permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

IFRS 10 - Consolidated Financial Statements

IFRS 10 - Consolidated Financial Statements will be effective for annual periods beginning on or after January 1, 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result in a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results in a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

IFRS 11 – Joint arrangements

IFRS 11, “Joint arrangements” (IFRS 11) was issued by the IASB in May 2011 and will supersede IAS 31, “Interest in joint ventures” and SIC 13, “Jointly controlled entities – non-monetary contributions by venturers” by removing the option to account for joint ventures using proportionate consolidation and requiring equity accounting. Venturers will transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item on their financial statements. In addition, IFRS 11 will require joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement will no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 12 – Disclosure of interests in other entities

IFRS 12, “Disclosure of interests in other entities” (IFRS 12) was issued by the IASB in May 2011. IFRS 12 requires enhanced disclosure of information about involvement with consolidated and unconsolidated entities, including structured entities commonly referred to as special purpose vehicles or variable interest entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

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IFRS 13 - Fair Value Measurement

IFRS 13 - Fair Value Measurement will be effective for annual periods beginning on or after January 1, 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 is effective for annual periods beginning on or after January 1, 2013 and provides guidance for entities with post-development phase surface mining activities. Under the interpretation, production stripping costs that provide access to ore to be mined in the future are capitalized as non-current assets if the component of the ore body for which access has been improved can be identified, future benefits arising from the improved access are probable and the costs related to the stripping activity associated with the component of the ore body are reliably measurable. The interpretation also addresses how capitalized stripping costs should be depreciated and how capitalized amounts should be allocated between inventory and the stripping activity asset. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results can differ from those estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage, which permits a reasonable assessment of the existence of reserves. The determination of reserves is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is

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capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

(b) Initial recognition of related party receivables and borrowings

In the normal course of business the Company enters into transactions with its related parties. Judgement is applied in determining if such transactions are conducted at market or non-market interest rates. The basis for judgement includes pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

(c) Acquisition of Kingashskaya mining company LLC ("Kingash")

During 2011, the Company acquired a 100% interest in Kingash from related parties. Judgement was applied in determining that this transaction should be accounted for as an asset acquisition. Management concluded that the transaction does not qualify as a business combination under IFRS 3R Business Combinations, as the significant inputs and processes that constitute a business were not identified. Therefore the transaction was treated as an asset acquisition. The purchase consideration has been allocated to the fair value of the assets acquired and liabilities assumed based upon management's best estimate and available information at the time of acquisition.

(d) Investment in Uralmining, Ltd. (Bolshoy Seyim)

On April 9, 2012, the Company's subsidiary, Intergeo Cyprus, entered into a subscription agreement (the "Subscription Agreement") with IRC Limited, which was the owner of 49% of the Bolshoy Seyim property through its 49% interest in Uralmining, Ltd. The transaction closed on July 24, 2012 (Notes 8 and 21).

Judgement was applied in determining that the Company's investment in Uralmining, Ltd. should not be classified as a "held for sale" asset at December 31, 2011. Management concluded that as discussions surrounding the sale of the interest in Uralmining, Ltd. only commenced in the first quarter of 2012, the sale was not highly probable as at December 31, 2011 and therefore the Company did not classify its interest in Uralmining, Ltd. as a "held for sale" asset until March 31, 2012. In addition, judgement was applied in the determination of the appropriate carrying amount for the exploration and evaluation assets of Bolshoy Seyim, being the lower of carrying amount and fair value less cost to sell. Management determined the carrying value at December 31, 2011 using expected sale proceeds in its estimate of recoverable amount.

(e) Transaction between entities under common control

The Reorganization Transaction is considered a transaction between entities under common control. Judgement was applied in determining that the Reorganization Transaction should be accounted for as a transaction between entities under common control and the date that Intergeo and Intergeo Russia came under common control. Management concluded that as a result of the transfer of ownership of Intergeo to Onexim Holdings Limited on June 29, 2011, Intergeo and Intergeo Russia came under the common control of Mr. Mikhail Prokhorov effective June 29, 2011.

As such, the Company has presented its financial results on the book value (carry-over basis) accounting of the assets and liabilities – the financial statements of the Company and Intergeo Russia are combined together at book value for the current and comparative periods to account for the entity as though they had always been combined together as one entity. Accordingly, the consolidated statements of comprehensive loss, changes in equity (deficit) and cash flows include the activities for Intergeo Russia from June 29, 2011, the date the entities came under common control.

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Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Ore reserve and resource estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, property, plant and equipment, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortization charges.

(b) Fair value determination

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the use of financial models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(c) Impairment of non-financial assets

The Company assesses non-financial assets for indicators of impairment at each reporting period. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for exploration and evaluation assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash-generating units as being an individual mine site or project, which is the lowest level for which cash inflows are largely independent of those of other assets.

(d) Tax losses carried forward

Tax losses are recognized as a deferred tax asset to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilized. As the Company's operations are at the exploration and evaluation stage, management concluded that the probability of future taxable income is not sufficiently reliable to allow a deferred tax asset to be recognized.

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(e) Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

(f) Environmental rehabilitation provision

The Company assesses its environmental rehabilitation provision at each reporting date. Significant estimates and assumptions are made in determining the provision for rehabilitation, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

6. Cash and cash equivalents

As at December 31,	2012	2011
	\$	\$
Cash in bank	7,966	6,108
Deposits with original maturities of 3 months or less	5,110	5,498
	13,076	11,606

7. Other receivables

As at December 31,	2012	2011
	\$	\$
VAT receivable	1,923	3,233
Other	198	644
	2,121	3,877

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8. Financial assets

As at December 31,	2012	2011
	\$	\$
Shares of IRC Limited	11,272	—
Loans receivable	—	1,102
Derivative financial asset	—	405
Interest receivable	—	253
Other	15	—
	11,287	1,760

Shares of IRC Limited

On July 24, 2012, the Company's subsidiary Intergeo Cyprus acquired 74,681,360 shares of IRC Limited (the "Subscription Shares") pursuant to a Subscription Agreement (the "Subscription Agreement") with IRC Limited, in exchange for the Company's 51% interest in Uralmining, Ltd. (Note 21). The Subscription Shares are subject to a nine-month lock-up from the date of completion of the transaction. Under the terms of the Subscription Agreement, the Company may not, without the consent of IRC Limited, sell, transfer, grant options over or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) the Subscription Shares during the term of the lock-up. IRC Limited's shares are publicly-traded on the Hong Kong Stock Exchange. On July 24, 2012, the Subscription Shares had a fair value of \$6,546. The Company has designated its investment in IRC Limited as an available-for-sale financial asset with the changes in the fair value of the shares being included in other comprehensive income.

As at December 31, 2012, the fair value of the Subscription Shares of IRC Limited was \$11,272. Consequently, the Company recorded an unrealized gain for the year ended December 31, 2012 totalling \$4,726 in other comprehensive income. Subsequent to December 31, 2012, the Company began liquidating the shares of IRC Limited. During the first nine months of fiscal 2013, proceeds of \$5,651 were received on liquidating 50,140,000 IRC Limited shares.

Loans receivable

Loans receivable are denominated in US\$. The loan agreements were signed and loans were issued when the counterparty was a related party. The counterparty ceased to be a related party in December 2008. The major portion of these loans matured in November and December 2011 and bore interest of 9.6% per annum. Upon initial recognition, the loans were discounted using a market interest rate of 16% to arrive at their fair value. The effect of discounting was debited directly to additional paid-in capital in equity in the amount of \$141, net of tax, at the dates when the loans were issued in 2008. The loans and accrued interest were collected in February 2012.

Derivative financial asset - ALS Chita Laboratory LLC

As at December 31, 2011, the Company had a 25% interest in ALS Chita Laboratory LLC, an entity involved in ore testing activities. The Company classified this investment as an available-for-sale investment. During the year ended December 31, 2009, management concluded that the carrying value of this investment was impaired and accordingly, the Company recorded a loss of \$354 which reduced the carrying value of its investment to \$nil. During the first quarter of 2012, the Company disposed of its remaining 25% interest in ALS Chita Laboratory LLC as a result of the exercise of the call option, which is discussed below. Accordingly, at December 31, 2012 the carrying value was \$nil (December 31, 2011 - \$nil).

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During 2008, the Company entered into put and call option agreements with the holder of the 75% interest in ALS Chita Laboratory LLC. According to the put option agreement, the Company could put the remaining 25% interest it owns in ALS Chita Laboratory LLC, during the two years following November 28, 2011, at a price equal to the higher of \$416 and the net asset value of the option interest calculated on the basis of financial statements prepared in accordance with IFRS. According to the call option agreement, the buyer could purchase the remaining 25% interest in ALS Chita Laboratory LLC for the same price as under the put option agreement.

The put and call options were derivative financial instruments. The Company determined the fair value of the derivatives as at the date of the transaction in the amount of \$1 (being the contract price) and at the reporting dates using an option-pricing model (Black-Scholes). Management determined that the fair value of the call option held by the buyer was nominal and, accordingly, a derivative financial liability was not recognized. For the put option, a derivative financial asset was recognized. The fair value of this derivative as at December 31, 2011 amounted to \$405. The main input to the option-pricing model was management's estimation of the market value of the underlying asset, which was assessed by the Company at December 31, 2011 as \$nil and its expected volatility, which was estimated by the Company at the level of 36% as at December 31, 2011 using historical data for comparable companies.

During the first quarter of 2012, the holder of the call option exercised its rights, and purchased from the Company its remaining 25% interest. The total cash proceeds received by the Company amounted to \$431.

9. Exploration and evaluation assets

The following table shows the break-down of each of the exploration and evaluation assets by project:

As at December 31,	2012	2011
	\$	\$
Ak-Sug	39,828	30,878
Kingash	72,480	64,572
Greater Ak-Sug	10,048	4,680
East Sayan (Note 26)	45,171	41,234
Arbinsk	16,204	12,656
Bolshoy Seyim (Note 21)	—	16,487
	183,731	170,507

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	Exploration and evaluation assets
	\$
June 9, 2011	—
Acquisition of control of Intergeo Russia	109,627
Additions	16,896
Acquisition of Kingash	68,117
Impairment of exploration and evaluation assets	(445)
Foreign currency translation	(23,688)
December 31, 2011	170,507
Additions	20,842
Disposal of Uralmining, Ltd. (Bolshoy Seyim) (Note 21)	(16,208)
Change in estimate in site restoration provision (Note 15)	199
Foreign currency translation	8,391
December 31, 2012	183,731

The balance of exploration and evaluation assets at December 31, 2012 represents capitalized costs in relation to exploration and evaluation activities carried out by the Company in the Russian Federation. Additions to exploration and evaluation assets include capitalized borrowing costs arising on financing directly attributable to these activities amounting to \$487 for the year ended December 31, 2012 (\$4,289 for the period from incorporation to December 31, 2011). The imputed capitalization rate was 13% for the year ended December 31, 2012 (13% for the period from incorporation to December 31, 2011).

During the period from incorporation to December 31, 2011 the Company recognized an impairment loss in the amount of \$445 with respect to East Sayan. The impairment loss was as a result of management's decision to reduce the size of the property under its exploration licence. Subsequent to year-end, the Company decided to indefinitely suspend exploration and evaluation activities at East Sayan; and as a result, management recorded a further impairment during the second quarter of 2013 (Note 26).

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Acquisition of Kingash

On July 12, 2011 in a related party transaction, the Company acquired a 100% interest in Kingashskaya mining company LLC ("Kingash") for cash consideration of approximately \$68,119, net of cash acquired of approximately \$1,874. The acquisition of Kingash has been accounted for as an asset acquisition. The purchase price of \$69,993 has been allocated as follows:

Asset acquired / Liabilities assumed	Amount
Assets	\$
Exploration and evaluation assets	68,117
Property, plant and equipment (Note 10)	4,393
Cash	1,874
Other receivables	62
	74,446
Liabilities	
Deferred income taxes	2,161
Loans and borrowings	1,882
Other payables	344
Provisions	66
	4,453
Net assets acquired	69,993
Net cash outflow on acquisition	68,119

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(in US\$ 000's)

10. Property, plant and equipment

	Land and buildings	Plant, machinery and equipment	Other	Construction in progress	Total
	\$	\$	\$	\$	\$
Cost					
June 9, 2011	—	—	—	—	—
Acquisition of control of Intergeo					
Russia	—	1,806	436	288	2,530
Additions	714	56	154	123	1,047
Acquisition of Kingash (Note 9)	2,880	1,492	21	—	4,393
Disposals	—	—	(6)	—	(6)
Foreign currency translation	(431)	(413)	(69)	(265)	(1,178)
December 31, 2011	3,163	2,941	536	146	6,786
Additions	—	—	—	376	376
Transfer	173	200	154	(527)	—
Disposals	—	(231)	(11)	—	(242)
Foreign currency translation	189	163	13	5	370
December 30, 2012	3,525	3,073	692	—	7,290
Accumulated depreciation					
June 9, 2011	—	—	—	—	—
Acquisition of control of Intergeo					
Russia	—	(710)	(264)	—	(974)
Depreciation charge	(299)	(357)	(58)	—	(714)
Disposals	—	—	5	—	5
Foreign currency translation	26	115	36	—	177
December 31, 2011	(273)	(952)	(281)	—	(1,506)
Depreciation charge	(581)	(713)	(126)	—	(1,420)
Disposals	—	139	10	—	149
Foreign currency translation	(24)	(71)	(10)	—	(105)
December 31, 2012	(878)	(1,597)	(407)	—	(2,882)
Carrying amounts					
December 31, 2011	2,890	1,989	255	146	5,280
December 31, 2012	2,647	1,476	285	—	4,408

11. Acquisition of Intergeo Management Limited ("Intergeo Cyprus")

On July 19, 2011, the Company purchased all the outstanding shares of Intergeo Cyprus for total consideration of \$3 (€ 2) cash. The shares of Intergeo Cyprus were purchased from Mr. Maxim Finskiy. Intergeo and Mr. Finskiy jointly agreed on the transaction price, which was approximately equal to the carrying value of the share capital of Intergeo Cyprus. Mr. Finskiy had acquired Intergeo Cyprus on February 16, 2011 for \$3 (€ 2). Prior to Mr. Finskiy acquiring Intergeo Cyprus, Intergeo Cyprus did not carry on business. Intergeo Cyprus was acquired by Mr. Finskiy

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to facilitate Intergeo's restructuring. The operations of Intergeo Cyprus were funded by North Financial Overseas Corp., a company beneficially owned by Mr. Prokhorov.

The transaction does not qualify as a business combination under IFRS 3R Business Combinations, as the significant inputs and processes that constitute a business were not identified. Consequently, the acquisition of Intergeo Cyprus has been accounted for as an assumption of liabilities.

The purchase price was allocated to the assets acquired and the liabilities assumed based on the fair value of the total consideration on the closing date of acquisition. All financial assets acquired and financial liabilities assumed were recorded at fair value. Assets acquired include cash and receivables and an investment in Intergeo Russia. Liabilities acquired include trade and other payables and loans and borrowings due to North Financial Overseas Corp. bearing an annual interest of 3% repayable on April 12, 2012, subsequently converted to equity in the Reorganization Transaction.

The transaction resulted in a net cash inflow of \$79 on acquisition of Intergeo Cyprus, comprised of cash acquired of \$82 net of the purchase consideration of \$3 cash. The Company also recorded a loss on acquisition of Intergeo Cyprus of \$490, which represents the excess of the net liabilities assumed of \$487 over the purchase price of \$3. The net cash inflow of \$79 has been allocated as follows:

Liabilities assumed	Amount
	\$
Assets	
Current assets	
Cash	82
Receivables	2
	84
Non-current assets	
Investment in Intergeo Russia	-
	84
Liabilities	
Current liabilities	
Trade and other payables	68
Loans	503
	571
Net liabilities assumed	487
Cash	82
Net liabilities assumed (net of cash)	569
Loss recognized on acquisition of Intergeo Cyprus	490
Net cash inflow on acquisition of Intergeo Cyprus	79
Net liabilities assumed (net of cash)	569

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12. Borrowings

	Currency	Maturity	Nominal Interest rate	Effective Interest rate	December 31, 2012	December 31, 2011
Loans from unrelated parties ⁽ⁱ⁾	RUB	2012	6.5 – 8.8%	13%, 20%	\$ —	\$ 6,032
Promissory notes issued to related parties ⁽ⁱⁱ⁾	RUB	2012	0.0 – 5.5%	13%	—	196,784
Loans from related parties ⁽ⁱⁱ⁾	RUB	2012	3%	3%	—	2,775
Credit line from related parties ⁽ⁱⁱⁱ⁾	RUB	2013	12%	12%	7,371	—
					7,371	205,591

- (i) Loans from unrelated parties relate to the Company's interest in Uralmining, Ltd. On July 24, 2012, these loans were assumed by the purchaser of Uralmining, Ltd. (Note 21).
- (ii) As part of the Reorganization Transaction (Note 2), all of the related party borrowings, including both the promissory notes and the loans, as at December 31, 2011 were eliminated by a debt to equity conversion during January and February of 2012. (Note 22)
- (iii) On June 19, 2012, two 100% owned subsidiaries of Intergeo Russia, Limited Liability Company East Sayan nickel company ("East Sayan") and Limited Liability Company Golevskaya GRK ("Golevskaya") entered into credit line agreements denominated in Russian roubles with OJSC Joint-Stock Commercial Bank "International Financial Club" ("International Financial Club"). International Financial Club is a related party to the Company, as Mr. Mikhail Prokhorov is a shareholder and a member of the board of directors. International Financial Club provided credit lines totalling approximately \$14,000 (RUB 450 million) to East Sayan (RUB 225 million) and Golevskaya (RUB 225 million). The credit lines have a six month term and bear interest at 12% per annum.

On December 18, 2012, the term of the Golevskaya credit line was extended until January 31, 2013. The credit lines are secured by a pledge of marketable securities by Leonina Investments Limited, a related party to the Company. Mr. Mikhail Prokhorov is the ultimate beneficial owner of Leonina Investments Limited. During the year ended December 31, 2012, the Company drew a total of \$13,963 (RUB 450 million) and repaid \$7,145 (RUB 225 million) under the terms of the two credit lines. As at December 31, 2012 the credit line to Golevskaya in the amount of \$7,371 (RUB 225 million) was outstanding. (Note 22)

On January 31, 2013, Golevskaya repaid its loan from International Financial Club in the amount of approximately \$7,499 (RUB 225 million) (Note 26).

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13. Accounts payable and accrued liabilities

As at December 31,	2012	2011
	\$	\$
Accrued professional services	4,814	1,575
Accrued vacation pay	1,061	544
Accrued payroll	539	105
Accrued interest payable (Note 22)	27	2,137
VAT payable	—	85
Other	607	774
	7,048	5,220

14. Income tax

(a) Income tax expense

Income tax expense recorded in the statement of comprehensive loss is as follows:

	For the year ended December 31, 2012	For the period from incorporation to December 31, 2011
	\$	\$
Current income taxes	(45)	—
Deferred income taxes	(2,882)	(1,061)
Income tax expense	(2,927)	(1,061)

(b) Reconciliation of effective tax rate

	For the year ended December 31, 2012	For the period from incorporation to December 31, 2011
	\$	\$
Loss before taxes	(27,809)	(12,134)
Income tax benefit at statutory rates – 0%	—	—
Impact of foreign tax rates	4,058	1,987
Tax losses and other tax attributes not recognized	(6,985)	(3,048)
Income tax expense	(2,927)	(1,061)

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(c) Deferred tax assets and liabilities are attributable to the following:

As at December 31,	2012			2011		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	319	—	319	257	(39)	218
Exploration and evaluation assets	—	(15,634)	(15,634)	44	(12,582)	(12,538)
Other receivables	138	—	138	33	—	33
Other payables and accrued liabilities	295	—	295	409	—	409
Other financial assets	—	—	—	—	(46)	(46)
Borrowings	—	—	—	2	(906)	(904)
Net assets / (liabilities)	752	(15,634)	(14,882)	745	(13,573)	(12,828)

(d) Movement in temporary differences during the year

	January 1, 2012	Recognized in profit or loss	Disposal of Uralmining, Ltd. (Note 21)	Recognized directly in equity	Recognized in other comprehensive income	December 31, 2012
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	218	89	—	—	12	319
Exploration and evaluation assets	(12,538)	(3,147)	747	—	(696)	(15,634)
Other receivables	33	99	—	—	6	138
Other payables and accrued liabilities	409	(150)	—	—	36	295
Other financial assets	(46)	48	—	—	(2)	—
Borrowings	(904)	179	53	697	(25)	—
Net assets / (liabilities)	(12,828)	(2,882)	800	697	(669)	(14,882)

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	June 9, 2011	Acquisition of control of Intergeo Russia	Recognized in profit or loss	Acquired on Kingash acquisition (Note 9)	Recognized directly in equity	Recognized in other comprehensive income	December 31, 2011
	\$	\$	\$	\$	\$	\$	\$
Property, plant and equipment	—	—	(58)	309	—	(33)	218
Exploration and evaluation assets	—	(9,865)	(1,871)	(2,526)	—	1,724	(12,538)
Other receivables	—	—	36	—	—	(3)	33
Other payables and accrued liabilities	—	160	213	56	—	(20)	409
Other financial assets	—	(8)	(45)	—	—	7	(46)
Borrowings	—	(140)	664	—	(1,543)	115	(904)
Net assets / (liabilities)	—	(9,853)	(1,061)	(2,161)	(1,543)	1,790	(12,828)

(e) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

As at December 31,	2012	2011
	\$	\$
Unrecognized tax losses	38,967	31,506

Deferred tax assets have not been recognized for tax loss carry-forwards as it is not probable that the related tax benefit can be realized through future taxable profits.

As at December 31, 2012, the Company has tax loss carry-forwards available in Cyprus of \$ 14,856 that expire during the years ending December 31, 2016 through 2021. The Company also has tax loss carry-forwards in Russia of \$24,111 that expire during the years ending December 31, 2016 through 2021.

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15. Provisions

Site restoration

Under its licence agreements, the Company is not responsible for any material restoration, rehabilitation and environmental expenditures that may be incurred subsequent to the cessation of exploration and evaluation operations at each land site, apart from the obligation to perform re-cultivation of certain disturbed lands and tailing pits in the areas of its operating activity. The amount of the restoration obligation is determined using the nominal prices effective at the reporting dates by applying the forecasted rate of inflation for the expected period of the life of the mines and discounted at the risk free rate. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives and the level of risk free and inflation rates.

The timing of decommissioning activity is subject to reassessment at the same time as the revision of the Company's proven and probable reserves. Movements in provisions are as follows:

	For the year ended December 31, 2012
	\$
Carrying amount at January 1, 2012	255
Change in estimate (Note 9)	199
Unwinding of the discount	40
Carrying amount at December 31, 2012	494

Principal assumptions made in calculations of the provision are presented below:

	December 31, 2012
Expected year in which costs will be incurred	2029
Discount rate	13.09%
Inflation rate	5.08%

The asset recognized corresponding to the site restoration provision is recorded as a component of exploration and evaluation assets and amounted to \$396 at December 31, 2012 (\$190 - December 31, 2011).

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16. Share capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value. A summary of common share transactions for the period is as follows:

Amounts in US\$000's except number of share amounts	Number of shares	\$
Balance as at June 9, 2011	—	—
Issued upon incorporation, on June 9, 2011	10,000	10
Balance as at December 31, 2011	10,000	10
Issued as a result of the Reorganization Transaction (Note 2)	100,000,000	215,508
Issued as a result of the Private Placement	5,000,000	25,000
Balance as at December 31, 2012	105,010,000	240,518

On October 23, 2012, the Company and Daselina entered into a subscription agreement whereby Daselina agreed to purchase up to an aggregate of 14,000,000 common shares at a subscription price of \$5.00 per common share for aggregate gross proceeds of \$70,000 (the "Private Placement"). The subscription agreement contemplated that the Private Placement would be completed in three tranches: the first tranche was completed on October 26, 2012, pursuant to which the Company received cash proceeds of \$25,000 in exchange for the issue of 5,000,000 common shares.

The second tranche was completed on January 17, 2013, pursuant to which the Company received cash proceeds of \$25,000 in exchange for the issue of 5,000,000 common shares and the third tranche was completed on January 25, 2013, pursuant to which the Company received cash proceeds of \$20,000 in exchange for the issue of 4,000,000 common shares. (Note 26)

17. Additional paid-in capital

Additional paid-in capital results from the effects of discounting at market interest rates loans receivable and payable with related parties.

As a result of the acquisition of control of Intergeo Russia on June 29, 2011, the Company recorded additional paid-in capital relating to Intergeo Russia in the amount of \$40,322. In addition, during the year ended December 31, 2011, the Company issued certain related party loans and recorded additional paid-in capital in the amount of \$6,451, net of applicable income tax of \$1,567.

During the year ended December 31, 2012, as a result of the Reorganization Transaction, the Company issued share capital in exchange for certain related party promissory notes and recorded a related reduction in additional paid-in capital in the amount of \$3,083. The Company also recorded non-controlling interest and a related reduction in additional paid-in capital in the amount of \$907, to reflect Mr. Michael Prokhorov's 0.5% direct interest in Intergeo Russia, as a result of the Reorganization Transaction.

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18. General and administrative expenses

	For the year ended December 31, 2012	For the period from incorporation to December 31, 2011
	\$	\$
Salaries and benefits	10,085	4,402
Professional services	9,295	2,846
Rent	2,204	1,484
Travel	882	706
Office expenses	457	211
Depreciation	318	156
Repairs and maintenance	226	319
Other	789	462
	24,256	10,586

19. Other expenses

	For the year ended December 31, 2012	For the period from incorporation to December 31, 2011
	\$	\$
Non-recoverable VAT	376	(50)
Other	398	292
	774	242

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20. Finance income and finance costs

	For the year ended December 31, 2012	For the period from incorporation to December 31, 2011
	\$	\$
Finance income		
Interest income	182	221
	182	221
Finance costs		
Interest expense	1,712	4,990
Less capitalized interest (Note 9)	(487)	(4,289)
	1,225	701
Unwinding of discount (Note 15)	40	16
Foreign exchange loss (gain)	819	(23)
Sundry finance expenses	14	6
	2,098	700

21. Loss on disposal of Uralmining, Ltd. (Bolshoy Seyim property)

On April 9, 2012, the Company's subsidiary Intergeo Cyprus entered into the Subscription Agreement with IRC Limited, which was the owner of 49% of the Bolshoy Seyim property through its 49% interest in Uralmining, Ltd. Uralmining, Ltd. holds the licence for exploration and extraction of mineral resources at the Bolshoy Seyim deposit in the Amur region of the Russian Federation. The Subscription Agreement provided for Intergeo Cyprus to receive 74,681,360 shares of IRC Limited, in exchange for the Company's 51% interest in Uralmining, Ltd.

Discussions surrounding the sale of the interest in Uralmining, Ltd. commenced in the first quarter of 2012 and at that time the Company reclassified its interest in Uralmining, Ltd. as a "held for sale" asset. The transaction closed on July 24, 2012 and in accordance with the terms of the Subscription Agreement the Company received 74,681,360 shares of IRC Limited (Note 8).

On July 24, 2012, the 74,681,360 shares of IRC Limited had an aggregate market value of \$6,546. After considering the 51% interest in the net assets disposed of \$1,175 as well as the settlement of the loans (including accrued interest) receivable from Uralmining, Ltd. of \$6,555, the Company recorded a loss on sale of Uralmining, Ltd. in the amount of \$1,184.

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Net assets disposed of:

	As at July 24, 2012
Net assets of Uralmining, Ltd. (100%)	\$
Assets	
Exploration and evaluation assets (Note 9)	16,208
Cash	876
VAT receivable	48
Other receivables	2
	17,134
Liabilities	
Borrowings ⁽ⁱ⁾	12,589
Accrued liabilities ⁽ⁱ⁾	1,755
Deferred income taxes	800
	15,144
Net assets disposed of	1,990

- (i) Included in Borrowings and Accrued liabilities are principal and accrued interest amounts aggregating \$6,555, due to the Company's subsidiary Intergeo Cyprus.

Loss on disposal of Uralmining, Ltd.

	\$
Consideration received	
Fair value on July 24, 2012 of the 74,681,360 shares of IRC Limited	6,546
Net assets disposed of	(1,990)
Non-controlling interest	975
Accumulated foreign currency translation adjustment related to net assets sold	(160)
Settlement of loans receivable from Uralmining, Ltd. (including accrued interest)	(6,555)
Loss on disposal of Uralmining, Ltd.	(1,184)

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22. Related party transactions

Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties to Intergeo and its subsidiaries include:

Related Party	Relationship	Period Related
Mr. Mikhail Prokhorov	Ultimate beneficial owner	From June 29, 2011
Mr. Maxim Finskiy	Ultimate beneficial owner ⁽ⁱⁱ⁾	From April 18, 2012
Lambros Soterious	Shareholder ^(iv)	From June 9, to June 29, 2011
Onexim Holdings Limited	Shareholder ⁽ⁱ⁾	From June 29, to November 15, 2011
Daselina Investments Ltd.	Shareholder ^{(i) (ii)}	From November 15, 2011
Kirkland Intertrade Corp.	Shareholder ⁽ⁱⁱ⁾	From April 18, 2012
Onexim Holdings Limited	Other related party ⁽ⁱ⁾	From June 29, 2011
Onexim Group Management Limited	Other related party ⁽ⁱ⁾	From June 29, 2011
Coverico Holdings Co. Limited	Other related party ⁽ⁱ⁾	From June 29, 2011
North Financial Overseas Corp.	Other related party ⁽ⁱ⁾	From June 29, 2011
Leonina Investments Limited (see Note 12)	Other related party ⁽ⁱ⁾	From June 29, 2011
International Financial Club (see Note 12)	Other related party ⁽ⁱⁱⁱ⁾	From June 29, 2011

(i) Mr. Mikhail Prokhorov is the ultimate beneficial owner of the entity.

(ii) On April 18, 2012, ownership of 1,118,259 common shares of the Company was transferred from Daselina Investments Ltd. to Kirkland Intertrade Corp. Mr. Maxim Finskiy is the ultimate beneficial owner of Kirkland Intertrade Corp.

(iii) Mr. Mikhail Prokhorov is a shareholder and member of the board of directors.

(iv) The shares of the Company were held by a nominee shareholder from incorporation on June 9, to June 29, 2011, at which time they were transferred to Onexim Holdings Limited.

Unless otherwise noted, the parties were related during the entire period covered by the financial statements.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

a) Borrowings and related interest

Borrowings – Principal (Note 12)

As at December 31,	2012	2011
	\$	\$
International Financial Club	7,371	—
Daselina Investments Ltd.	—	8,558
Onexim Holdings Limited	—	188,226
North Financial Overseas Corp.	—	2,775
	7,371	199,559

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Borrowings - Interest payable

As at December 31,	2012	2011
	\$	\$
International Financial Club	27	—
Daselina Investments Ltd.	—	34
Onexim Holdings Limited	—	721
North Financial Overseas Corp.	—	26
	27	781

Borrowings - Interest expense

	For the year ended December 31, 2012	For the period from incorporation to December 31, 2011
	\$	\$
International Financial Club	696	—
Daselina Investments Ltd.	—	34
Onexim Holdings Limited	—	445
North Financial Overseas Corp.	—	19
	696	498

Borrowings – Proceeds from borrowings

	For the year ended December 31, 2012	For the period from incorporation to December 31, 2011
	\$	\$
International Financial Club	13,963	—
Daselina Investments Ltd.	—	9,118
Onexim Holdings Limited	—	90,169
Onexim Group Management Limited	—	13,564
North Financial Overseas Corp.	—	72,247
	13,963	185,098

During the period from incorporation to December 31, 2011, loans of \$500 and accrued interest of \$3 (from North Financial Overseas Corp.) were assumed by the Company on acquisition of Intergeo Cyprus (Notes 5 and 11).

Borrowings – Repayment of borrowings

	For the year ended December 31, 2012	For the period from incorporation to December 31, 2011
	\$	\$
International Financial Club	7,145	—
Onexim Holdings Limited	—	56,500
Onexim Group Management Limited	—	32,857
North Financial Overseas Corp.	—	126
	7,145	89,483

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Borrowings - Interest paid

	For the year ended December 31, 2012	For the period from incorporation to December 31, 2011
	\$	\$
International Financial Club	655	—
Onexim Holdings Limited	—	225
Coverico Holdings Co. Limited		643
	655	868

b) Cash and cash equivalents

Cash and cash equivalents includes an amount held at International Financial Club, a commercial bank that is considered to be a related party to the Company.

As at December 31,	2012	2011
	\$	\$
International Financial Club	676	1

c) Key management remuneration

Key management of Intergeo consists of senior executive officers of the Company. Key management received the following remuneration during the periods, which was included in general and administrative expenses (Note 18).

As at December 31,	2012	2011
	\$	\$
Salaries and benefits	3,249	2,003

d) Acquisition of Kingashskaya mining company LLC ("Kingash")

On November 15, 2010, four companies purchased all of the charter capital of Kingash from Norilsk Nickel ("Norilsk") in an arm's length transaction for a total price of approximately \$58,102. The purchasers and interest purchased were Travallation Holdings Ltd. – 9.5% ("Travallation", a Cyprus company); LLC Regiomax – 30.5% ("Regiomax", a Russian company); LLC Kvarto – 30.0% ("Kvarto", a Russian company and at November 15, 2010 a 33.25% shareholder in Intergeo); and LLC Technoexim – 30.0% ("Technoexim", a Russian company).

On December 27, 2010, Mr. Grigory Potapov and Mr. Sergey Lyamin (both officers of Intergeo and members of its board of directors at that time) were appointed members of the board of directors of Kingash.

On March 28, 2011, Technoexim sold its 30.0% interest in Kingash to LLC Sports Complex named after E.A. Streltsov ("Sportscomplex", a Russian company and a 33.25% shareholder in Intergeo).

On April 28, 2011, Mr. Mikhail Prokhorov acquired a 99.9995% interest in Intergeo.

On May 23, 2011, Kingash issued a promissory note to Onexim Holdings Limited ("Onexim Holdings", a Cyprus company) in the amount of \$1,890. Mr. Mikhail Prokhorov is the ultimate beneficial owner of Onexim Holdings, LLC Onexim Group ("Onexim Group", a Russian company), Travallation and Technoexim (since April, 2011).

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On July 12, 2011, Intergeo completed the purchase of all of the charter capital of Kingash from Travallation, Regiomax, Kvarto and Sportscomplex for net cash consideration of approximately \$68,119, net of cash acquired of approximately \$1,874. The purchase price does not represent fair value as the transaction was between related parties.

The two shareholders of Kvarto are both senior officers of Onexim Group and one of these individuals (a 30% shareholder of Kvarto) is also the sole shareholder of Sportscomplex.

23. Contingencies and commitments

Tax legislation

Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities.

The Russian tax authorities take a more assertive approach in their interpretation of the legislation and tax examinations, which may include following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

Legal proceedings

The Company may be subject to various contingent liabilities that occur in the normal course of operations. The Company is not aware of any pending or threatened proceedings that would have material adverse effect on the consolidated financial position as at December 31, 2012.

Capital commitments

At December 31, 2012, the Company had contractual capital expenditure commitments in respect of exploration and evaluation assets in the amount of \$6,821 (December 31, 2011 - \$3,387).

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material.

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(in US\$ 000's)

Operating leases

The Company and its subsidiaries lease office space under various non-cancellable operating lease agreements. The terms of the office space lease agreements in Toronto and Moscow extend to June 2014 and April 2016, respectively. In addition, the Company leases land under non-cancellable operating lease agreements. The lease terms are between 10 and 17 years, and the majority of lease agreements are renewable at the end of the lease period.

The expected amount of lease payments as at December 31, 2012, under the terms of the leases are:

	\$
No later than 1 year	1,876
Later than 1 year and no later than 5 years	4,549
Later than 5 years	373
	6,798

24. Financial instruments and risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- price risk;
- interest rate risk; and
- currency risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There were no changes to the Company's risk management policies and systems during the year ended December 31, 2012. The Company, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables. The credit risk on liquid funds is limited because the Company does not hold significant cash balances and its counterparties are banks with acceptable credit ratings. The credit risk on other receivables is primarily concentrated on loans receivable, which are due from both related and unrelated parties. The Company's exposure to these counterparties is continually monitored.

Intergeo MMC Ltd

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

And for the period from incorporation (June 9, 2011) to December 31, 2011

(in US\$ 000's)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

As at December 31,	2012	2011
	\$	\$
Cash and cash equivalents	13,076	11,606
Other receivables	2,121	3,877
Financial assets	15	1,760
	15,212	17,243

The Company's management reviews the ageing analysis of outstanding receivables and follows up on past due balances. The Company has not recognized an allowance for doubtful debts as all balances are still considered recoverable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. To date, the major part of the Company's funding has been provided by its related parties and is supported by a letter of financial support (Note 3). On October 23, 2012, the Company entered into a private placement agreement with an existing shareholder to issue a further 14,000,000 common shares of the Company in exchange for gross proceeds of \$70,000 (Note 16).

The following tables show the remaining contractual maturities as of the reporting date of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates). The Company did not have any derivative financial liabilities as at December 31, 2012 or 2011.

Financial liabilities	Carrying amount	Contractual cash flows	0-6 months	6-12 months	Over 1 year
	\$	\$	\$	\$	\$
December 31, 2012					
Borrowings	7,371	7,371	7,371	—	—
Accounts payable and accrued liabilities	7,048	7,116	7,116	—	—
	14,419	14,487	14,487	—	—
December 31, 2011					
Borrowings	205,591	209,911	138,726	71,185	—
Accounts payable and accrued liabilities	5,220	5,800	5,383	417	—
	210,811	215,711	144,109	71,602	—

Intergeo MMC Ltd

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

And for the period from incorporation (June 9, 2011) to December 31, 2011

(in US\$ 000's)

Price risk

The Company is exposed to price risk due to fluctuations in the market price of its investment in shares of IRC Limited. The Company has designated its investment in IRC Limited as an available-for-sale financial asset with the changes in fair value being included in other comprehensive loss.

At December 31, 2012, if the market price of the shares of IRC Limited weakened/strengthened by 10 percent and no shares were disposed of or impaired, comprehensive income (loss) for the year would have changed by \$1,127.

Interest rate risk

The Company's operations expose it primarily to the financial risks of changes in interest rates. To date the majority of borrowings have been at fixed rates from related parties.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was as follows:

As at December 31,	2012	2011
	\$	\$
Fixed rate instruments		
Financial assets	—	1,102
Financial liabilities	(7,371)	(205,591)
	(7,371)	(204,489)

Currency risk

The majority of the assets of the Company are denominated in Russian roubles. Accordingly, the carrying value of the net assets is subject to currency risk.

At December 31, 2012, if the RUB had weakened/strengthened by 10 percent against the US\$ with all other variables held constant, after-tax loss for the year would have changed by \$1,767 and equity at December 31, 2012 would have changed by \$16,764. At December 31, 2011, if the RUB had weakened/strengthened by 10 percent against the US\$ with all other variables held constant, equity at December 31, 2011 would have changed by \$2,625.

At December 31, 2012, if the Canadian dollar had weakened/strengthened by 10 percent against the US\$ with all other variables held constant, after-tax loss for the year would have changed by \$14 and equity at December 31, 2012 would have changed by \$12. At December 31, 2011, if the Canadian dollar had weakened/strengthened by 10 percent against the US\$ with all other variables held constant, equity at December 31, 2011 would have changed by \$2.

Intergeo MMC Ltd

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

And for the period from incorporation (June 9, 2011) to December 31, 2011

(in US\$ 000's)

(a) *Fair values versus carrying amounts*

As at December 31,	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	13,076	13,076	11,606	11,606
Other receivables	2,121	2,121	3,877	3,877
Financial assets	11,287	11,287	1,760	1,760
	26,484	26,484	17,243	17,243
Liabilities				
Borrowings	7,371	7,371	205,591	205,591
Accounts payable and accrued liabilities	7,048	7,048	5,220	5,220
	14,419	14,419	210,811	210,811

(b) *Fair value hierarchy*

The different levels have been defined as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At December 31, 2012, the Company's investment in the shares of IRC Limited was classified within Level 1 of the fair value hierarchy.

The Company does not hold any financial assets or liabilities that have been classified within Level 2 or 3 of the fair value hierarchy as at December 31, 2012. At December 31, 2011, financial assets included a put option that was a derivative financial instrument and had a carrying value of \$405. The derivative was classified within Level 3 of the fair value hierarchy.

(c) *Capital risk management*

The Company manages its capital to ensure that it will continue as a going concern in order to complete its planned exploration and evaluation activities.

The capital structure of the Company consists of borrowing from related parties, share capital and additional paid-in capital of the Company.

The Company is not subject to any externally imposed capital requirements.

To date, the majority of the Company's capital has been sourced from equity provided by shareholders.

Intergeo MMC Ltd

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

And for the period from incorporation (June 9, 2011) to December 31, 2011

(in US\$ 000's)

25. Segmented Information

The Company operates in one business segment: the exploration and development of mineral properties located in Russia. The operations of the Company are located primarily in Russia, with the exception of its corporate offices, which are located in the British Virgin Islands, Canada and Cyprus. All current exploration and evaluation activities are located in Russia.

Segmented information consists of the following:

	As at December 31, 2012			As at December 31, 2011		
	Corporate and other	Russia	Total	Corporate and other	Russia	Total
	\$	\$	\$	\$	\$	\$
Current assets	17,092	9,797	26,889	1,956	15,704	17,660
Exploration and evaluation assets	—	183,731	183,731	—	170,507	170,507
Other non-current assets	—	4,723	4,723	—	5,568	5,568
Total assets	17,092	198,251	215,343	1,956	191,779	193,735
Current liabilities	3,557	10,862	14,419	5,881	204,930	210,811
Non-current liabilities	—	15,376	15,376	—	13,083	13,083
Total liabilities	3,557	26,238	29,795	5,881	218,013	223,894

	For the year ended December 31, 2012			For the period from incorporation to December 31, 2011		
	Corporate and other	Russia	Total	Corporate and other	Russia	Total
	\$	\$	\$	\$	\$	\$
General and administrative expenses	(11,366)	(12,890)	(24,256)	(3,367)	(7,219)	(10,586)
Impairment of exploration and evaluation assets	—	—	—	—	(445)	(445)
Other income	8	313	321	34	11	45
Other expenses	—	(774)	(774)	—	(242)	(242)
Finance income	27	155	182	—	221	221
Finance costs	(574)	(1,524)	(2,098)	(112)	(588)	(700)
Change in fair value of derivative financial asset	—	—	—	—	63	63
Loss on disposal of Uralmining, Ltd.	(580)	(604)	(1,184)	—	—	—
Loss on acquisition of Intergeo Management Limited	—	—	—	(490)	—	(490)
Loss before income taxes	(12,485)	(15,324)	(27,809)	(3,935)	(8,199)	(12,134)
Income tax expense	(45)	(2,882)	(2,927)	—	(1,061)	(1,061)
Loss for the period	(12,530)	(18,206)	(30,736)	(3,935)	(9,260)	(13,195)

Intergeo MMC Ltd

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

And for the period from incorporation (June 9, 2011) to December 31, 2011

(in US\$ 000's)

26. Subsequent Events

Line of credit

On January 31, 2013, Golevskaya repaid its loan from International Financial Club (Note 12) in the amount of approximately \$7,499 (RUB 225 million).

Private Placement

Subsequent to the year ended December 31, 2012, the Company completed the second and third tranches of the Private Placement with Daselina (Note 16). The second tranche was completed on January 17, 2013, pursuant to which the Company received cash proceeds of \$25,000 in exchange for the issue of 5,000,000 common shares and the third tranche was completed on January 25, 2013, pursuant to which the Company received cash proceeds of \$20,000 in exchange for the issue of 4,000,000 common shares.

East Sayan

In May 2013, the Company's management determined that it did not have the funds required to continue the exploration work to evaluate the potential mineral resources of its East Sayan property. As a result of this determination during the second quarter of 2013, the Company decided to indefinitely suspend exploration and evaluation activities at the East Sayan property. Consequently, the Company recorded an impairment loss in the amount of \$42,179 during the six months ended June 30, 2013 that reduced the carrying value of the related exploration and evaluation asset to \$nil at June 30, 2013.

APPENDIX J
INTERGEO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND
NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

Intergeo MMC Ltd

Condensed Consolidated Interim Financial Statements

For the three and nine months ended

September 30, 2013 and 2012

(Unaudited)

Intergeo MMC Ltd

Condensed Consolidated Interim Statements of Financial Position

(in US\$ 000's)

(Unaudited)

As at	Note	September 30, 2013	December 31, 2012
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	6,20	17,819	13,076
Other receivables	7	1,493	2,121
Financial assets	8	7,064	11,287
Prepaid expenses and other		578	405
		26,954	26,889
Non-current assets			
Exploration and evaluation assets	9	144,319	183,731
Property, plant and equipment	10	3,225	4,408
Other assets		351	315
		147,895	188,454
Total assets		174,849	215,343
Liabilities			
Current liabilities			
Borrowings	2, 11, 20	—	7,371
Accounts payable and accrued liabilities	12	2,457	7,048
		2,457	14,419
Non-current liabilities			
Deferred tax liabilities	13	12,562	14,882
Provisions	14	500	494
		13,062	15,376
Total liabilities		15,519	29,795
Equity			
Share capital	2, 15	285,518	240,518
Additional paid-in capital	16	42,783	42,783
Deficit		(166,003)	(111,230)
Unrealized gain on financial assets reserve	8	729	4,726
Foreign currency translation reserve		(4,427)	7,916
Equity attributable to owners of the Company		158,600	184,713
Non-controlling interest		730	835
Total equity		159,330	185,548
Total liabilities and equity		174,849	215,343

Contingencies and commitments (Note 22)

Subsequent event (Note 25)

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

Intergeo MMC Ltd

Condensed Consolidated Interim Statements of Comprehensive Loss

(in US\$ 000's, except share and per share amounts) (Unaudited)

	Note	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
		\$	\$	\$	(Note 3a) \$
General and administrative expenses	17	(3,986)	(5,043)	(15,778)	(16,890)
Impairment of exploration and evaluation assets	9	—	—	(42,179)	—
Other income		88	—	225	37
Other expenses	18	(33)	(155)	(73)	(628)
Finance income	19	224	—	575	214
Finance costs	19	(25)	(827)	(159)	(1,474)
Gain on sale of shares of IRC Limited	8	1,249	—	1,256	—
Loss on disposal of Uralmining, Ltd.		—	(1,184)	—	(1,184)
Loss before income tax		(2,483)	(7,209)	(56,133)	(19,925)
Income tax (expense) recovery	13	(915)	(1,059)	1,319	(2,338)
Loss for the period		(3,398)	(8,268)	(54,814)	(22,263)
Other comprehensive income (loss)					
Items that may be reclassified subsequently to net income (loss):					
Foreign currency translation adjustments		2,016	8,280	(12,407)	1,084
Unrealized gain (loss) on financial assets	8	346	(1,730)	(2,741)	(1,730)
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period		(1,249)	—	(1,256)	—
Total other comprehensive income (loss)		1,113	6,550	(16,404)	(646)
Total comprehensive loss for the period		(2,285)	(1,718)	(71,218)	(22,909)
Loss attributable to:					
Owners		(3,383)	(8,257)	(54,773)	(21,962)
Non-controlling interest		(15)	(11)	(41)	(301)
		(3,398)	(8,268)	(54,814)	(22,263)
Total comprehensive loss attributable to:					
Owners		(2,280)	(1,742)	(71,113)	(22,594)
Non-controlling interest		(5)	24	(105)	(315)
		(2,285)	(1,718)	(71,218)	(22,909)
Loss per share for the period					
Basic and diluted		(0.03)	(0.08)	(0.48)	(0.24)
Weighted average number of shares outstanding					
Basic and diluted		114,010,000	100,010,000	113,365,311	93,440,657

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

Intergeo MMC Ltd

Condensed Consolidated Interim Statements of Changes in Equity

(in US\$ 000's)
(Unaudited)

For the nine months ended September 30, 2013	Note	Share capital	Additional paid-in capital	Deficit	Unrealized gain on financial assets reserve	Foreign currency translation reserve	Total equity (deficit) attributable to the owners of the Company	Non-controlling interest	Total Equity
		\$	\$	\$	\$	\$	\$	\$	\$
Balance, January 1, 2013		240,518	42,783	(111,230)	4,726	7,916	184,713	835	185,548
Loss for the period		—	—	(54,773)	—	—	(54,773)	(41)	(54,814)
Other comprehensive (loss) income		—	—	—	(3,997)	(12,343)	(16,340)	(64)	(16,404)
Total comprehensive (loss)		—	—	(54,773)	(3,997)	(12,343)	(71,113)	(105)	(71,218)
Shares issued as a result of the Private Placement	15	45,000	—	—	—	—	45,000	—	45,000
Balance, September 30, 2013		285,518	42,783	(166,003)	729	(4,427)	158,600	730	159,330

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

Intergeo MMC Ltd

Condensed Consolidated Interim Statements of Changes in Equity

(in US\$ 000's)
(Unaudited)

For the nine months ended September 30, 2012 (Note 3a)	Note	Share capital	Additional paid-in capital	Deficit	Unrealized loss on financial assets reserve	Foreign currency translation reserve	Total equity (deficit) attributable to the owners of the Company	Non-controlling interest	Total Equity (Deficit)
		\$	\$	\$	\$	\$	\$	\$	\$
Balance, January 1, 2012	3(a)	10	46,773	(80,815)	—	2,653	(31,379)	1,220	(30,159)
Loss for the period		—	—	(21,962)	—	—	(21,962)	(301)	(22,263)
Other comprehensive income		—	—	—	(1,730)	1,098	(632)	(14)	(646)
Total comprehensive (loss) income		—	—	(21,962)	(1,730)	1,098	(22,594)	(315)	(22,909)
Disposal of Uralmining, Ltd.	21	—	—	—	—	160	160	(975)	(815)
Adjustment to related party promissory notes exchanged for share capital	16	—	(3,083)	—	—	296	(2,787)	—	(2,787)
Non-controlling interest in LLC Intergeo Managing Company as a result of the Reorganization Transaction	2, 16	—	(907)	—	—	—	(907)	907	—
Shares issued as a result of the Reorganization Transaction	2	215,508	—	—	—	—	215,508	—	215,508
Balance, September 30, 2012		215,518	42,783	(102,777)	(1,730)	4,207	158,001	837	158,838

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

Intergeo MMC Ltd

Condensed Consolidated Interim Statements of Cash Flows

(in US\$ 000's)
(Unaudited)

	Note	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
		\$	\$	\$	(Note 3a) \$
Operating activities					
Loss for the period		(3,398)	(8,268)	(54,814)	(22,263)
Adjustments for					
Deferred income tax	13	867	1,059	(1,367)	2,338
Impairment of exploration and evaluation assets	9	—	—	42,179	—
Finance costs	19	25	827	159	1,474
Finance income	19	(224)	—	(575)	(214)
Gain on sale of shares of IRC Limited	8	(1,249)	—	(1,256)	—
Gain on disposal of property, plant and equipment		(96)	—	(118)	—
Loss on disposal of Uralmining, Ltd.		—	1,184	—	1,184
Depreciation	17	120	126	285	287
Other		—	44	—	44
		(3,955)	(5,028)	(15,507)	(17,150)
Movements in working capital					
Decrease in other receivables		807	492	559	1,263
(Increase) in prepaid and other assets		(239)	(250)	(321)	(94)
(Decrease) Increase in accounts payable and accrued liabilities		(847)	(1,192)	(3,369)	88
Cash flow from operations before income taxes and interest paid		(4,234)	(5,978)	(18,638)	(15,893)
Interest paid		—	(244)	(103)	(244)
Income tax paid		(48)	—	(48)	—
		(4,282)	(6,222)	(18,789)	(16,137)
Investing activities					
Loans receivable	8	—	—	—	1,456
Investment in deposit		(4,049)	—	(4,049)	—
Interest received		115	—	437	—
Proceeds from disposal of investment	8	5,618	—	5,651	431
Proceeds from disposal of property, plant and equipment		171	28	212	28
Cash outflow on disposal of Uralmining, Ltd.		—	(876)	—	(876)
Additions to property, plant and equipment		(23)	—	(147)	(304)
Additions to exploration and evaluation assets		(2,989)	(3,964)	(14,729)	(13,268)
		(1,157)	(4,812)	(12,625)	(12,533)

Intergeo MMC Ltd

Condensed Consolidated Interim Statements of Cash Flows

(in US\$ 000's)
(Unaudited)

	Note	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
(Note 3a)					
Financing activities					
Proceeds from issue of share capital	15	—	—	45,000	7,262
Proceeds from borrowings		—	6,540	—	12,088
Repayment of borrowings	11	—	—	(7,499)	—
		—	6,540	37,501	19,350
Effect of exchange rate changes on cash and cash equivalents		83	578	(1,344)	594
Net (decrease) increase in cash and cash equivalents		(5,356)	(3,916)	4,743	(8,726)
Cash and cash equivalents, beginning of period		23,175	6,796	13,076	11,606
Cash and cash equivalents, end of period		17,819	2,880	17,819	2,880

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

Intergeo MMC Ltd

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2013 and 2012

(in US\$ 000's) (Unaudited)

1. General information

Intergeo MMC Ltd ("Intergeo" or the "Company") was incorporated under the laws of the British Virgin Islands on June 9, 2011 as Intergeo Group Ltd. On July 6, 2011, the Company changed its name to Intergeo MMC Ltd.

The Company's registered and head office is located at 19 Waterfront Drive, P.O. Box 3540, Road Town, Tortola, British Virgin Islands.

Intergeo had the following controlled entities at September 30, 2013 and December 31, 2012:

Subsidiary	Project	Jurisdiction of Incorporation	Ownership as at September 30, 2013	Ownership as at December 31, 2012
Intergeo Management Limited		Cyprus	100%	100%
Intergeo Canada Management Services Inc.		Ontario	100%	100%
LLC Intergeo Managing Company Limited Liability Company		Russia	99.5%	99.5%
Golevskaya GRK	Ak-Sug	Russia	100%	100%
Kingashskaya mining company LLC	Kingash	Russia	100%	100%
Limited Liability Company Tyvamed Limited Liability Company East	Greater Ak-Sug	Russia	100%	100%
Sayan nickel company	East Sayan	Russia	100%	100%
Limited Liability Company Amurmed	Arbinsk	Russia	100%	100%
LLC Asian Copper Company Limited Liability Company		Russia	100%	100%
Zabaikalpolymetal ⁽ⁱ⁾		Russia	—	100%
Limited Liability Company Orekitkanskaya GRK		Russia	100%	100%

(i) merged with Limited Liability Company Amurmed during the third quarter of 2013

Intergeo is a mineral resource company with immediate focus on developing its open pit project Ak-Sug, a copper porphyry deposit located in Russia. The Company defines its operations as a single operating segment, being its exploration and evaluation activities. At September 30, 2013, the Company's portfolio included licences covering five properties. The Company's current projects are located in Siberia and the Far East regions of the Russian Federation.

Although the Company has taken steps to verify title to properties in which it has an interest, these procedures do not guarantee the Company's title. Property title may be subject to, among other things, a failure to obtain governmental approvals in instances where the authorities could view it as necessary.

The Company is also subject to certain additional restrictions regarding properties designated by the Russian authorities as "Strategic Plots". These restrictions include certain restrictions on transfers and acquisitions of subsoil rights to Strategic Plots. In addition, certain legal restrictions apply to direct and indirect acquisitions of corporate control over the Strategic Plots through corporate transactions involving direct or indirect transfers of control over companies holding subsoil rights to Strategic Plots. The list of Strategic Plots has been prepared and published by the Russian authorities and is regularly updated. The list of Strategic Plots is not exhaustive and any properties which meet the criteria may be deemed strategic irrespective of whether they are included in the list. The Ak-Sug Project, the Kingash Project (a nickel sulphide property) and the East Sayan property are on the list of Strategic Plots. The Arbinsk property and the Greater Ak-Sug property may also be considered Strategic Plots.

Intergeo MMC Ltd

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2013 and 2012

(in US\$ 000's) (Unaudited)

2. Reorganization Transaction

During the period from January 19 to February 9, 2012, Intergeo MMC Ltd, Intergeo Management Limited and LLC Intergeo Managing Company completed a series of corporate reorganization transactions (the "Reorganization Transaction") for the purposes of:

- (i) eliminating the existing related party borrowings owed by LLC Intergeo Managing Company and Intergeo Management Limited by a debt to equity conversion; and
- (ii) establishing the ownership structure whereby Intergeo MMC Ltd has a 99.5% indirect interest in LLC Intergeo Managing Company through Intergeo Management Limited.

Prior to the date of the Reorganization Transaction and at December 31, 2011:

- (i) Intergeo MMC Ltd was 100% beneficially owned by Mr. Mikhail Prokhorov through Daselina Investments Ltd.;
- (ii) Intergeo MMC Ltd owned 100% of Intergeo Management Limited; and
- (iii) Mr. Mikhail Prokhorov owned a 99.9995% interest in LLC Intergeo Managing Company with the remaining 0.0005% interest being indirectly owned by Intergeo MMC Ltd through Intergeo Management Limited.

The Reorganization Transaction was completed through the following steps:

On January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 and Intergeo Management Limited totalling \$5,083 were assigned to Daselina Investments Ltd. The loans and promissory notes receivable aggregating \$208,246 and cash of \$7,262 were transferred by Daselina Investments Ltd. to Intergeo MMC Ltd in exchange for 100,000,000 common shares of Intergeo MMC Ltd. As a result of this step, Intergeo MMC Ltd continued to be 100% owned by Daselina Investments Ltd., which is 100% owned by Mr. Mikhail Prokhorov.

Immediately following the above step, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 and Intergeo Management Limited totalling \$5,083 were owed to Intergeo MMC Ltd.

On January 19, 2012, the loans and promissory notes receivable (including accrued interest) aggregating \$208,246 and cash of \$6,762 were transferred by Intergeo MMC Ltd to Intergeo Management Limited in exchange for 10,000 common shares of Intergeo Management Limited. Loans and promissory notes receivable (including accrued interest) in the amount of \$5,083 were eliminated against existing loans and promissory notes of Intergeo Management Limited. As a result of this step, Intergeo Management Limited continued to be 100% owned by Intergeo MMC Ltd.

Immediately following the above step on January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 were owed to Intergeo Management Limited.

On January 23, 2012 and February 1, 2012, promissory notes receivable (including accrued interest) aggregating \$204,603 and cash of \$6,989 were transferred by Intergeo Management Limited to LLC Intergeo Managing Company in exchange for additional charter capital and additional paid-in capital of LLC Intergeo Managing Company. The increase in charter capital was registered with the Russian tax authorities and became effective on February 9, 2012. The promissory notes (including accrued interest) aggregating \$204,603 were eliminated against existing promissory notes of LLC Intergeo Managing Company.

As a result of this Reorganization Transaction and the related adjustment to net assets of LLC Intergeo Managing Company, Intergeo MMC Ltd increased its indirect ownership interest in LLC Intergeo Managing Company from

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0.0005% to 99.5% and diluted Mr. Mikhail Prokhorov's direct ownership interest in LLC Intergeo Managing Company from 99.9995% to 0.5%. In addition, the Company recorded non-controlling interest in the amount of \$907 in 2012 as a result of the 0.5% direct ownership. Mr. Prokhorov continued to beneficially own Intergeo MMC Ltd through Daselina Investments Ltd.

3. Significant Accounting Policies

(a) *Financial statement presentation*

During the period from January 19 to February 9, 2012, Intergeo, Intergeo Management Limited ("Intergeo Cyprus") and LLC Intergeo Managing Company ("Intergeo Russia") completed a Reorganization Transaction (see Note 2) in order to eliminate existing related party borrowings by a debt to equity conversion and to establish the ownership structure whereby Intergeo has a 99.5% indirect interest in Intergeo Russia, which holds investments in mineral exploration companies located in Russia.

The Reorganization Transaction is considered a transaction between entities under common control. As such, the Company has presented its financial results on the book value (carry-over basis) accounting of the assets and liabilities – the financial statements of the Company and Intergeo Russia are combined together at book value for the comparative periods to account for the entity as though they had always been combined together as one entity. Accordingly, the consolidated statements of comprehensive loss, changes in equity (deficit) and cash flows include the activities for Intergeo Russia from June 29, 2011, the date the entities came under common control.

(b) *Statement of compliance*

These unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34"). The significant accounting policies used in the preparation of these unaudited interim financial statements are consistent with the accounting policies of the Company's audited consolidated financial statements for the year ended December 31, 2012, and are based on International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

These interim financial statements do not include all disclosures required by IFRS for consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2012.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on December 25, 2013.

(c) *Functional and presentation currency*

The United States dollar is the functional and presentation currency of the Company. These condensed consolidated interim financial statements are presented in United States dollars, except as otherwise stated herein. Unless otherwise indicated, references to "US\$" and "\$" are to United States dollars.

The Company has used the following exchange rates in the preparation of the condensed consolidated interim financial statements:

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	RUB/US\$	US\$/C\$
As at		
September 30, 2013	0.03090	1.0285
December 31, 2012	0.03276	0.9949
Average for the three months ended		
September 30, 2013	0.03051	1.0386
September 30, 2012	0.03131	0.9953

(d) Going concern

The condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will continue its activities for the foreseeable future and that all its obligations will be settled in the normal course of business.

To date, the Company has been reliant on borrowings and equity provided by related parties. To continue its planned activities, the Company will continue to be reliant on funding provided by related parties and/or successful raising of alternative sources of equity or debt finance. In the absence of a letter of financial support, there would be material uncertainties that would cast significant doubt regarding the Company's ability to continue as a going concern.

On December 5, 2013, the Company received a letter of financial support from Onexim Holdings Limited under which an undertaking has been given to provide sufficient funding to ensure that the Company has the ability to meet its obligations and liabilities as and when they fall due during the period of one year subsequent to the date of Board of Directors' approval of the condensed consolidated interim financial statements for the three and nine months ended September 30, 2013, which was December 25, 2013.

Onexim Holdings Limited has provided the letter of support because as of September 30, 2013 the common shares of the Company are 99.02% indirectly owned by Mr. Mikhail Prokhorov, who also controls and is the ultimate beneficial shareholder of Onexim Holdings Limited.

4. Changes in accounting policies

The Company has adopted the following new and revised IFRSs, as issued by the IASB along with any amendments, effective January 1, 2013. These changes were made in accordance with the applicable transition provisions.

Amendments to IFRS 7, Financial Instruments: Disclosures and IAS 32, Financial Instruments: Presentation

In December 2011, the IASB approved amendments to IFRS 7, *Financial Instruments: Disclosures*, with respect to offsetting financial assets and financial liabilities. The common disclosure requirements of amended IFRS 7 are intended to help investors and other users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. Companies and other entities are required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The required disclosures should be provided retrospectively.

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As part of this project the IASB also clarified aspects of IAS 32, *Financial Instruments: Presentation*. The amendments to IAS 32 address inconsistencies in current practice when applying the requirements. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively.

The Company reviewed the amendments to IFRS 7 and IAS 32 and determined that no additional disclosures are currently required.

IFRS 10, Consolidated Financial Statements

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements* and Standing Interpretation Committee ("SIC")-12, *Consolidation – Special Purpose Entities*, and is effective for annual periods beginning on or after January 1, 2013.

The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of the Company's subsidiaries.

IFRS 11, Joint Arrangements

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* and is effective for annual periods beginning on or after January 1, 2013.

The Company determined that the standard did not have any impact on its condensed consolidated interim financial statements.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

The Company assessed its disclosures and concluded that the adoption of IFRS 12 did not result in any change in disclosures in the condensed consolidated interim financial statements.

IFRS 13, Fair Value Measurements

IFRS 13 defines fair value and sets out a single framework for measuring fair value which is applicable to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires that when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximized while unobservable inputs should be minimized. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013.

The Company assessed its disclosures and concluded that the adoption of IFRS 13 did not result in any change in disclosures in the condensed consolidated interim financial statements for the nine months ended September 30, 2013 and 2012.

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Amendments to IAS 1, Presentation of Financial Statements

The amendments introduce changes to presentation of items of other comprehensive income. The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit and loss in the future if certain conditions are met from those that would never be reclassified to profit and loss. The amendments are to be applied effective July 1, 2012 and may be early adopted. The amendments are to be applied retroactively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

In accordance with the requirements of Amendments to IAS 1, the Company separated the items of other comprehensive income that would be reclassified to profit and loss from those that would never be reclassified to profit and loss on the Statement of Other Comprehensive Income (Loss).

IAS 19, Employee Benefits (amended standard)

The amended standard introduces various changes in accounting and disclosure requirements for defined benefit plans. The amended standard also finalizes proposals on accounting for termination benefits; under the amended standard the termination benefits are recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, that includes the payment of a termination benefit, and when the entity can no longer withdraw the offer of the termination benefit. The amended standard is to be applied for periods beginning on or after January 1, 2013.

The amended standard does not impact the Company's condensed consolidated interim financial statements.

IAS 27 - Separate financial statements

IAS 27, *Separate financial statements* (IAS 27) was re-issued by the IASB in May 2011 to only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The consolidation guidance will now be included in IFRS 10. The amendments to IAS 27 are effective for annual periods beginning on or after January 1, 2013.

The Company determined that the amendments to IAS 27 did not have any impact on its condensed consolidated interim financial statements.

IAS 28 (2011) – Investments in associates and joint ventures

IAS 28 (2011), *Investments in associates and joint ventures* (IAS 28) was re-issued by the IASB in May 2011. IAS 28 continues to prescribe the accounting for investments in associates but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013.

The Company determined that the amendments to IAS 28 did not have any impact on its condensed consolidated interim financial statements.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 is a new interpretation on the accounting for waste removal activities. The interpretation considers when and how to account separately for the benefits arising from a stripping activity, as well as how to measure such benefit. The interpretation generally requires that costs from a stripping activity which improve access to ore to be

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recognized as a non-current asset when certain criteria are met and should be accounted as an addition to the related asset.

As the Company does not currently conduct any stripping activities, IFRIC 20 does not currently impact the Company's condensed consolidated interim financial statements.

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results can differ from those estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage, which permits a reasonable assessment of the existence of reserves. The determination of reserves is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

(b) Initial recognition of related party receivables and borrowings

In the normal course of business the Company enters into transactions with its related parties. Judgement is applied in determining if such transactions are conducted at market or non-market interest rates. The basis for judgement includes pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

(c) Transaction between entities under common control

The Reorganization Transaction is considered a transaction between entities under common control. Judgement was applied in determining that the Reorganization Transaction should be accounted for as a transaction between entities under common control and the date that Intergeo and Intergeo Russia came under common control. Management concluded that as a result of the transfer of ownership of Intergeo to Onexim Holdings Limited on

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June 29, 2011, Intergeo and Intergeo Russia came under the common control of Mr. Mikhail Prokhorov effective June 29, 2011.

As such, the Company has presented its financial results on the book value (carry-over basis) accounting of the assets and liabilities – the financial statements of the Company and Intergeo Russia are combined together at book value for the current and comparative periods to account for the entity as though they had always been combined together as one entity. Accordingly, the consolidated statements of comprehensive loss, changes in equity (deficit) and cash flows include the activities for Intergeo Russia from June 29, 2011, the date the entities came under common control.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Ore reserve and resource estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact the carrying value of exploration and evaluation assets, property, plant and equipment, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortization charges.

(b) Fair value determination

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the use of financial models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(c) Impairment of non-financial assets

The Company assesses non-financial assets for indicators of impairment at each reporting period. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for exploration and evaluation assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash-generating units as being an

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individual mine site or project, which is the lowest level for which cash inflows are largely independent of those of other assets.

(d) Tax losses carried forward

Tax losses are recognized as a deferred tax asset to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilized. As the Company's operations are at the exploration and evaluation stage, management concluded that the probability of future taxable income is not sufficiently reliable to allow a deferred tax asset to be recognized.

(e) Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

(f) Environmental rehabilitation provision

The Company assesses its environmental rehabilitation provision at each reporting date. Significant estimates and assumptions are made in determining the provision for rehabilitation, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

6. Cash and cash equivalents

	September 30, 2013	December 31, 2012
	\$	\$
Cash in bank	10,465	7,966
Deposits with original maturities of 3 months or less	7,354	5,110
	17,819	13,076

7. Other receivables

	September 30, 2013	December 31, 2012
	\$	\$
VAT receivable	1,405	1,923
Other	88	198
	1,493	2,121

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8. Financial assets

	September 30, 2013	December 31, 2012
	\$	\$
Shares of IRC Limited	2,880	11,272
Term deposit	4,181	—
Other	3	15
	7,064	11,287

Shares of IRC Limited

On July 24, 2012, the Company's subsidiary Intergeo Cyprus acquired 74,681,360 shares of IRC Limited (the "Subscription Shares") pursuant to a Subscription Agreement (the "Subscription Agreement") with IRC Limited, in exchange for the Company's 51% interest in Uralmining, Ltd. (Note 21). The Subscription Shares were subject to a nine-month lock-up from the date of completion of the transaction. Under the terms of the Subscription Agreement, the Company could not, without the consent of IRC Limited, sell, transfer, grant options over or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) the Subscription Shares during the term of the lock-up. IRC Limited's shares are publicly-traded on the Hong Kong Stock Exchange. On July 24, 2012, the Subscription Shares had a fair value of \$6,546. The Company has designated its investment in IRC Limited as an available-for-sale financial asset with the changes in the fair value of the shares being included in other comprehensive income.

During the three and nine month periods ended September 30, 2013 the Company sold 49,840,000 shares and 50,140,000 shares of IRC Limited for proceeds of \$5,618 and \$5,651, respectively and recognized a gain on sale of shares of IRC Limited of \$1,249 and \$1,256 for the three and nine months ended September 30, 2013.

As at September 30, 2013, the fair value of the remaining Subscription Shares of IRC Limited (24,541,360 shares) was \$2,880 (December 31, 2012 – 74,681,360 shares with a fair value of \$11,272). Consequently, the Company recorded an unrealized gain on financial assets for the three months ended September 30, 2013 totalling \$346 (three months ended September 30, 2012 – unrealized loss of \$1,730) and an unrealized loss on financial assets for the nine months ended September 30, 2013 totalling \$2,741 (nine months ended September 30, 2012 – unrealized loss of \$1,730) in other comprehensive loss.

Subsequent to September 30, 2013, the Company liquidated the remaining Subscription Shares of IRC Limited (24,541,360 shares) for proceeds of \$2,732.

Term deposit

In July of 2013, the Company invested \$4,049 (RUB 134 million) in a term deposit. The term deposit bears interest at 6.7% with an original maturity of 122 days and is denominated in RUBs. The carrying amount of the term deposit at September 30, 2013 is \$4,181.

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9. Exploration and evaluation assets

The following table shows the break-down of each of the exploration and evaluation assets by project:

	September 30, 2013	December 31, 2012
	\$	\$
Ak-Sug	44,221	39,828
Kingash	70,601	72,480
Greater Ak-Sug	12,870	10,048
East Sayan	—	45,171
Arbinsk	16,627	16,204
	144,319	183,731

	Exploration and evaluation assets
	\$
January 1, 2012	170,507
Additions	20,842
Disposal of Uralmining, Ltd. (Bolshoy Seyim) (Note 21)	(16,208)
Change in estimate in site restoration provision	199
Foreign currency translation	8,391
December 31, 2012	183,731
Additions	14,259
Impairment of exploration and evaluation assets	(42,179)
Foreign currency translation	(11,492)
September 30, 2013	144,319

The balance of exploration and evaluation assets at September 30, 2013 represents capitalized costs in relation to exploration and evaluation activities carried out by the Company in the Russian Federation. Additions to exploration and evaluation assets include capitalized borrowing costs arising on financing directly attributable to these activities amounting to \$nil for the three and nine months ended September 30, 2013 (\$nil and \$487 for the three and nine months ended September 30, 2012). The imputed capitalization rate was 13% for the three and nine months ended September 30, 2012.

During the second quarter of 2013, the Company determined that it did not currently have sufficient financial resources to continue exploration and evaluation work to evaluate the potential mineral resources of its East Sayan property. As a result, management decided to indefinitely suspend exploration and evaluation activities at the East Sayan property resulting in the Company recognizing an impairment loss totaling \$42,179.

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10. Property, plant and equipment

	Land and buildings	Plant, machinery and equipment	Other	Total
	\$	\$	\$	\$
Cost				
January 1, 2012	3,163	2,941	682	6,786
Additions	173	200	3	376
Disposals	—	(231)	(11)	(242)
Foreign currency translation	189	163	18	370
December 31, 2012	3,525	3,073	692	7,290
Additions	8	100	42	150
Disposals	—	(348)	(44)	(392)
Foreign currency translation	(199)	(183)	(39)	(421)
September 30, 2013	3,334	2,642	651	6,627
Accumulated depreciation				
January 1, 2012	(273)	(952)	(281)	(1,506)
Depreciation charge	(581)	(713)	(126)	(1,420)
Disposals	—	139	10	149
Foreign currency translation	(24)	(71)	(10)	(105)
December 31, 2012	(878)	(1,597)	(407)	(2,882)
Depreciation charge	(454)	(468)	(82)	(1,004)
Disposals	—	273	24	297
Foreign currency translation	62	102	23	187
September 30, 2013	(1,270)	(1,690)	(442)	(3,402)
Carrying amounts				
December 31, 2012	2,647	1,476	285	4,408
September 30, 2013	2,064	952	209	3,225

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11. Borrowings

	Currency	Maturity	Nominal Interest rate	Effective Interest rate	September 30, 2013	December 31, 2012
					\$	\$
Credit line from related parties ⁽ⁱ⁾	RUB	2013	12%	12%	—	7,371
					—	7,371

- (i) On June 19, 2012, two 100% owned subsidiaries of Intergeo Russia, Limited Liability Company East Sayan nickel company ("East Sayan") and Limited Liability Company Golevskaya GRK ("Golevskaya") entered into credit line agreements denominated in Russian roubles with OJSC Joint-Stock Commercial Bank "International Financial Club" ("International Financial Club"). International Financial Club is a related party to the Company, as Mr. Mikhail Prokhorov is a shareholder and a member of the board of directors. International Financial Club provided credit lines totalling approximately \$14,000 (RUB 450 million) to East Sayan (RUB 225 million) and Golevskaya (RUB 225 million). The credit lines had a six month term and bore interest at 12% per annum. On December 18, 2012, the term of the Golevskaya credit line was extended until January 31, 2013. The credit lines were secured by a pledge of marketable securities by Leonina Investments Limited, a related party to the Company. Mr. Mikhail Prokhorov is the ultimate beneficial owner of Leonina Investments Limited.

During the year ended December 31, 2012, the Company drew a total of \$13,963 (RUB 450 million) and repaid \$7,145 (RUB 225 million) under the terms of the two credit lines. As at December 31, 2012 the credit line to Golevskaya in the amount of \$7,371 (RUB 225 million) was outstanding.

On January 31, 2013, Golevskaya repaid its loan from International Financial Club in the amount of approximately \$7,499 (RUB 225 million).

12. Accounts payable and accrued liabilities

	September 30, 2013	December 31, 2012
	\$	\$
Accrued professional services	714	4,814
Accrued vacation pay	701	1,061
Accrued payroll	506	539
Accrued interest payable (Note 20)	—	27
Other	536	607
	2,457	7,048

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13. Income tax

(a) Income tax (expense) recovery

Income tax (expense) recovery recorded in the statement of comprehensive loss is as follows:

	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
Current income taxes	\$ (48)	\$ —	\$ (48)	\$ —
Deferred income taxes	(867)	(1,059)	1,367	(2,338)
Income tax (expense) recovery	(915)	(1,059)	1,319	(2,338)

(b) Reconciliation of income tax (expense) recovery

	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
Loss before taxes	\$ (2,483)	\$ (7,209)	\$ (56,133)	\$ (19,925)
Income tax benefit at statutory rates – 0%	—	—	—	—
Impact of foreign tax rates	387	1,069	10,554	3,126
Tax effect of impairment of exploration and evaluation assets	—	—	(4,503)	—
Tax losses and other tax attributes not recognized	(1,302)	(2,128)	(4,732)	(5,464)
Income tax (expense) recovery	(915)	(1,059)	1,319	(2,338)

(c) Deferred tax assets and liabilities are attributable to the following:

	September 30, 2013			December 31, 2012		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	220	(17)	203	319	—	319
Exploration and evaluation assets	—	(13,111)	(13,111)	—	(15,634)	(15,634)
Other receivables	63	—	63	138	—	138
Other payables and accrued liabilities	323	(27)	296	295	—	295
Other assets	—	(13)	(13)	—	—	—
Borrowings	—	—	—	—	—	—
Net assets / (liabilities)	606	(13,168)	(12,562)	752	(15,634)	(14,882)

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(in US\$ 000's) (Unaudited)

(d) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	September 30, 2013	December 31, 2012
	\$	\$
Unrecognized tax losses	48,220	38,967

Deferred tax assets have not been recognized for tax loss carry-forwards as it is not probable that the related tax benefit can be realized through future taxable profits.

As at September 30, 2013, the Company has tax loss carry-forwards available in Cyprus of approximately \$21,166 that expire during the years ending December 31, 2016 through 2022. The Company also has tax loss carry-forwards in Russia of approximately \$27,054 that expire during the years ending December 31, 2016 through 2023.

14. Provisions

Site restoration

Under its licence agreements, the Company is not responsible for any material restoration, rehabilitation and environmental expenditures that may be incurred subsequent to the cessation of exploration and evaluation operations at each land site, apart from the obligation to perform re-cultivation of certain disturbed lands and tailing pits in the areas of its operating activity. The amount of the restoration obligation is determined using the nominal prices effective at the reporting dates by applying the forecasted rate of inflation for the expected period of the life of the mines and discounted at the risk free rate. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives and the level of risk free and inflation rates.

The timing of decommissioning activity is subject to reassessment at the same time as the revision of the Company's proven and probable reserves. Movements in provisions are as follows:

	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
	\$	\$	\$	\$
Carrying amount, beginning of period	480	265	494	255
Unwinding of the discount (Note 19)	13	17	40	27
Foreign currency translation	7	—	(34)	—
Carrying amount, end of period	500	282	500	282

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Principal assumptions made in calculations of the provision are presented below:

	September 30, 2013	December 31, 2012
Expected year in which costs will be incurred (average)	2029	2029
Discount rate	13.09%	13.09%
Inflation rate	5.08%	5.08%

The asset recognized corresponding to the site restoration provision is recorded as a component of exploration and evaluation assets and amounted to \$368 at September 30, 2013 (December 31, 2012 - \$396).

15. Share capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value. A summary of common share transactions for the period is as follows:

Amounts in US\$000's except number of share amounts	Number of shares	\$
Balance as at January 1, 2012	10,000	10
Issued as a result of the Reorganization Transaction (Note 2)	100,000,000	215,508
Issued as a result of the Private Placement	5,000,000	25,000
Balance as at December 31, 2012	105,010,000	240,518
Issued as a result of the Private Placement	9,000,000	45,000
Balance as at September 30, 2013	114,010,000	285,518

On October 23, 2012, the Company and Daselina entered into a subscription agreement whereby Daselina agreed to purchase up to an aggregate of 14,000,000 common shares at a subscription price of \$5.00 per common share for aggregate gross proceeds of \$70,000 (the "Private Placement"). The subscription agreement provided that the Private Placement would be completed in three tranches. The first tranche was completed on October 26, 2012, pursuant to which the Company received cash proceeds of \$25,000 in exchange for the issue of 5,000,000 common shares. The second tranche was completed on January 17, 2013, pursuant to which the Company received cash proceeds of \$25,000 in exchange for the issue of 5,000,000 common shares and the third tranche was completed on January 25, 2013, pursuant to which the Company received cash proceeds of \$20,000 in exchange for the issue of 4,000,000 common shares.

16. Additional paid-in capital

Additional paid-in capital results from the effects of discounting at market interest rates loans receivable and payable with related parties.

During the three months ended March 31, 2012, as a result of the Reorganization Transaction, the Company issued share capital in exchange for certain related party promissory notes and recorded a related reduction in additional paid-in capital in the amount of \$3,083. The Company also recorded non-controlling interest and a related reduction in additional paid-in capital in the amount of \$907 in 2012, to reflect Mr. Michael Prokhorov's 0.5% direct interest in Intergeo Russia, as a result of the Reorganization Transaction.

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17. General and administrative expenses

	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
	\$	\$	\$	\$
Salaries and benefits	1,418	1,941	5,963	7,383
Professional services	1,525	2,053	6,115	5,481
Rent	461	332	1,567	1,834
Travel	95	219	502	679
Office expenses	68	196	248	366
Depreciation	120	126	285	287
Repairs and maintenance	102	43	412	122
Other	197	133	686	738
	3,986	5,043	15,778	16,890

18. Other expenses

	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
	\$	\$	\$	\$
Non-recoverable VAT	1	32	5	235
Other	32	123	68	393
	33	155	73	628

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19. Finance income and finance costs

	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
	\$	\$	\$	\$
Finance income				
Interest income	185	—	493	214
Foreign exchange gains	39	—	82	—
	224	—	575	214
Finance costs				
Interest expense	12	291	119	1,415
Less capitalized interest	—	—	—	(487)
	12	291	119	928
Unwinding of discount (Note 14)	13	17	40	27
Foreign exchange loss	—	519	—	519
	25	827	159	1,474

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20. Related party transactions

Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties to Intergeo and its subsidiaries include:

Related Party	Relationship	Period Related
Mr. Mikhail Prokhorov	Ultimate beneficial owner	From June 29, 2011
Mr. Maxim Finskiy	Ultimate beneficial owner ⁽ⁱⁱ⁾	From April 18, 2012
Daselina Investments Ltd.	Shareholder ^{(i) (ii)}	From November 15, 2011
Kirkland Intertrade Corp.	Shareholder ⁽ⁱⁱ⁾	From April 18, 2012
Onexim Holdings Limited	Other related party ⁽ⁱ⁾	From June 29, 2011
Onexim Group Management Limited	Other related party ⁽ⁱ⁾	From June 29, 2011
Coverico Holdings Co. Limited	Other related party ⁽ⁱ⁾	From June 29, 2011
North Financial Overseas Corp.	Other related party ⁽ⁱ⁾	From June 29, 2011
Leonina Investments Limited (see Note 11)	Other related party ⁽ⁱ⁾	From June 29, 2011
International Financial Club (see Note 11)	Other related party ⁽ⁱⁱⁱ⁾	From June 29, 2011

(i) Mr. Mikhail Prokhorov is the ultimate beneficial owner of the entity.

(ii) On April 18, 2012, ownership of 1,118,259 common shares of the Company was transferred from Daselina Investments Ltd. to Kirkland Intertrade Corp. Mr. Maxim Finskiy is the ultimate beneficial owner of Kirkland Intertrade Corp.

(iii) Mr. Mikhail Prokhorov is a shareholder and member of the board of directors of International Financial Club.

Unless otherwise noted, the parties were related during the entire period covered by the financial statements.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

a) Borrowings and related interest

Borrowings - Principal

	September 30, 2013	December 31, 2012
	\$	\$
International Financial Club	—	7,371

Borrowings - Interest payable

	September 30, 2013	December 31, 2012
	\$	\$
International Financial Club	—	27

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(in US\$ 000's) (Unaudited)

Borrowings - Interest expense

	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
	\$	\$	\$	\$
International Financial Club	—	228	75	252

Borrowings – Repayment of borrowings

	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
	\$	\$	\$	\$
International Financial Club	—	—	7,499	—

Borrowings - Interest paid

	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
	\$	\$	\$	\$
International Financial Club	—	—	103	—

b) Cash and cash equivalents

Cash and cash equivalents includes an amount held at International Financial Club, a commercial bank that is considered to be a related party to the Company.

	September 30, 2013	December 31, 2012
	\$	\$
International Financial Club	79	676

Intergeo MMC Ltd

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For the three and nine months ended September 30, 2013 and 2012

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21. Disposal of Uralmining Ltd. (Bolshoy Seyim property)

On April 9, 2012, the Company's subsidiary Intergeo Cyprus entered into the Subscription Agreement with IRC Limited, which was the owner of 49% of the Bolshoy Seyim property through its 49% interest in Uralmining, Ltd. Uralmining, Ltd. holds the licence for exploration and extraction of mineral resources at the Bolshoy Seyim deposit in the Amur region of the Russian Federation. The Subscription Agreement provided for Intergeo Cyprus to receive 74,681,360 shares of IRC Limited, in exchange for the Company's 51% interest in Uralmining, Ltd.

Discussions surrounding the sale of the interest in Uralmining, Ltd. commenced in the first quarter of 2012 and at that time the Company reclassified its interest in Uralmining, Ltd. as a "held for sale" asset. The transaction closed on July 24, 2012 and in accordance with the terms of the Subscription Agreement the Company received 74,681,360 shares of IRC Limited (Note 8).

On July 24, 2012, the 74,681,360 shares of IRC Limited had an aggregate market value of \$6,546. After considering the 51% interest in the net assets disposed of (\$1,175) as well as the settlement of the loans (including accrued interest) receivable from Uralmining, Ltd. of \$6,555, the Company recorded a loss on sale of Uralmining, Ltd. in the amount of \$1,184 during the third quarter of 2012.

Net assets disposed of:

	As at July 24, 2012
Net assets of Uralmining, Ltd. (100%)	\$
Assets	
Exploration and evaluation assets (Note 9)	16,208
Cash	876
VAT receivable	48
Other receivables	2
	17,134
Liabilities	
Borrowings ⁽ⁱ⁾	12,589
Accrued liabilities ⁽ⁱ⁾	1,755
Deferred income taxes	800
	15,144
Net assets disposed of	1,990

- (i) Included in Borrowings and Accrued liabilities are principal and accrued interest amounts aggregating \$6,555, due to the Company's subsidiary Intergeo Cyprus.

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Loss on disposal of Uralmining, Ltd.

	\$
Consideration received	
Fair value on July 24, 2012 of the 74,681,360 shares of IRC Limited	6,546
Net assets disposed of	(1,990)
Non-controlling interest	975
Accumulated foreign currency translation adjustment related to net assets sold	(160)
Settlement of loans receivable from Uralmining, Ltd. (including accrued interest)	(6,555)
Loss on disposal of Uralmining, Ltd.	(1,184)

22. Contingencies and commitments

Tax legislation

Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities.

The Russian tax authorities take a more assertive approach in their interpretation of the legislation and tax examinations, which may include following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

Legal proceedings

The Company may be subject to various contingent liabilities that occur in the normal course of operations. The Company is not aware of any pending or threatened proceedings that would have material adverse effect on the consolidated financial position as at September 30, 2013.

Capital commitments

At September 30, 2013, the Company had contractual capital expenditure commitments in respect of exploration and evaluation assets in the amount of \$17,750 (December 31, 2012 - \$6,821).

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities,

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which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material.

Operating leases

The Company and its subsidiaries lease office space under various non-cancellable operating lease agreements. The terms of the office space lease agreements in Toronto and Moscow extend to June 2014 and April 2016, respectively. In addition, the Company leases land under non-cancellable operating lease agreements. The lease terms are between 10 and 17 years, and the majority of lease agreements are renewable at the end of the lease period.

The expected amount of lease payments as at September 30, 2013, under the terms of the leases are:

	\$
No later than 1 year	1,929
Later than 1 year and no later than 5 years	3,131
Later than 5 years	347
	5,407

23. Financial instruments and risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- price risk;
- interest rate risk; and
- currency risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There were no changes to the Company's risk management policies and systems during the period ended September 30, 2013. The Company, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables. The credit risk on liquid funds is limited because the Company does not hold significant cash balances and its counterparties are banks with acceptable credit ratings. The credit risk on other receivables is primarily concentrated on loans receivable, which

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are due from both related and unrelated parties. The Company's exposure to these counterparties is continually monitored.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	September 30, 2013	December 31, 2012
	\$	\$
Cash and cash equivalents	17,819	13,076
Other receivables	1,493	2,121
Financial assets	4,184	15
	23,496	15,212

The Company's management reviews the ageing analysis of outstanding receivables and follows up on past due balances. The Company has not recognized an allowance for doubtful debts as all balances are still considered recoverable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. To date, the major part of the Company's funding has been provided by its related parties and is supported by a letter of financial support (Note 3). On October 23, 2012, the Company entered into a private placement agreement with an existing shareholder to issue a further 14,000,000 common shares of the Company in exchange for gross proceeds of \$70,000. The private placement agreement was completed on January 25, 2013.

The following tables show the remaining contractual maturities as of the reporting date of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates). The Company did not have any derivative financial liabilities as at September 30, 2013 or December 31, 2012.

Financial liabilities	Carrying amount	Contractual cash flows	0-6 months	6-12 months	Over 1 year
	\$	\$	\$	\$	\$
September 30, 2013					
Accounts payable and accrued liabilities	2,457	2,457	2,457	—	—
December 31, 2012					
Borrowings	7,371	7,371	7,371	—	—
Accounts payable and accrued liabilities	7,048	7,116	7,116	—	—
	14,419	14,487	14,487	—	—

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Price risk

The Company is exposed to price risk due to fluctuations in the market price of its investment in shares of IRC Limited. The Company has designated its investment in IRC Limited as an available-for-sale financial asset with the changes in fair value being included in other comprehensive loss.

At September 30, 2013, if the market price of the shares of IRC Limited weakened/strengthened by 10 percent and no shares were disposed of or impaired, comprehensive income (loss) for the three and nine month period ended September 30, 2013 would have changed by \$288 and \$288, respectively (three and nine month period ended September 30, 2012 - \$482 and \$482).

Interest rate risk

The Company's operations expose it primarily to the financial risks of changes in interest rates. To date the majority of borrowings have been at fixed rates from related parties.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was as follows:

	September 30, 2013	December 31, 2012
	\$	\$
Fixed rate instruments		
Financial liabilities	—	(7,371)

Currency risk

The majority of the assets of the Company are denominated in Russian roubles. Accordingly, the carrying value of the net assets is subject to currency risk.

At September 30, 2013, if the RUB had weakened/strengthened by 10 percent against the US\$ with all other variables held constant, after-tax loss for the three and nine months ended September 30, 2013 would have changed by \$291 and \$4,860 (three and nine months ended September 30, 2012 - \$926 and \$1,388) and equity at September 30, 2013 would have changed by \$14,607. At December 31, 2012, if the RUB had weakened/strengthened by 10 percent against the US\$ with all other variables held constant, equity at December 31, 2012 would have changed by \$16,764.

At September 30, 2013, if the Canadian dollar had weakened/strengthened by 10 percent against the US\$ with all other variables held constant, after-tax loss for the three and nine months ended September 30, 2013 would have changed by \$8 and \$22 (three and nine months ended September 30, 2012 - \$23 and \$18) and equity at September 30, 2013 would have changed by \$32. At December 31, 2012, if the Canadian dollar had weakened/strengthened by 10 percent against the US\$ with all other variables held constant, equity at December 31, 2012 would have changed by \$12.

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(a) *Fair values versus carrying amounts*

	September 30, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	17,819	17,819	13,076	13,076
Other receivables	1,493	1,493	2,121	2,121
Financial assets	7,064	7,064	11,287	11,287
	26,376	26,376	26,484	26,484
Liabilities				
Borrowings	—	—	7,371	7,371
Accounts payable and accrued liabilities	2,457	2,457	7,048	7,048
	2,457	2,457	14,419	14,419

(b) *Fair value hierarchy*

The different levels have been defined as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At September 30, 2013 and December 31, 2012, the Company's investment in the shares of IRC Limited was classified within Level 1 of the fair value hierarchy.

The Company does not hold any financial assets or liabilities that have been classified within Level 2 or 3 of the fair value hierarchy as at September 30, 2013 or December 31, 2012.

(c) *Capital risk management*

The Company manages its capital to ensure that it will continue as a going concern in order to complete its planned exploration and evaluation activities.

The capital structure of the Company consists of borrowing from related parties, share capital and additional paid-in capital of the Company.

The Company is not subject to any externally imposed capital requirements.

To date, the majority of the Company's capital has been sourced from equity provided by shareholders.

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24. Segmented Information

The Company operates in one business segment: the exploration and development of mineral properties located in Russia. The operations of the Company are located primarily in Russia, with the exception of its corporate offices, which are located in the British Virgin Islands, Canada and Cyprus. All current exploration and evaluation activities are located in Russia.

Segmented information consists of the following:

	September 30, 2013			December 31, 2012		
	Corporate and other	Russia	Total	Corporate and other	Russia	Total
	\$	\$	\$	\$	\$	\$
Current assets	12,377	14,577	26,954	17,092	9,797	26,889
Exploration and evaluation assets	—	144,319	144,319	—	183,731	183,731
Other non-current assets	—	3,576	3,576	—	4,723	4,723
Total assets	12,377	162,472	174,849	17,092	198,251	215,343
Current liabilities	690	1,767	2,457	3,557	10,862	14,419
Non-current liabilities	—	13,062	13,062	—	15,376	15,376
Total liabilities	690	14,829	15,519	3,557	26,238	29,795

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	For the three months ended September 30, 2013			For the three months ended September 30, 2012		
	Corporate and other	Russia	Total	Corporate and other	Russia	Total
	\$	\$	\$	\$	\$	\$
General and administrative expenses	(1,710)	(2,276)	(3,986)	(2,408)	(2,635)	(5,043)
Impairment of exploration and evaluation assets	—	—	—	—	—	—
Other income	(35)	123	88	—	—	—
Other expenses	—	(33)	(33)	—	(155)	(155)
Finance income	45	179	224	—	—	—
Finance costs	(13)	(12)	(25)	(521)	(306)	(827)
Gain on sale of shares of IRC Limited	1,249	—	1,249	—	—	—
Loss on disposal of Uralmining, Ltd.	—	—	—	(580)	(604)	(1,184)
Loss before income taxes	(464)	(2,019)	(2,483)	(3,509)	(3,700)	(7,209)
Income tax (expense)	(48)	(867)	(915)	—	(1,059)	(1,059)
Loss for the period	(512)	(2,886)	(3,398)	(3,509)	(4,759)	(8,268)

	For the nine months ended September 30, 2013			For the nine months ended September 30, 2012		
	Corporate and other	Russia	Total	Corporate and other	Russia	Total
	\$	\$	\$	\$	\$	\$
General and administrative expenses	(7,437)	(8,341)	(15,778)	(7,053)	(9,837)	(16,890)
Impairment of exploration and evaluation assets	—	(42,179)	(42,179)	—	—	—
Other income	—	225	225	—	37	37
Other expenses	—	(73)	(73)	—	(628)	(628)
Finance income	—	575	575	3	211	214
Finance costs	(45)	(114)	(159)	(521)	(953)	(1,474)
Gain on sale of shares of IRC Limited	1,256	—	1,256	—	—	—
Loss on disposal of Uralmining, Ltd.	—	—	—	(580)	(604)	(1,184)
Loss before income taxes	(6,226)	(49,907)	(56,133)	(8,151)	(11,774)	(19,925)
Income tax (expense) recovery	(48)	1,367	1,319	—	(2,338)	(2,338)
Loss for the period	(6,274)	(48,540)	(54,814)	(8,151)	(14,112)	(22,263)

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25. Subsequent event

Transaction with Mercator Minerals Ltd.

On December 12, 2013 Intergeo announced that it had entered into an arrangement agreement (the "Arrangement Agreement") with Mercator Minerals Ltd. ("Mercator") to effect a business combination by way of plan of arrangement (the "Arrangement") to create a new copper-focused base metals company (the "Transaction"). Mercator is a Toronto Stock Exchange ("TSX") listed base metals mining company, which operates the wholly-owned copper/molybdenum/silver Mineral Park Mine in Arizona, USA and also has two wholly-owned development projects in Sonora, Mexico: the copper heap leach El Pilar project and the molybdenum/copper El Creston property.

In connection with the Transaction, Daselina has agreed to invest US\$100,000 via a private equity placement (the "Private Placement") in the combined company at a subscription price of US\$0.1224 per share (approximately C\$0.13 per share) (the "Subscription Price"). Prior to completing the Transaction, Daselina has agreed to advance up to US\$14,000 (which will comprise a portion of the aggregate subscription price for the Private Placement) to Mineral Park Inc. ("MPI"), the wholly-owned subsidiary of Mercator which holds the Mineral Park Mine, by way of a bridge loan to provide it with sufficient funding to stabilize its operations until the Transaction is completed. Approximately US\$50,000 (which includes up to US\$14,000 to be advanced under the bridge loan) of the proceeds from the Private Placement will be advanced to MPI in connection with the Transaction to fund principal payments under MPI's existing credit facility, trade payables, deferred maintenance and capital expenditures. The remainder of the proceeds from the Private Placement will be used to fund closing costs related to the Transaction, to advance the El Pilar and Ak-Sug projects and for general working capital.

Intergeo's shareholders, Daselina and Kirkland, will receive approximately 8.35 common shares of the combined company for each Intergeo share. As well, each of Daselina and Kirkland will also receive one newly-created non-transferable, non-voting, non-participating special share in the combined company which provide certain special rights and restrictions as set out in the Arrangement Agreement, which include the right to nominate up to three directors in certain circumstances and to appoint the Chair and CEO. Mercator shareholders will receive one new common share of the combined company plus one transferable put right for each existing Mercator common share. Each put right will entitle the holder thereof to sell one common share of the combined company to the combined company at a price of C\$0.10. The put rights will be exercisable during the period of 18 to 30 months from the date of issuance and will expire thereafter. The put rights will be governed by an indenture pursuant to which, among other things, Daselina or its designee will deposit cash or an irrevocable letter of credit in the amount of approximately C\$31.7 million with a trustee to be available to support the combined company's payment obligation in relation to the put rights.

Upon completion of the Transaction, the existing Intergeo shareholders will own approximately 85% and existing Mercator shareholders will own approximately 15% of the outstanding shares of the combined company.

The Transaction will be carried out by way of a plan of arrangement, the implementation of which will be subject to the approval of at least 66 2/3% of the votes cast at a special meeting of Mercator shareholders that is expected to be held in March 2014 followed by and subject to the approval of the Supreme Court of British Columbia. The Transaction is also subject to applicable regulatory approvals (including the approval of the TSX), certain third party consents and other customary conditions. The Arrangement Agreement also provides for the payment of a termination fee of US\$6,000 to Intergeo if the Transaction is terminated in certain specified circumstances.

APPENDIX K
INTERGEO MANAGEMENT'S DISCUSSION AND ANALYSIS FOR
THE YEAR ENDED DECEMBER 31, 2012 AND FOR THE PERIOD FROM INCORPORATION
(JUNE 9, 2011) TO DECEMBER 31, 2011

Intergeo MMC Ltd

Management's Discussion and Analysis

For the year ended December 31, 2012

and

for the period from incorporation (June 9, 2011) to December 31, 2011

Intergeo MMC Ltd

Management's Discussion and Analysis

For the year ended December 31, 2012 and for the period from incorporation to December 31, 2011

Certain terms used in this management's discussion and analysis ("MD&A") are defined in this MD&A. Unless the context otherwise requires, all references in this MD&A to the "Company" or "Intergeo" refer to Intergeo MMC Ltd and all of its subsidiaries, and all references to "Common Shares" refer to the common shares of Intergeo MMC Ltd.

The following MD&A of the operating results and financial condition of the Company for the year ended December 31, 2012, should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2012 and the accompanying notes thereto, which are included elsewhere in this Circular and which have been prepared in accordance with IFRS. Unless otherwise indicated, all dollar amounts in this MD&A (other than per share dollar amounts) are stated in thousands of United States dollars. The following additional abbreviations have also been used in this MD&A: International Accounting Standards Board ("IASB"); International Accounting Standards ("IAS"); and International Financial Reporting Interpretations Committee ("IFRIC").

The Company's accounting policies and estimates used in the preparation of its financial statements are considered appropriate in the circumstances, but are subject to judgements and uncertainties inherent in the financial reporting process. This analysis contains forward-looking information about the Company's business and future prospects that involve certain risks and uncertainties. The Company provides no assurances that actual results will meet management's expectations.

The information in this MD&A is provided as of November 11, 2013.

Formation of the Company

Intergeo was incorporated under the laws of the BVI on June 9, 2011 as Intergeo Group Ltd. On July 6, 2011, the Company changed its name to Intergeo MMC Ltd.

The Company's registered and head office is located at 19 Waterfront Drive, P.O. Box 3540, Road Town, Tortola, British Virgin Islands. As at December 31, 2012, Daselina and Kirkland owned 98.9% and 1.1%, respectively, of the issued and outstanding Common Shares of the Company. Mr. Prokhorov is the ultimate beneficial owner of Daselina and Mr. Finskiy is the ultimate beneficial owner of Kirkland.

The Company had the following controlled entities at December 31, 2012 and December 31, 2011:

Subsidiary	Project	Jurisdiction of Incorporation	Ownership as at December 31, 2012	Ownership as at December 31, 2011
Intergeo Management Limited		Cyprus	100%	100%
Intergeo Canada Management Services Inc.		Ontario	100%	100%
LLC Intergeo Managing Company		Russia	99.5%	0%
Limited Liability Company Golevskaya GRK	Ak-Sug	Russia	100%	0%
Kingashskaya mining company LLC	Kingash	Russia	100%	0%
Limited Liability Company Tyvamed	Greater Ak-Sug	Russia	100%	0%
Limited Liability Company East Sayan nickel company	East Sayan	Russia	100%	0%
Limited Liability Company Amurmed	Arbinsk	Russia	100%	0%
LLC Asian Copper Company		Russia	100%	0%
Limited Liability Company Zabaikalpolymetal		Russia	100%	0%
Limited Liability Company Orekitkanskaya GRK		Russia	100%	0%
Uralmining, Ltd.		Russia	0 %	0%

Intergeo MMC Ltd

Management's Discussion and Analysis

For the year ended December 31, 2012 and for the period from incorporation to December 31, 2011

Intergeo is a mineral resource company with immediate focus on developing its two key open pit projects located in Russia: the Ak-Sug Project and the Kingash Project. The Company defines its operations as a single operating segment, being its exploration and evaluation assets. At December 31, 2012, the Company's current portfolio includes licences covering five properties. The Company's current projects are located in Siberia and the Far East regions of Russia.

Intergeo Reorganization

During the period from January 19 to February 9, 2012, Intergeo, Intergeo Cyprus and Intergeo Russia completed the Intergeo Reorganization for the purposes of:

- (i) eliminating the existing related party borrowings owed by Intergeo Russia and Intergeo Cyprus by a debt to equity conversion; and
- (ii) establishing the ownership structure whereby Intergeo has a 99.5% indirect interest in Intergeo Russia through Intergeo Cyprus.

Prior to the date of the Intergeo Reorganization and at December 31, 2011:

- (i) Intergeo was 100% beneficially owned by Mr. Prokhorov through Daselina;
- (ii) Intergeo owned 100% of Intergeo Cyprus; and
- (iii) Mr. Prokhorov owned a 99.9995% interest in Intergeo Russia with the remaining 0.0005% interest being indirectly owned by Intergeo through Intergeo Cyprus.

The Intergeo Reorganization was completed through the following steps:

On January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by Intergeo Russia totalling \$203,163 and Intergeo Cyprus totalling \$5,083 were assigned to Daselina. The loans and promissory notes receivable aggregating \$208,246 and cash of \$7,262 were transferred by Daselina to Intergeo in exchange for 100,000,000 Common Shares. As a result of this step, Intergeo continued to be 100% owned by Daselina, which is beneficially owned by Mr. Prokhorov.

Immediately following the above step, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by Intergeo Russia totalling \$203,163 and Intergeo Cyprus totalling \$5,083 were owed to Intergeo.

On January 19, 2012, the loans and promissory notes receivable (including accrued interest) aggregating \$208,246 and cash of \$6,762 were transferred by Intergeo to Intergeo Cyprus in exchange for 10,000 common shares of Intergeo Cyprus. Loans and promissory notes receivable (including accrued interest) in the amount of \$5,083 were eliminated against existing loans and promissory notes of Intergeo Cyprus. As a result of this step, Intergeo Cyprus continued to be 100% owned by Intergeo.

Immediately following the above step on January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by Intergeo Russia totalling \$203,163 were owed to Intergeo Cyprus.

On January 23, 2012 and February 1, 2012, promissory notes receivable (including accrued interest) aggregating \$204,603 and cash of \$6,989 were transferred by Intergeo Cyprus to Intergeo Russia in exchange for additional charter capital and additional paid-in capital of Intergeo Russia. The increase in charter capital was registered

Intergeo MMC Ltd

Management's Discussion and Analysis

For the year ended December 31, 2012 and for the period from incorporation to December 31, 2011

with the Russian tax authorities and became effective on February 9, 2012. The promissory notes (including accrued interest) aggregating \$204,603 were eliminated against existing promissory notes of Intergeo Russia.

As a result of the Intergeo Reorganization and the related adjustment to net assets of Intergeo Russia, Intergeo increased its indirect ownership interest in Intergeo Russia from 0.0005% to 99.5% and diluted Mr. Prokhorov's direct ownership interest in Intergeo Russia from 99.9995% to 0.5%. Mr. Prokhorov continued to beneficially own Intergeo through Daselina.

Financial Statement Presentation

During the period from January 19 to February 9, 2012, Intergeo, Intergeo Cyprus and Intergeo Russia completed the Intergeo Reorganization (see "— Intergeo Reorganization") in order to eliminate existing related party borrowings by a debt to equity conversion and to establish the ownership structure whereby Intergeo has a 99.5% indirect interest in Intergeo Russia, which holds investments in mineral exploration companies located in Russia.

The Intergeo Reorganization is considered a transaction between entities under common control. As such, the Company has presented its financial results on the book value (carry-over basis) accounting of the assets and liabilities – the financial statements of the Company and Intergeo Russia are combined together at book value for the current and comparative periods to account for the entity as though they had always been combined together as one entity. Accordingly, the consolidated statements of comprehensive loss, changes in equity (deficit) and cash flows include the activities for Intergeo Russia from June 29, 2011, the date the entities came under common control.

Intergeo was incorporated on June 9, 2011 and, as the Company's sole shareholder and director, Mr. Lambros Soteriou, controlled the Company from incorporation to June 29, 2011, at which time all of the outstanding shares of Intergeo were transferred from Mr. Soteriou to Onexim Holdings Limited. Mr. Prokhorov is the ultimate beneficial owner of Onexim Holdings Limited. In April 2011, Mr. Prokhorov acquired a 99.9995% interest in Intergeo Russia. As a result of the transfer of ownership of Intergeo to Onexim Holdings Limited on June 29, 2011, Intergeo and Intergeo Russia came under the common control of Mr. Prokhorov effective June 29, 2011.

OVERALL PERFORMANCE

Intergeo is a diversified mineral resource company primarily focused on developing, exploring and acquiring base metal properties in Russia, with immediate focus on developing its two key open pit projects: the Ak-Sug Project and the Kingash Project. The Company has no operating properties and therefore no revenue and negative cash flow from operations.

The Company's exploration operations are subject to seasonal fluctuations as a result of weather conditions. In particular, exploration activities in Siberia and the Far East regions of Russia are reduced by winter weather conditions, which occur primarily from November to April.

The Company defines its operations as a single operating segment, being its exploration and evaluation activities.

Historically, the Company has relied on its shareholder for funding of its expenditures through borrowings from the shareholder and related entities. However, pursuant to the Intergeo Reorganization all shareholder and related party borrowings were converted to equity. It is expected that future funding of the Company will include further shareholder advances and short-term bridge financing.

Intergeo MMC Ltd

Management's Discussion and Analysis

For the year ended December 31, 2012 and for the period from incorporation to December 31, 2011

SELECTED ANNUAL FINANCIAL INFORMATION

The following tables set out selected financial information for the Company as at December 31, 2012 and December 31, 2011, for the year ended December 31, 2012, and for the period from incorporation to December 31, 2011:

As at	December 31, 2012	December 31, 2011
(in \$ 000's)	\$	\$
Current assets		
Cash and cash equivalents	13,076	11,606
Other assets	13,813	6,054
Non-current assets		
Exploration and evaluation assets	183,731	170,507
Property, plant and equipment	4,408	5,280
Other non-current assets	315	288
Total assets	215,343	193,735
Current liabilities		
Borrowings	7,371	205,591
Accounts payable and accrued liabilities	7,048	5,220
Non-current liabilities		
Deferred tax liabilities	14,882	12,828
Provisions	494	255
Total liabilities	29,795	223,894
Share capital	240,518	10
Additional paid-in capital	42,783	46,773
Deficit	(111,230)	(80,815)
Unrealized gain on financial assets reserve	4,726	—
Foreign currency translation reserve	7,916	2,653
Non-controlling interest	835	1,220
Total equity (deficit)	185,548	(30,159)
Total liabilities and equity	215,343	193,735

	For the year ended December 31, 2012	For the period from incorporation to December 31, 2011
(in \$ 000's, except share and per share amounts)	\$	\$
Loss for the period	(30,736)	(13,195)
Total comprehensive loss for the period	(21,199)	(9,951)
Loss per share for the period		
— basic and diluted	(0.32)	(1,299.90)
Weighted average number of shares outstanding — basic and diluted	96,007,268	10,000
Net cash used in operating activities	(20,730)	(12,835)
Net cash used in investing activities	(17,585)	(72,956)
Net cash from financing activities	39,080	95,625
Effect of foreign exchange rate changes on cash and cash equivalents	705	1,772

The factor that caused the most significant variation between the Company's financial position at December 31, 2012 and December 31, 2011 was the Intergeo Reorganization. See " —Intergeo Reorganization".

Intergeo MMC Ltd

Management's Discussion and Analysis

For the year ended December 31, 2012 and for the period from incorporation to December 31, 2011

The Company and its subsidiaries are in the mineral exploration and development business and have not commenced mining operations or generated operating revenues to date. There is, therefore, no expectation of revenues from development and production until development of any of the Company's properties is completed.

RESULTS OF OPERATIONS

Intergeo was incorporated for the purpose of holding a 99.5% interest in Intergeo Russia. During the period from Intergeo's incorporation (June 9, 2011) to December 31, 2011, the Company's operations were focused on preparing for this purpose. The acquisition of Intergeo Russia was accomplished pursuant to the Intergeo Reorganization.

The Company has no history of production and no operating revenues and may not generate operating revenues from its mineral properties or ever achieve profitable operations. There are a number of risks or uncertainties that could materially affect its future performance which include, but are not limited to: limited operating history and lack of operating revenue; obtaining funds to develop mineral properties; the absence of proven or probable reserves; actual costs exceeding anticipated costs; volatility of metal and mineral prices; obtaining permits and licences in Russia and the loss or failure to maintain such licences; the remote location of the Company's mineral properties; operating in Russia; significant governmental regulation and weaknesses in the Russian legal system; and generally, the speculative nature of exploration and development of mineral resources.

Results for the year ended December 31, 2012

The Company recorded a loss for the year ended December 31, 2012 of \$30,736. The loss was primarily the result of general and administrative expenses during the period totalling \$24,256, and no revenues.

The 2011 comparative figures do not represent the results of operations for a twelve month period. These results are for the period from incorporation (June 9, 2011) to December 31, 2011.

General and administrative expenses

Total general and administrative expenses for the year ended December 31, 2012 were \$24,256, an increase of \$13,670 from \$10,586 for the period from incorporation to December 31, 2011. General and administrative expenses include the cost of maintaining offices in Toronto and Moscow and professional services costs.

	For the year ended December 31, 2012	For the period from Incorporation to December 31, 2011
General and administrative expenses		
(in \$ 000's)	\$	\$
Salaries and benefits	10,085	4,402
Professional services	9,295	2,846
Rent	2,204	1,484
Travel	882	706
Office expenses	457	211
Depreciation	318	156
Repairs and maintenance	226	319
Other	789	462
	24,256	10,586

The most significant components of general and administrative expenses for the year ended December 30, 2012 were salaries and benefits of \$10,085 and professional services of \$9,295.

Intergeo MMC Ltd

Management's Discussion and Analysis

For the year ended December 31, 2012 and for the period from incorporation to December 31, 2011

Loss on disposal of Uralmining

During the year ended December 31, 2012, the Company recorded a loss on its disposal of Uralmining in the amount of \$1,184.

On April 9, 2012, the Company's subsidiary, Intergeo Cyprus, entered into an agreement with IRC, who is the owner of 49% of the Bolshoy Seyim property through its 49% interest in Uralmining. Uralmining holds the licence for exploration and extraction of mineral resources at the Bolshoy Seyim deposit in the Amur region of Russia. The subscription agreement provided for Intergeo Cyprus to receive 74,681,360 shares of IRC (the "**Subscription Shares**"), in exchange for the Company's 51% interest in Uralmining. IRC shares are publicly-traded on the Hong Kong Stock Exchange. The Subscription Shares are subject to a nine-month lock-up from the date of completion of the transaction. Under the terms of the agreement between the Company and IRC, the Company may not, without the consent of IRC, sell, transfer, grant options over or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) the Subscription Shares during the term of the lock-up.

On July 24, 2012, the Company received 74,681,360 shares of IRC that had an aggregate market value of \$6,546, and recorded a loss on the sale of its interest in Uralmining in the amount of \$1,184.

Income tax expense

Income tax expense for the year ended December 31, 2012 was \$2,927, an increase of \$1,866 over the \$1,061 recorded during the period in 2011 and relates primarily to temporary differences between the carrying amount of exploration and evaluation assets for financial reporting purposes and their tax bases.

Other comprehensive income

Other comprehensive income for the year ended December 31, 2012 includes an unrealized gain on financial assets totalling \$4,726. The Company has designated its investment in IRC (74,681,360 shares) as an available-for-sale financial assets with the change in fair value of the shares being included in other comprehensive income (loss). As at December 31, 2012, the fair value of the 74,681,360 shares of IRC was \$11,272. Consequently, the Company recorded a gain for the year ended December 31, 2012 totalling \$4,726 in other comprehensive income.

Financial position

Cash and cash equivalents

At December 31, 2012, cash and cash equivalents amounted to \$13,076 (cash deposits of \$7,966 and short-term interest bearing deposits of \$5,110). This compares with cash and cash equivalents at December 31, 2011 of \$11,606 (cash deposits of \$6,108 and short-term interest bearing deposits of \$5,498).

Other receivables

At December 31, 2012, other receivables totalled \$2,121. This compares with other receivables at December 31, 2011 of \$3,877. Other receivables at December 31, 2012 and December 31, 2011 are primarily comprised of VAT receivable of \$1,923 and \$3,233, respectively.

Financial assets

Intergeo MMC Ltd

Management's Discussion and Analysis

For the year ended December 31, 2012 and for the period from incorporation to December 31, 2011

Financial assets at December 31, 2012 totalled \$11,287 and were primarily comprised of 74,681,360 shares of IRC with a carrying value of \$11,272.

The shares of IRC were acquired on July 24, 2012 in exchange for the Company's 51% interest in Uralmining and are subject to a nine-month lock-up from the date of completion of the transaction. The Company may not, without the consent of IRC, sell, transfer, grant options over or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) the Subscription Shares.

IRC's shares are publicly-traded on the Hong Kong Stock Exchange. On July 24, 2012 the Subscription Shares had a fair value of \$6,546. The Company has designated its investment in IRC as an available-for-sale financial asset with the changes in the fair value of the Subscription Shares being included in other comprehensive loss.

As at December 31, 2012, the fair value of the Subscription Shares was \$11,272. Consequently, the Company recorded a gain for the year ended December 31, 2012 totalling \$4,726 in other comprehensive income. Subsequent to December 31, 2012, the Company began liquidating the shares of IRC Limited. During the first nine months of fiscal 2013, proceeds of \$5,651 were received on liquidating 50,140,000 IRC Limited shares.

Exploration and evaluation assets

Exploration and evaluation assets represent the acquisition costs and deferred exploration and evaluation costs pertaining to the Company's exploration and evaluation activities carried out in Russia. The balance of exploration and evaluation assets at December 31, 2012 represents capitalized costs in relation to exploration and evaluation activities carried out by the Company in Russia. Additions to exploration and evaluation assets include capitalized borrowing costs arising on financing directly attributable to these activities amounting to \$487 for the year ended December 31, 2012 (\$4,289 for the period from incorporation to December 31, 2011). The imputed capitalization rate was 13% for the year ended December 31, 2012 (13% for the period from incorporation to December 31, 2011).

During the first quarter of 2012, the Company's related party borrowings were eliminated as part of the Intergeo Reorganization See "*— Intergeo Reorganization*".

Exploration and evaluation assets by project are as follows:

Project	December 31, 2012	December 31, 2011
(in \$ 000's)	\$	\$
Ak-Sug	39,828	30,878
Kingash	72,480	64,572
Greater Ak-Sug	10,048	4,680
East Sayan	45,171	41,234
Arbinsk	16,204	12,656
Bolshoy Seyim	—	16,487
	183,731	170,507

Ak-Sug is a copper porphyry deposit in the early development stage and has a completed preliminary economic assessment. Further studies to demonstrate the economic viability of the project are being undertaken.

Kingash is a nickel sulphide property consisting of three identified deposits. A preliminary economic assessment has been completed on the project and further studies to demonstrate the economic viability of the project are being undertaken.

Intergeo MMC Ltd

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For the year ended December 31, 2012 and for the period from incorporation to December 31, 2011

If economic viability of these projects is determined, a development decision for each will be made followed by financing, construction and mine development in order to place each project into production.

Property, plant and equipment

At December 31, 2012, the carrying amount of property, plant and equipment was \$4,408. This compares with property, plant and equipment of \$5,280 at December 31, 2011. The decrease in property, plant and equipment of \$872 primarily relates to depreciation expenses during the period of \$1,420, partially offset by additions to equipment and construction in progress totalling \$376.

Borrowings

On June 19, 2012, two 100% owned subsidiaries of Intergeo Russia, LLC East-Sayan nickel company and Golevskaya entered into credit line agreements denominated in Russian roubles with International Financial Club. International Financial Club is a related party to the Company, as Mr. Prokhorov is a shareholder and a member of the board of directors of International Financial Club. International Financial Club provided credit lines totalling approximately \$14 million (RUB 450 million) to Limited Liability Company East Sayan nickel company (RUB 225 million) (the "ESNC Credit Line") and Golevskaya (RUB 225 million) (the "Golevskaya Credit Line", and together with the ESNC Credit Line, the "Credit Lines"). The Credit Lines had a six month term and bore interest at 12% per annum. On December 18, 2012, the term of the Golevskaya Credit Line was extended until January 31, 2013. The Credit Lines were secured by a pledge of marketable securities by Leonina Investments Limited, a related party to the Company. Mr. Prokhorov is the ultimate beneficial owner of Leonina Investments Limited. During the year ended December 31, 2012, the Company drew a total of \$13,963 (RUB 450 million) and repaid \$7,145 (RUB 225 million) under the terms of the Credit Lines.

As at December 31, 2012, \$7,371 (RUB 225 million) was outstanding under the Golevskaya Credit Line.

On January 31, 2013, Golevskaya repaid its loan from International Financial Club in the amount of approximately \$7,499 (RUB 225 million).

As part of the Intergeo Reorganization, all of the related party borrowings, including promissory notes and loans aggregating \$199,559 as at December 31, 2011 were eliminated. Loans from unrelated parties totalling \$6,032 as at December 31, 2011 were settled as part of the disposal of Uralmining.

Accounts payable and accrued liabilities

As at December 31, 2012, the Company had accounts payable and accrued liabilities totalling \$7,048, representing an increase of \$1,828 from \$5,220 at December 31, 2011. The primary reason for the increase in accounts payable and accrued liabilities was an increase in accrued professional services of \$3,239, partially offset by a decrease in accrued interest payable of \$2,111 as a result of the Intergeo Reorganization.

(in \$ 000's)	December 31, 2012	December 31, 2011
	\$	\$
Accrued professional services	4,814	1,575
Accrued vacation pay	1,061	544
Accrued payroll	539	105
Accrued interest payable	27	2,137
VAT payable	—	85
Other	607	774
	7,048	5,220

Intergeo MMC Ltd

Management's Discussion and Analysis

For the year ended December 31, 2012 and for the period from incorporation to December 31, 2011

Share capital

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value. Upon incorporation, the Company issued 10,000 Common Shares for cash consideration of \$10. As part of the Intergeo Reorganization, during the first quarter of 2012, the Company issued a further 100,000,000 Common Shares at a carrying amount of \$215,508. Consideration received for the Common Shares issued was related party loans receivable and promissory notes receivable aggregating \$208,246 and cash of \$7,262.

On October 23, 2012, the Company and Daselina entered into a subscription agreement whereby Daselina agreed to purchase up to an aggregate of 14,000,000 Common Shares at a subscription price of \$5.00 per Common Share for aggregate gross proceeds of \$70,000 (see "*Subsequent Events — Private Placement*"). The subscription agreement contemplated that the Private Placement would be completed in three tranches: the first tranche was completed on October 26, 2012, pursuant to which the Company received cash proceeds of \$25,000 in exchange for the issue of 5,000,000 Common Shares.

The second tranche was completed on January 17, 2013, pursuant to which the Company received cash proceeds of \$25,000 in exchange for the issue of 5,000,000 Common Shares and the third tranche was completed on January 25, 2013, pursuant to which the Company received cash proceeds of \$20,000 in exchange for the issue of 4,000,000 Common Shares.

Segmented Information

The Company operates in one business segment: the exploration and development of mineral properties located in Russia. The operations of the Company are located primarily in Russia, with the exception of its corporate offices, which are located in the BVI, Canada and Cyprus. All current exploration and evaluation activities are located in Russia.

Segmented information consists of the following:

(in \$ 000's)	As at December 31, 2012			As at December 31, 2011		
	Corporate and other	Russia	Total	Corporate and other	Russia	Total
Current assets	17,092	9,797	26,889	1,956	15,704	17,660
Exploration and evaluation assets	—	183,731	183,731	—	170,507	170,507
Other non-current assets	—	4,723	4,723	—	5,568	5,568
Total assets	17,092	198,251	215,343	1,956	191,779	193,735
Current liabilities	3,557	10,862	14,419	5,881	204,930	210,811
Non-current liabilities	—	15,376	15,376	—	13,083	13,083
	3,557	26,238	29,795	5,881	218,013	223,894

Intergeo MMC Ltd

Management's Discussion and Analysis

For the year ended December 31, 2012 and for the period from incorporation to December 31, 2011

(in \$ 000's)	For the year ended December 31, 2012			For the period from incorporation to December 31, 2011		
	Corporate and other	Russia	Total	Corporate and other	Russia	Total
General and administrative expenses	(11,366)	(12,890)	(24,256)	(3,367)	(7,219)	(10,586)
Impairment of exploration and evaluation assets	—	—	—	—	(445)	(445)
Other income	8	313	321	34	11	45
Other expenses	—	(774)	(774)	—	(242)	(242)
Finance income	27	155	182	—	221	221
Finance costs	(574)	(1,524)	(2,098)	(112)	(588)	(700)
Change in fair value of derivative financial asset	—	—	—	—	63	63
Loss on disposal of Uralmining, Ltd.	(580)	(604)	(1,184)	—	—	—
Loss on acquisition of Intergeo Management Limited	—	—	—	(490)	—	(490)
Loss before income taxes	(12,485)	(15,324)	(27,809)	(3,935)	(8,199)	(12,134)
Income tax expense	(45)	(2,882)	(2,927)	—	(1,061)	(1,061)
Loss for the period	(12,530)	(18,206)	(30,736)	(3,935)	(9,260)	(13,195)

SUMMARY OF QUARTERLY RESULTS

The Company was incorporated on June 9, 2011 and it did not prepare quarterly financial statements during the period from incorporation to December 31, 2011. However, the Intergeo Reorganization is considered a transaction between entities under common control. As such, the Company has presented its financial results on the book value (carry-over basis) accounting of the assets and liabilities – the financial statements of the Company and Intergeo Russia are combined together at book value for the current and comparative years to account for the entity as though they had always been combined together as one entity. See “— *Financial statement presentation*”.

For the year ended December 31, 2012	December 31 Qtr 4	September 30 Qtr 3	June 30 Qtr 2	March 31 Qtr 1
(in \$ 000's, except per share amounts)				
Loss for the period	(8,473)	(8,268)	(7,292)	(6,703)
Other comprehensive income (loss) for the period	10,183	6,550	(19,866)	12,670
Total comprehensive income (loss) for the period	1,710	(1,718)	(27,158)	5,967
Loss per share – basic and diluted	(0.08)	(0.08)	(0.06)	(0.08)
Cash flow used in operating activities	(4,593)	(6,222)	(5,510)	(4,405)
Cash flow used in investing activities	(5,052)	(4,812)	(5,220)	(2,501)
Cash flow provided by financing activities	19,730	6,540	5,548	(2,501)
Effect of foreign exchange rate changes on cash and cash equivalents	111	578	(999)	1,015

Intergeo MMC Ltd

Management's Discussion and Analysis

For the year ended December 31, 2012 and for the period from incorporation to December 31, 2011

For the period from incorporation to December 31, 2011	December 31 Qtr 4	September 30 Qtr 3	June 30 Qtr 2 ⁽ⁱ⁾
(in \$ 000's, except per share amounts)			
Loss for the period	(7,010)	(6,185)	—
Other comprehensive income for the period	383	2,861	—
Total comprehensive loss for the period	(6,627)	(3,324)	—
Loss per share – basic and diluted	(684.00)	(615.90)	—
Cash flow used in operating activities	(706)	(12,129)	—
Cash flow used in investing activities	(6,563)	(75,796)	—
Cash flow provided by financing activities	19,165	76,460	—
Effect of foreign exchange rate changes on cash and cash equivalents	(4,349)	6,121	—

- (i) The Company was incorporated on June 9, 2011 and had no significant operations during the period from incorporation to June 30, 2011.

LIQUIDITY AND CAPITAL RESOURCES

The Company's audited consolidated financial statements have been prepared on a going-concern basis, which assumes that it will continue its activities for the foreseeable future and that all of its obligations will be settled in the normal course of business.

The Company and its subsidiaries are at the exploration and evaluation stage of activities and have not generated revenue or cash flow from their exploration projects. The attainment of profitable operations is dependent upon future events, including the successful exploration and development of projects. To continue its planned exploration and development activities, the Company will continue to be reliant on funding provided by related parties and/or successful equity or debt financings.

On March 15, 2013, the Company received a letter of financial support from Onexim Holdings Limited under which an undertaking was given to provide sufficient funding to ensure that the Company has the ability to meet its obligations and liabilities as and when they fall due during the period of one year subsequent to the date of signing of the audited consolidated financial statements for the year ended December 31, 2012.

Onexim Holdings Limited has provided the letter of support because as at December 31, 2012 the Company was 98.94% indirectly owned by Mr. Prokhorov, who also controls and is the ultimate beneficial shareholder of Onexim Holdings Limited.

On June 19, 2012 two 100% owned subsidiaries of the Company, LLC East-Sayan nickel company and Golevskaya entered into credit line agreements denominated in Russian roubles with International Financial Club. International Financial Club is a related party of the Company, as Mr. Prokhorov is a shareholder and member of the board of directors of International Financial Club.

International Financial Club provided credit lines totalling approximately \$14,000 (RUB 450 million), to LLC East-Sayan nickel company (RUB 225 million) and Golevskaya (RUB 225 million). The Credit Lines had a six month term and bore interest at 12% per annum. The Credit Lines were secured by a pledge of marketable securities by Leonina Investments Limited, a related party to the Company. Mr. Prokhorov is the ultimate beneficial owner of Leonina Investments Limited. On October 4, 2012, LLC East-Sayan nickel company drew a further \$1,875 (RUB 58 million) on its credit line and on November 7, 2012, LLC East-Sayan nickel company repaid the amount of \$7,145 (RUB225 million) outstanding on its credit line. On December 18, 2012, the term of the Golevskaya Credit Line

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was extended until January 31, 2013. On January 31, 2013, Golevskaya repaid its loan from International Financial Club in the amount of approximately \$7,499 (RUB 225 million).

The Company has limited financial resources and expects to incur losses for the foreseeable future. As at December 31, 2012, the Company had cash and cash equivalents of \$13,076.

On October 23, 2012, the Company and Daselina entered into a subscription agreement whereby Daselina agreed to purchase up to an aggregate of 14,000,000 Common Shares at a subscription price of \$5.00 per Common Share for aggregate gross proceeds of \$70,000. See “— Subsequent Events”. The subscription agreement contemplated that the Private Placement would be completed in three tranches: the first tranche was completed on October 26, 2012, pursuant to which the Company received cash proceeds of \$25,000 in exchange for the issue of 5,000,000 Common Shares; the second tranche was completed on January 17, 2013, pursuant to which the Company received cash proceeds of \$25,000 in exchange for the issue of 5,000,000 Common Shares; and the third tranche was completed on January 25, 2013, pursuant to which the Company received cash proceeds of \$20,000 in exchange for the issue of 4,000,000 Common Shares.

The Company's continued operations will be dependent upon its ability to obtain additional financing and ultimately to generate operating revenues.

Contractual obligations As at December 31, 2012	Payments Due by Period				
	Total \$	Less than 1 year \$	1 – 3 years \$	4 – 5 years \$	After 5 years \$
(in \$ 000's)					
Debt	7,371	7,371	—	—	—
Finance lease obligations	—	—	—	—	—
Operating leases	6,798	1,876	3,812	737	373
Purchase obligations ⁽ⁱ⁾	6,821	6,821	—	—	—
Other obligations ⁽ⁱⁱ⁾	7,048	7,048	—	—	—
Total contractual obligations	28,038	23,116	3,812	737	373

(i) “Purchase obligations” means an agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

(ii) “Other obligations” means other financial liabilities reflected on the Company's statement of financial position.

Contingencies and commitments

Tax legislation

Russian tax and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Company may be challenged by the relevant authorities.

The Russian tax authorities may take a more assertive approach in their interpretation of the legislation and tax examinations, which may include following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been

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challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Legal proceedings

The Company may be subject to various contingent liabilities that occur in the normal course of operations. The Company is not aware of any pending or threatened proceedings that would have material adverse effect on its consolidated financial position as at December 31, 2012.

Capital commitments

At December 31, 2012, the Company had contractual capital expenditure commitments in respect of exploration and evaluation assets in the amount of \$6,821 (December 31, 2011 – \$3,387).

Additional expenditures are planned in 2013 in order to advance exploration activities on the Company's properties. The amount of these additional expenditures will be dependent upon funding sources available to the Company.

Environmental matters

The enforcement of environmental regulation in Russia is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material.

Operating leases

The Company and its subsidiaries lease office space under various non-cancellable lease agreements. The terms of the office space lease agreements in Toronto and Moscow extend to June 2014 and April 2016, respectively. In addition, the Company leases land under non-cancellable operating lease agreements. The lease terms are generally between 10 and 17 years, and the majority of the land lease agreements are renewable at the end of the lease period.

The expected amount of lease payments as at December 31, 2012, under the terms of the leases are:

(in \$ 000's)	\$
No later than 1 year	1,876
Later than 1 year and no later than 5 years	4,549
Later than 5 years	373
	<u>6,798</u>

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet transactions.

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TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties to Intergeo and its subsidiaries include:

Related Party	Relationship	Period Related
Mikhail D. Prokhorov	Ultimate beneficial owner	From June 29, 2011
Maxim Finskiy	Ultimate beneficial owner ⁽ⁱⁱ⁾	From April 18, 2012
Lambros Soteriou	Shareholder ^(iv)	From June 9, to June 29, 2011
Onexim Holdings Limited	Shareholder ⁽ⁱ⁾	From June 29, to November 15, 2011
Daselina Investments Ltd.	Shareholder ⁽ⁱ⁾⁽ⁱⁱ⁾	From November 15, 2011
Kirkland Intertrade Corp.	Shareholder ⁽ⁱⁱⁱ⁾	From April 18, 2012
Onexim Holdings Limited	Other related party ⁽ⁱ⁾	From June 29, 2011
Onexim Group Management Limited	Other related party ⁽ⁱ⁾	From June 29, 2011
Coverico Holdings Co. Limited	Other related party ⁽ⁱ⁾	From June 29, 2011
North Financial Overseas Corp.	Other related party ⁽ⁱ⁾	From June 29, 2011
Leonina Investments Limited	Other related party ⁽ⁱ⁾	From June 29, 2011
International Financial Club	Other related party ⁽ⁱⁱⁱ⁾	From June 29, 2011

- (i) Mr. Prokhorov is the ultimate beneficial owner of the entity.
- (ii) On April 18, 2012, ownership of 1,118,259 Common Shares of the Company was transferred from Daselina to Kirkland. Mr. Finskiy is the ultimate beneficial owner of Kirkland.
- (iii) Mr. Prokhorov is a shareholder and member of the board of directors of International Financial Club.
- (iv) The shares of the Company were held by a nominee shareholder from incorporation on June 9 to June 29, 2011, at which time they were transferred to Onexim Holdings Limited.

Unless otherwise noted, the parties were related during the entire period covered by the financial statements.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in the following table.

a) Borrowings and related interest

Borrowings – Principal

As at December 31,	2012	2011
	\$	\$
International Financial Club	7,371	—
Daselina Investments Ltd.	—	8,558
Onexim Holdings Limited	—	188,226
North Financial Overseas Corp.	—	2,775
	7,371	199,559

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Borrowings – Interest payable

As at December 31,	2012	2011
	\$	\$
International Financial Club	27	—
Daselina Investments Ltd.	—	34
Onexim Holdings Limited	—	721
North Financial Overseas Corp.	—	26
	27	781

Borrowings – Interest expense

	For the year ended December 31, 2012	For the period from incorporation to December 31, 2011
	\$	\$
International Financial Club	696	—
Daselina Investments Ltd.	—	34
Onexim Holdings Limited	—	445
North Financial Overseas Corp.	—	19
	696	498

Borrowings – Proceeds from borrowings

	For the year ended December 31, 2012	For the period from incorporation to December 31, 2011
	\$	\$
International Financial Club	13,963	—
Daselina Investments Ltd.	—	9,118
Onexim Holdings Limited	—	90,169
Onexim Group Management Limited	—	13,564
North Financial Overseas Corp.	—	72,247
	13,963	185,098

During the period from the Company's incorporation to December 31, 2011, loans of \$500 and accrued interest of \$3 (from North Financial Overseas Corp.) were assumed by the Company on acquisition of Intergeo Cyprus.

Borrowings – Repayment of borrowings

	For the year ended December 31, 2012	For the period from incorporation to December 31, 2011
	\$	\$
International Financial Club	7,145	—
Onexim Holdings Limited	—	56,500
Onexim Group Management Limited	—	32,857
North Financial Overseas Corp.	—	126
	7,145	89,483

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Borrowings – Interest paid

	For the year ended December 31, 2012	For the period from incorporation to December 31, 2011
	\$	\$
International Financial Club	655	—
Onexim Holdings Limited	—	225
Coverico Holdings Co. Limited		643
	655	868

b) Cash and cash equivalents

Cash and cash equivalents includes an amount held at International Financial Club, a commercial bank that is considered to be a related party to the Company.

As at December 31,	2012	2011
	\$	\$
International Financial Club	676	1

c) Key management remuneration

Key management of Intergeo consists of senior executive officers of the Company. Key management received the following remuneration during the periods, which was included in general and administrative expenses.

As at December 31,	2012	2011
	\$	\$
Salaries and benefits	3,249	2,003

Acquisition of Kingash LLC

On November 15, 2010, four companies purchased all of the charter capital of Kingash LLC from Norilsk Nickel in an arm's length transaction for a total price of approximately \$58,102. The purchasers and interest purchased were: Travallation – 9.5% (a Cyprus company); Regiomax – 30.5% (a Russian company); Kvarto – 30.0% (a Russian company and at November 15, 2010 a 33.25% shareholder in Intergeo Russia); and Technoexim – 30.0% (a Russian company).

On December 27, 2010, Grigory Potapov and Sergey Lyamin (both officers of Intergeo Russia and members of its board of directors at the time) were appointed members of the board of directors of Kingash LLC.

On March 28, 2011, Technoexim sold its 30.0% interest in Kingash LLC to Sportscomplex (a Russian company and a 33.25% shareholder in Intergeo Russia).

On April 28, 2011, Mr. Prokhorov acquired a 99.9995% interest in Intergeo Russia.

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On May 23, 2011, Kingash LLC issued a promissory note to Onexim Holdings Limited in the amount of \$1,890. Mr. Prokhorov is the ultimate beneficial owner of Onexim Holdings Limited, ONEXIM Group, Travallation and Technoexim (since April, 2011).

On July 12, 2011, Intergeo Russia completed the purchase of all of the charter capital of Kingash LLC from Travallation, Regiomax, Kvarto and Sportscomplex, for net cash consideration of approximately \$68,119, net of cash acquired of approximately \$1,874. The purchase price does not represent fair value as the transaction was between related parties.

The two shareholders of Kvarto are both senior officers of ONEXIM Group and one of these individuals (a 30% shareholder of Kvarto) is also the sole shareholder of Sportscomplex.

FOURTH QUARTER

The following compares the operating results for the Company on a year-over-year basis for the three months ended December 31, 2012 and 2011.

For the three months ended December 31,	2012	2011
	\$	\$
General and administrative expenses	(7,366)	(5,884)
Impairment of exploration and evaluation assets	—	(445)
Other income and expenses, net	(518)	154
Loss before income tax	(7,884)	(6,175)
Income tax expense	(589)	(835)
Loss for the period	(8,473)	(7,010)
Other comprehensive income		
Foreign currency translation adjustments	3,727	383
Unrealized gain on financial assets	6,456	—
Total other comprehensive income for the period	10,183	383
Total comprehensive income (loss) for the period	1,710	(6,627)
Net cash used in operating activities	(4,593)	(706)
Net cash used in investing activities	(5,052)	(6,563)
Net cash from financing activities	19,730	19,165
Effect of exchange rate changes on cash and cash equivalents	111	(4,349)
Net increase in cash and cash equivalents	10,196	7,547

Results for the three months ended December 31, 2012 and 2011

The Company recorded a loss for the three months ended December 31, 2012 of \$8,473, an increase of \$1,463 from the \$7,010 recognized for the three months ended December 31, 2011. The increase in the loss is primarily attributable to the increase in general and administrative expenses of \$1,452 on a year-over-year basis.

General and administrative expenses

General and administrative expenses for the three months ended December 31, 2012 were \$7,336, an increase of \$1,452 from the \$5,884 incurred for the three months ended December 31, 2011. The increase in general and

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administrative expenses in the fourth quarter of 2012 over the prior year period relates primarily to an increase in professional services comprised of legal, mineral industry consultants, audit and other financial consultants engaged in potential financings.

Impairment of exploration and evaluation assets

The impairment losses relating to exploration and evaluation assets for the three months ended December 31, 2012 amounted to \$nil, a decrease of \$445 from the loss of \$445 recognized during the three months ended December 31, 2011.

During the three months ended December 31, 2011, the Company recognized an impairment loss with respect to the East Sayan in the amount of \$445. This impairment loss was the result of management's decision to apply to the Russian authorities to reduce the size of the property under the exploration licence to focus on a smaller area that management considers prospective for nickel sulphide mineralization.

Other comprehensive income

Other comprehensive income for the three months ended December 31, 2012 includes an unrealized gain on financial assets totalling \$6,456. The Company has designated its investment in IRC (74,681,360 shares) as an available-for-sale financial assets with the change in fair value of the shares being included in other comprehensive income. As at December 31, 2012, the fair value of the 74,681,360 shares of IRC was \$11,272, an increase of \$6,456 from their fair value of \$4,816 as at September 30, 2012. Consequently, the Company recorded a gain for the three months ended December 31, 2012, totalling \$6,456 in other comprehensive income.

SUBSEQUENT EVENTS*Line of credit*

On January 31, 2013, Golevskaya repaid its loan from International Financial Club in the amount of approximately \$7,499 (RUB 225 million).

Private Placement

Subsequent to the year ended December 31, 2012, the Company completed the second and third tranches of the Private Placement with Daselina. The second tranche was completed on January 17, 2013, pursuant to which the Company received cash proceeds of \$25,000 in exchange for the issue of 5,000,000 Common Shares and the third tranche was completed on January 25, 2013, pursuant to which the Company received cash proceeds of \$20,000 in exchange for the issue of 4,000,000 Common Shares.

East Sayan

In May 2013, the Company's management determined that it did not have the funds required to continue the exploration work to evaluate the potential mineral resources of its East Sayan property. As a result of this determination during the second quarter of 2012, the Company decided to indefinitely suspend exploration and evaluation activities at the East Sayan property. Consequently, the Company recorded an impairment loss in the amount of \$42,179 during the six months ended June 30, 2013 that reduced the carrying value of the related exploration and evaluation asset to \$nil at June 30, 2013.

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CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results can differ from those estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

(b) Initial recognition of related party receivables and borrowings

In the normal course of business the Company enters into transactions with its related parties. Judgement is applied in determining if such transactions are conducted at market or non-market interest rates. The basis for judgement includes pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

(c) Acquisition of Kingash LLC

During 2011, Intergeo Russia acquired a 100% interest in Kingash LLC from related parties. Judgement was applied in determining that this transaction should be accounted for as an asset acquisition. Management concluded that the transaction does not qualify as a business combination under IFRS 3R Business Combinations, as the significant inputs and processes that constitute a business were not identified. Therefore the transaction was treated as an asset acquisition. The purchase consideration has been allocated to the fair value of the assets acquired and liabilities assumed based upon management's best estimate and available information at the time of acquisition.

(d) Investment in Uralmining

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On April 9, 2012, the Company's subsidiary, Intergeo Cyprus, entered into a subscription agreement with IRC, which was the owner of 49% of the Bolshoy Seyim property through its 49% interest in Uralmining. The transaction closed on July 24, 2012.

Judgement was applied in determining that the Company's investment in Uralmining should not be classified as a "held for sale" asset at December 31, 2011. Management concluded that as discussions surrounding the sale of the interest in Uralmining only commenced in the first quarter of 2012, the sale was not highly probable as at December 31, 2011 and therefore the Company did not classify its interest in Uralmining as a "held for sale" asset until March 31, 2012. In addition, judgement was applied in the determination of the appropriate carrying amount for the exploration and evaluation assets of Bolshoy Seyim, being the lower of carrying amount and fair value less cost to sell. Management determined the carrying value at December 31, 2011 using expected sale proceeds in its estimate of recoverable amount.

(e) Transaction between entities under common control

The Intergeo Reorganization is considered a transaction between entities under common control. Judgement was applied in determining that the Intergeo Reorganization should be accounted for as a transaction between entities under common control and the date that Intergeo and Intergeo Russia came under common control. Management concluded that as a result of the transfer of ownership of Intergeo to Onexim Holdings Limited on June 29, 2011, Intergeo and Intergeo Russia came under the common control of Mr. Prokhorov effective June 29, 2011.

As such, the Company has presented its financial results on the book value (carry-over basis) accounting of the assets and liabilities – the financial statements of the Company and Intergeo Russia are combined together at book value for the current and comparative periods to account for the entity as though they had always been combined together as one entity. Accordingly, the consolidated statements of comprehensive loss, changes in equity (deficit) and cash flows include the activities for Intergeo Russia from June 29, 2011, the date the entities came under common control.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Ore reserve and resource estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, property, plant and equipment, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortization charges.

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(b) Fair value determination

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the use of financial models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgement is required in establishing fair values. This judgement includes consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(c) Impairment of non-financial assets

The Company assesses non-financial assets other than goodwill for indicators of impairment at each reporting period. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for exploration and evaluation assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash-generating units as being an individual mine site or project, which is the lowest level for which cash inflows are largely independent of those of other assets.

(d) Tax losses carried forward

Tax losses are recognized as a deferred tax asset to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilized. As the Company's operations are at the exploration and evaluation stage, management concluded that estimates of future taxable income are not sufficiently reliable to allow a deferred tax asset to be recognized.

(e) Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

(f) Environmental rehabilitation provision

The Company assesses its site rehabilitation provision at each reporting date. Significant estimates and assumptions are made in determining the provision for rehabilitation, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and changes in

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discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

CHANGES IN ACCOUNTING POLICIES

New or revised standards and interpretations

Standards, amendments and interpretations to existing standards and new standards that are not yet effective and have not been early adopted by the Company.

IAS 27 (2011) – Separate Financial Statements

IAS 27 (2011) – Separate Financial Statements will become effective for annual periods beginning on or after January 1, 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The amended standard will become effective for annual periods beginning on or after January 1, 2013. This amendment will not have an impact on the Company's consolidated financial statements.

IAS 28 (2011) – Investments in associates and joint ventures

IAS 28 (2011), "Investments in associates and joint ventures" (IAS 28) was re-issued by the IASB in May 2011. IAS 28 continues to prescribe the accounting for investments in associates but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

Amendments to IAS 32 – Financial Instruments: Presentation

On December 16, 2011 the IASB published amendments to IAS 32 Financial Instruments: Presentation to clarify the application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Amendments to IFRS 7 – Financial Instruments

On December 16, 2011 the IASB published new disclosures requirements jointly with the Financial Accounting Standards Board ("FASB") that enable users of the financial statements to better compare financial statements prepared in accordance with IFRS and US GAAP. The new requirements are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Amendments to IFRS 9 – Financial instruments

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB in November 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The

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approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In December 2011, the IASB issued amendments to IFRS 9 that defer the mandatory effective date to annual periods beginning on or after January 1, 2015. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9 which was originally limited to companies that chose to apply IFRS 9 prior to 2012. Alternatively, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments. The Company is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

Amendments to IAS 1 – Presentation of financial statements

The amendment requires separate presentation for items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met, from those that would never be reclassified to profit or loss. The effective date is for annual periods beginning on or after July 1, 2012 and earlier adoption is permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

IFRS 10 – Consolidated Financial Statements

IFRS 10 – Consolidated Financial Statements will be effective for annual periods beginning on or after January 1, 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result in a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results in a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

IFRS 11 – Joint arrangements

IFRS 11, "Joint arrangements" (IFRS 11) was issued by the IASB in May 2011 and will supersede IAS 31, "Interest in joint ventures" and SIC 13, "Jointly controlled entities – non-monetary contributions by venturers" by removing the option to account for joint ventures using proportionate consolidation and requiring equity accounting. Venturers will transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item on their financial statements. In addition, IFRS 11 will require joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement will no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

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IFRS 12 – Disclosure of interests in other entities

IFRS 12, "Disclosure of interests in other entities" (IFRS 12) was issued by the IASB in May 2011. IFRS 12 requires enhanced disclosure of information about involvement with consolidated and unconsolidated entities, including structured entities commonly referred to as special purpose vehicles or variable interest entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 13 – Fair Value Measurement

IFRS 13 – Fair Value Measurement will be effective for annual periods beginning on or after January 1, 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 is effective for annual periods beginning on or after January 1, 2013 and provides guidance for entities with post-development phase surface mining activities. Under the interpretation, production stripping costs that provide access to ore to be mined in the future are capitalized as non-current assets if the component of the ore body for which access has been improved can be identified, future benefits arising from the improved access are probable and the costs related to the stripping activity associated with the component of the ore body are reliably measurable. The interpretation also addresses how capitalized stripping costs should be depreciated and how capitalized amounts should be allocated between inventory and the stripping activity asset. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments are comprised of financial liabilities and financial assets. The Company's principal financial liabilities comprise accounts payable and short and long-term borrowings. The Company's principal financial assets are cash and cash equivalents and loans and other receivables.

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- price risk;
- interest rate risk; and
- currency risk.

This section presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Intergeo MMC Ltd

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Management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There were no changes to the Company's risk management policies and systems during the year ended December 31, 2012. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable. The credit risk on liquid funds is limited because the Company does not hold significant cash balances and its counterparties are banks with acceptable credit ratings. The credit risk on other receivables is primarily concentrated on loans receivable, which are due from both related and unrelated parties. The Company's exposure to these counterparties is continually monitored.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	December 31, 2012	December 31, 2011
(in \$ 000's)	\$	\$
Cash and cash equivalents	13,076	11,606
Other receivables	2,121	3,877
Financial assets	15	1,760
	15,212	17,243

The Company's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. The Company has not recognized an allowance for doubtful debts as all balances are still considered recoverable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. To date, the major part of the Company's funding has been provided by its related parties. On October 23, 2012, the Company entered into a private placement agreement with an existing shareholder to issue a further 14,000,000 Common Shares of the Company in exchange for gross proceeds of \$70,000. As at December 31, 2012 the Company had received cash proceeds of \$25,000 in exchange for the issue of 5,000,000 Common Shares under the terms of the private placement agreement.

The following tables show the remaining contractual maturities as of the reporting date of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates). The Company did not have any derivative financial liabilities as at December 31, 2012 or December 31, 2011.

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For the year ended December 31, 2012 and for the period from incorporation to December 31, 2011

Financial liabilities	Carrying amount	Contractual cash flows	0-6 months	6-12 months	Over 1 year
(in \$ 000's)	\$	\$	\$	\$	\$
December 31, 2012					
Borrowings	7,371	7,371	7,371	—	—
Accounts payable and accrued liabilities	7,048	7,116	7,116	—	—
	14,419	14,487	14,487	—	—
(in \$ 000's)					
December 31, 2011					
Borrowings	205,591	209,911	138,726	71,185	—
Accounts payable and accrued liabilities	5,220	5,800	5,383	417	—
	210,811	215,711	144,109	71,602	—

Price risk

The Company is exposed to price risk due to fluctuations in the market price of its investment in shares of IRC. The Company has designated its investment in IRC as an available-for-sale financial asset with the changes in fair value being included in other comprehensive income.

At December 31, 2012, if the market price of the shares of IRC weakened/strengthened by 10% and no shares were disposed of or impaired, comprehensive income (loss) for the year would have changed by \$1,127.

Interest rate risk

The Company's operations expose it primarily to the financial risks of changes in interest rates. To date the majority of borrowings have been at fixed rates from related parties.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was as follows:

	December 31, 2012	December 31, 2011
(in \$ 000's)	\$	\$
Fixed rate instruments		
Financial assets	—	1,102
Financial liabilities	(7,371)	(205,591)
	(7,371)	(204,489)

Currency risk

The majority of the assets of the Company are denominated in Russian roubles. Accordingly, the carrying value of the net assets is subject to currency risk.

At December 31, 2012, if the Russian rouble had weakened/strengthened by 10% against the United States dollar with all other variables held constant, after-tax loss for the year would have changed by \$1,767 and equity at December 31, 2012 would have changed by \$16,764. At December 31, 2011, if the Russian rouble had weakened/strengthened by 10% against the United States dollar with all other variables held constant, equity at December 31, 2011 would have changed by \$2,625.

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Management's Discussion and Analysis

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At December 31, 2012, if the Canadian dollar had weakened/strengthened by 10% against the United States dollar with all other variables held constant, after-tax loss for the year would have changed by \$14 and equity at December 31, 2012 would have changed by \$12. At December 31, 2011, if the Canadian dollar had weakened/strengthened by 10% against the United States dollar with all other variables held constant, equity at December 31, 2011 would have changed by \$2.

(a) *Fair values versus carrying amounts*

	December 31, 2012		December 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
(in \$ 000's)	\$	\$	\$	\$
Assets				
Cash and cash equivalents	13,076	13,076	11,606	11,606
Other receivables	2,121	2,121	3,877	3,877
Financial assets	11,287	11,287	1,760	1,760
	26,484	26,484	17,243	17,243
Liabilities				
Borrowings	7,371	7,371	205,591	205,591
Accounts payable and accrued liabilities	7,048	7,048	5,220	5,220
	14,419	14,419	210,811	210,811

(b) *Fair value hierarchy*

The different levels have been defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At December 31, 2012, the Company's investment in the shares of IRC was classified within Level 1 of the fair value hierarchy.

The Company does not hold any financial assets or liabilities that have been classified within Level 2 or 3 of the fair value hierarchy as at December 31, 2012. At December 31, 2011, financial assets included a put option that was a derivative financial instrument and had a carrying value of \$405. The derivative has been classified within Level 3 of the fair value hierarchy.

(c) *Capital risk management*

The Company manages its capital to ensure that it will continue as a going concern in order to complete its planned exploration and evaluation activities.

The capital structure of the Company consists of borrowings from related parties, share capital and additional paid-in capital of the Company.

The Company is not subject to any externally imposed capital requirements.

To date, the majority of the Company's capital has been sourced from equity provided by shareholders.

Intergeo MMC Ltd

Management's Discussion and Analysis

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OTHER

Outstanding Share Data

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value. A summary of Common Share issuances is set forth below:

	Number of shares	\$
(in \$000's)		
Issued on June 9, 2011, upon incorporation	10,000	10
Issued on January 19, 2012, as a result of the Intergeo Reorganization	100,000,000	215,508
Issued on October 26, 2012, as a result of the Private Placement	5,000,000	25,000
December 31, 2012	105,010,000	240,518
Issued on January 17, 2013, as a result of the Private Placement	5,000,000	25,000
Issued on January 25, 2013, as a result of the Private Placement	4,000,000	20,000
Balance as at November 11, 2013	114,010,000	285,518

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining internal controls over financial reporting, and disclosure controls and procedures. Management has undertaken a detailed review of its internal controls over financial reporting in order to identify and document the controls, and correct any weaknesses. Disclosure controls and procedures have been developed, in conjunction with Intergeo's Timely Disclosure, Confidentiality and Insider Trading Policy. Management continues to refine and complete the work on both of these controls and procedures in order to meet the requirements for Intergeo's future reporting periods.

The mandate of the Intergeo Audit Committee will require the Audit Committee to oversee management's review of the adequacy of internal controls and to oversee management's disclosure controls and procedures.

Additional information

Additional information about the Company can be found at www.sedar.com under the Company's profile.

APPENDIX L
INTERGEO MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS
ENDED SEPTEMBER 30, 2013 AND 2012

Intergeo MMC Ltd

Management's Discussion and Analysis

For the three and nine months ended

September 30, 2013 and 2012

Intergeo MMC Ltd

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Certain terms used in this management's discussion and analysis ("MD&A") are defined in this MD&A. Unless the context otherwise requires, all references in this MD&A to the "Company" or "Intergeo" refer to Intergeo MMC Ltd and all of its subsidiaries, and all references to "Common Shares" refer to the common shares of Intergeo MMC Ltd.

The following MD&A of the operating results and financial condition of Intergeo for the three and nine months ended September 30, 2013 and 2012, should be read in conjunction with the condensed consolidated interim financial statements for the three and nine months ended September 30, 2013 and the audited consolidated financial statements of the Company for the year ended December 31, 2012 and the accompanying notes thereto, which are included elsewhere in this Circular and which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise indicated, all dollar amounts in this MD&A (other than per share dollar amounts) are stated in thousands of United States dollars. The following additional abbreviations have also been used in this MD&A: International Accounting Standards Board ("IASB"); International Accounting Standards ("IAS"); and International Financial Reporting Interpretations Committee ("IFRIC").

The Company's accounting policies and estimates used in the preparation of its financial statements are considered appropriate in the circumstances, but are subject to judgements and uncertainties inherent in the financial reporting process. This analysis contains forward-looking information about the Company's business and future prospects that involve certain risks and uncertainties. The Company provides no assurances that actual results will meet management's expectations.

The information in this MD&A is provided as of December 25, 2013.

Formation of the Company

Intergeo was incorporated under the laws of the BVI on June 9, 2011 as Intergeo Group Ltd. On July 6, 2011, the Company changed its name to Intergeo MMC Ltd.

The Company's registered and head office is located at 19 Waterfront Drive, P. O. Box 3540, Road Town, Tortola, British Virgin Islands. As at September 30, 2013, Daselina Investments Ltd. ("Daselina") and Kirkland Intertrade Corp. ("Kirkland") owned 99.02% and 0.98%, respectively (December 31, 2012 – Daselina and Kirkland owned 98.94% and 1.06%, respectively), of the issued and outstanding Common Shares of the Company. Mr. Prokhorov is the ultimate beneficial owner of Daselina and Mr. Finskiy is the ultimate beneficial owner of Kirkland.

The Company had the following controlled entities at September 30, 2013 and December 31, 2012:

Subsidiary	Project	Jurisdiction of Incorporation	Ownership as at September 30, 2013	Ownership as at December 31, 2012
Intergeo Management Limited		Cyprus	100%	100%
Intergeo Canada Management Services Inc.		Ontario	100%	100%
LLC Intergeo Managing Company		Russia	99.5%	99.5%
LLC Golevskaya GRK	Ak-Sug	Russia	100%	100%
Kingashskaya mining company LLC	Kingash	Russia	100%	100%
LLC Tyvamed	Greater Ak-Sug	Russia	100%	100%
LLC East-Sayan nickel company	East Sayan	Russia	100%	100%
LLC Amurmed	Arbinsk	Russia	100%	100%
LLC Aziatskaya Mednaya Company		Russia	100%	100%
LLC Zabaikalpolymetal (i)		Russia	—	100%
LLC Orekitkansky GRK		Russia	100%	100%

(i) merged with Limited Liability Company Amurmed during the third quarter of 2013

Intergeo is a mineral resource company with immediate focus on developing its open pit project Ak-Sug, a copper porphyry deposit located in Russia. The Company defines its operations as a single operating segment, being its

Intergeo MMC Ltd

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2013 and 2012

exploration and evaluation assets. At September 30, 2013, the Company's current portfolio includes licences covering five properties. The Company's current projects are located in Siberia and the Far East regions of Russia.

Intergeo Reorganization

During the period from January 19 to February 9, 2012, Intergeo, Intergeo Management Limited ("Intergeo Cyprus") and LLC Intergeo Managing Company ("Intergeo Russia") completed the Intergeo Reorganization for the purposes of:

- (i) eliminating the existing related party borrowings owed by Intergeo Russia and Intergeo Cyprus by a debt to equity conversion; and
- (ii) establishing the ownership structure whereby Intergeo has a 99.5% indirect interest in Intergeo Russia through Intergeo Cyprus.

Prior to the date of the Intergeo Reorganization and at December 31, 2011:

- (i) Intergeo was 100% beneficially owned by Mr. Prokhorov through Daselina;
- (ii) Intergeo owned 100% of Intergeo Cyprus; and
- (iii) Mr. Prokhorov owned a 99.9995% interest in Intergeo Russia with the remaining 0.0005% interest being indirectly owned by Intergeo through Intergeo Cyprus.

The Intergeo Reorganization was completed through the following steps:

On January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by Intergeo Russia totalling \$203,163 and Intergeo Cyprus totalling \$5,083 were assigned to Daselina. The loans and promissory notes receivable aggregating \$208,246 and cash of \$7,262 were transferred by Daselina to Intergeo in exchange for 100,000,000 Common Shares. As a result of this step, Intergeo continued to be 100% owned by Daselina, which is beneficially owned by Mr. Prokhorov.

Immediately following the above step, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by Intergeo Russia totalling \$203,163 and Intergeo Cyprus totalling \$5,083 were owed to Intergeo.

On January 19, 2012, the loans and promissory notes receivable (including accrued interest) aggregating \$208,246 and cash of \$6,762 were transferred by Intergeo to Intergeo Cyprus in exchange for 10,000 common shares of Intergeo Cyprus. Loans and promissory notes receivable (including accrued interest) in the amount of \$5,083 were eliminated against existing loans and promissory notes of Intergeo Cyprus. As a result of this step, Intergeo Cyprus continued to be 100% owned by Intergeo.

Immediately following the above step on January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by Intergeo Russia totalling \$203,163 were owed to Intergeo Cyprus.

On January 23, 2012 and February 1, 2012, promissory notes receivable (including accrued interest) aggregating \$204,603 and cash of \$6,989 were transferred by Intergeo Cyprus to Intergeo Russia in exchange for additional charter capital and additional paid-in capital of Intergeo Russia. The increase in charter capital was registered with the Russian tax authorities and became effective on February 9, 2012. The promissory notes (including accrued interest) aggregating \$204,603 were eliminated against existing promissory notes of Intergeo Russia.

As a result of the Intergeo Reorganization and the related adjustment to net assets of Intergeo Russia, Intergeo increased its indirect ownership interest in Intergeo Russia from 0.0005% to 99.5% and diluted Mr. Prokhorov's direct ownership interest in Intergeo Russia from 99.9995% to 0.5%. In addition, the Company recorded non-controlling interest in the amount of \$907 in 2012 as a result of the 0.5% direct ownership. Mr. Prokhorov continued to beneficially own Intergeo through Daselina.

Intergeo MMC Ltd

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2013 and 2012

Financial statement presentation

During the period from January 19 to February 9, 2012, Intergeo, Intergeo Cyprus and Intergeo Russia completed the Intergeo Reorganization (see "*Intergeo Reorganization*") in order to eliminate existing related party borrowings by a debt to equity conversion and to establish the ownership structure whereby Intergeo has a 99.5% indirect interest in Intergeo Russia, which holds investments in mineral exploration companies located in Russia.

The Intergeo Reorganization is considered a transaction between entities under common control. As such, the Company has presented its financial results on the book value (carry-over basis) accounting of the assets and liabilities – the financial statements of the Company and Intergeo Russia are combined together at book value for the current and comparative periods to account for the entity as though they had always been combined together as one entity. Accordingly, the consolidated statements of comprehensive loss, changes in equity (deficit) and cash flows include the activities for Intergeo Russia from June 29, 2011, the date the entities came under common control.

Intergeo was incorporated on June 9, 2011 and, as the Company's sole shareholder and director, Mr. Lambros Soteriou, controlled the Company from incorporation to June 29, 2011, at which time all of the outstanding shares of Intergeo were transferred from Mr. Soteriou to Onexim Holdings Limited. Mr. Prokhorov is the ultimate beneficial owner of Onexim Holdings Limited. In April 2011, Mr. Prokhorov acquired a 99.9995% interest in Intergeo Russia. As a result of the transfer of ownership of Intergeo to Onexim Holdings Limited on June 29, 2011, Intergeo and Intergeo Russia came under the common control of Mr. Prokhorov effective June 29, 2011.

OVERALL PERFORMANCE

Intergeo is a diversified mineral resource company primarily focused on developing, exploring and acquiring base metal properties in Russia, with immediate focus on developing its two key open pit projects: the Ak-Sug Project and the Kingash Project. The Company has no operating properties and therefore no revenue and negative cash flow from operations.

The Company's exploration operations are subject to seasonal fluctuations as a result of weather conditions. In particular, exploration activities in Siberia and the Far East regions of Russia are reduced by winter weather conditions, which occur primarily from November to April.

The Company defines its operations as a single operating segment, being its exploration and evaluation activities.

Historically, the Company has relied on its shareholder for funding of its expenditures through borrowings from the shareholder and related entities. However, pursuant to the Intergeo Reorganization all shareholder and related party borrowings were converted to equity. It is expected that future funding of the Company will include further shareholder advances and short-term bridge financing.

Intergeo MMC Ltd

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2013 and 2012

SELECTED FINANCIAL INFORMATION

The following tables set out selected financial information for the Company as at September 30, 2013 and December 31, 2012, and for the three and nine months ended September 30, 2013 and 2012:

As at	September 30, 2013	December 31, 2012
(in \$ 000's)	\$	\$
Current assets		
Cash and cash equivalents	17,819	13,076
Other assets	9,135	13,813
Non-current assets		
Exploration and evaluation assets	144,319	183,731
Property, plant and equipment	3,225	4,408
Other non-current assets	351	315
Total assets	174,849	215,343
Current liabilities		
Borrowings	—	7,371
Accounts payable and accrued liabilities	2,457	7,048
Non-current liabilities		
Deferred tax liabilities	12,562	14,882
Provisions	500	494
Total liabilities	15,519	29,795
Share capital	285,518	240,518
Additional paid-in capital	42,783	42,783
Deficit	(166,003)	(111,230)
Unrealized gain on financial assets reserve	729	4,726
Foreign currency translation reserve	(4,427)	7,916
Equity attributable to owners of the Company	158,600	184,713
Non-controlling interest	730	835
Total equity	159,600	185,548
Total liabilities and equity	174,849	215,343

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For the Three and Nine Months Ended September 30, 2013 and 2012

	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
(in \$ 000's, except share and per share amounts)	\$	\$	\$	\$
Loss for the period	(3,398)	(8,268)	(54,814)	(22,263)
Total comprehensive (loss) income for the period	(2,285)	(1,718)	(71,218)	(22,909)
Loss per share for the period – basic and diluted	(0.03)	(0.08)	(0.48)	(0.24)
Weighted average number of shares outstanding – basic and diluted	114,010,000	100,010,000	113,365,311	93,440,657
Net cash used in operating activities	(4,282)	(6,222)	(18,789)	(16,137)
Net cash used in investing activities	(1,157)	(4,812)	(12,625)	(12,533)
Net cash from financing activities	—	6,540	37,501	19,350
Effect of foreign exchange rate changes on cash and cash equivalents	83	578	(1,344)	594
Net (decrease) increase in cash and cash equivalents	(5,356)	(3,916)	4,743	(8,726)

The Company and its subsidiaries are in the mineral exploration and development business and have not commenced mining operations or generated operating revenues to date. There is, therefore, no expectation of revenues from development and production until development of any of the Company's properties is completed.

RESULTS OF OPERATIONS

Intergeo was incorporated for the purpose of holding a 99.5% interest in Intergeo Russia. During the period from Intergeo's incorporation (June 9, 2011) to December 31, 2011, the Company's operations were focused on preparing for this purpose. The acquisition of Intergeo Russia was accomplished pursuant to the Intergeo Reorganization.

The Company has no history of production and no operating revenues and may not generate operating revenues from its mineral properties or ever achieve profitable operations. There are a number of risks or uncertainties that could materially affect its future performance which include, but are not limited to: limited operating history and lack of operating revenue; obtaining funds to develop mineral properties; the absence of proven or probable reserves; actual costs exceeding anticipated costs; volatility of metal and mineral prices; obtaining permits and licences in Russia and the loss or failure to maintain such licences; the remote location of the Company's mineral properties; operating in Russia; significant governmental regulation and weaknesses in the Russian legal system; and generally, the speculative nature of exploration and development of mineral resources.

Results for the three and nine months ended September 30, 2013 and 2012

The Company recorded losses for the three and nine months ended September 30, 2013 of \$3,398 and \$54,814, respectively, compared to losses of \$8,268 and \$22,263, respectively, for the three and nine months ended September 30, 2012.

The losses for the three and nine months ended September 30, 2013 were primarily the result of general and administrative expenses of \$3,986 and \$15,778, respectively, during the periods. The loss for the nine months ended September 30, 2013 was also impacted by an impairment charge taken in the second quarter of 2013 in the amount of \$42,179 related to the Company's East Sayan property. The losses were also partially offset by gains on the sales of shares of IRC Limited for the three and nine months ended September 30, 2013 of \$1,249 and \$1,256, respectively. No revenues were recorded during the same periods.

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Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2013 and 2012

The losses for the three and nine months ended September 30, 2012 were primarily the result of general and administrative expenses of \$5,043 and \$16,890, respectively, during the periods. The losses for the periods were also increased by a loss on disposal of Uralmining, Ltd. ("Uralmining") for the three and nine months ended September 30, 2013 of \$1,184. No revenues were recorded during the same periods.

General and administrative expenses

Total general and administrative expenses for the three months ended September 30, 2013 were \$3,986, a decrease of \$1,057 from \$5,043 for the same period in 2012. Total general and administrative expenses for the nine months ended September 30, 2013 were \$15,778 a decrease of \$1,112 from \$16,890 for the same period in 2012. General and administrative expenses include the cost of maintaining offices in Toronto and Moscow and in during 2013 and 2012 and professional services costs.

	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
General and administrative expenses				
(in \$ 000's)	\$	\$	\$	\$
Salaries and benefits	1,418	1,941	5,963	7,383
Professional services	1,525	2,053	6,115	5,481
Rent	461	332	1,567	1,834
Travel	95	219	502	679
Office expenses	68	196	248	366
Depreciation	120	126	285	287
Repairs and maintenance	102	43	412	122
Other	197	133	686	738
	3,986	5,043	15,778	16,890

The most significant components of general and administrative expenses for the three months ended September 30, 2013 were salaries and benefits of \$1,418 and professional services of \$1,525 a decrease of \$523 and \$528 from \$1,941 and \$2,053 for the same period in 2012.

The most significant components of general and administrative expenses for the nine months ended September 30, 2013 were salaries and benefits of \$5,963, a decrease of \$1,420 from \$7,383 for the same period in 2012. Professional services for the nine months ended September 30, 2013 amounted to \$6,115 an increase of \$634 from \$5,481 for the same period in 2012.

Gain on sale of shares of IRC Limited

During the three and nine month periods ended September 30, 2013 the Company sold 49,840,000 shares and 50,140,000 shares of IRC Limited for proceeds of \$5,618 and \$5,651, respectively and recognized a gain on sale of shares of IRC Limited of \$1,249 and \$1,256 for the three and nine months ended September 30, 2013.

Subsequent to September 30, 2013, the Company liquidated the remaining Subscription Shares of IRC Limited (24,541,360 shares) for proceeds of \$2,732.

Intergeo MMC Ltd

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2013 and 2012

Loss on disposal of Uralmining

During the three months ended September 30, 2012, the Company recorded a loss on its disposal of Uralmining in the amount of \$1,184.

On April 9, 2012, the Company's subsidiary, Intergeo Cyprus, entered into an agreement with IRC, who is the owner of 49% of the Bolshoy Seyim property through its 49% interest in Uralmining. Uralmining holds the licence for exploration and extraction of mineral resources at the Bolshoy Seyim deposit in the Amur region of Russia. The subscription agreement provided for Intergeo Cyprus to receive 74,681,360 shares of IRC (the "Subscription Shares"), in exchange for the Company's 51% interest in Uralmining. IRC shares are publicly-traded on the Hong Kong Stock Exchange. The Subscription Shares were subject to a nine-month lock-up from the date of completion of the transaction. Under the terms of the agreement between the Company and IRC, the Company could not, without the consent of IRC, sell, transfer, grant options over or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) the Subscription Shares during the term of the lock-up.

On July 24, 2012, the Company received 74,681,360 shares of IRC that had an aggregate market value of \$6,546, and recorded a loss on the sale of its interest in Uralmining in the amount of \$1,184.

Income tax expense

Income tax expense for the three months ended September 30, 2013 was \$915, a decrease of \$144 over the \$1,059 recorded during the same period in 2012. The deferred income tax relates primarily to temporary differences between the carrying amount of exploration and evaluation assets for financial reporting purposes and their tax bases.

Income tax recovery for the nine months ended September 30, 2013 was \$1,319, a difference of \$3,657 over the income tax expense of \$2,338 recorded during the same period in 2012. The deferred income tax relates primarily to temporary differences between the carrying amount of exploration and evaluation assets for financial reporting purposes and their tax bases. The income tax provision for the nine months ended September 30, 2013 was also impacted by the impairment of exploration and evaluation assets (East Sayan property) charge taken during the second quarter of 2013 and the related reversal of deferred income tax credits associated with this property in the amount of \$4,503.

Other comprehensive income

The Company has designated its investment in IRC Limited as an available-for-sale financial asset with the change in fair value of the shares being included in other comprehensive income (loss).

As at September 30, 2013, the fair value of the remaining Subscription Shares of IRC Limited (24,541,360 shares) was \$2,880 (December 31, 2012 – 74,681,360 shares with a fair value of \$11,272). Consequently, the Company recorded an unrealized gain on financial assets for the three months ended September 30, 2013 totalling \$346 (three months ended September 30, 2012 – unrealized loss of \$1,730) and an unrealized loss on financial assets for the nine months ended September 30, 2013 totalling \$2,741 (nine months ended September 30, 2012 – unrealized loss of \$1,730) in other comprehensive loss.

Financial position

Cash and cash equivalents

At September 30, 2013, cash and cash equivalents amounted to \$17,819 (cash deposits of \$10,465 and short-term interest bearing deposits of \$7,354). This compares with cash and cash equivalents at December 31, 2012 of \$13,076 (cash deposits of \$7,966 and short-term interest bearing deposits of \$5,110).

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Other receivables

At September 30, 2013, other receivables totalled \$1,493. This compares with other receivables at December 31, 2012 of \$2,121. Other receivables at September 30, 2013 and December 31, 2012 are primarily comprised of VAT receivable of \$1,405 and \$1,923, respectively.

Financial assets

Financial assets at September 30, 2013 totalled \$7,064 and were comprised of 24,541,360 shares of IRC with a carrying value of \$2,880 (December 31, 2012 – 74,681,360 shares of IRC with a carrying value of \$11,272) and a term deposit. The term deposit bears interest at 6.7% with an original maturity of 122 days and is denominated in RUBs. The carrying amount of the term deposit at September 30, 2013 is \$4,181.

The shares of IRC were acquired on July 24, 2012 in exchange for the Company's 51% interest in Uralmining and were subject to a nine-month lock-up from the date of completion of the transaction. The Company could not, without the consent of IRC, sell, transfer, grant options over or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) the Subscription Shares.

IRC's shares are publicly-traded on the Hong Kong Stock Exchange. On July 24, 2012 the Subscription Shares had a fair value of \$6,546. The Company has designated its investment in IRC as an available-for-sale financial asset with the changes in the fair value of the Subscription Shares being included in other comprehensive loss.

During the nine month periods ended September 30, 2013 the Company sold 50,140,000 shares of IRC for proceeds of \$5,651.

Subsequent to September 30, 2013, the Company liquidated its remaining shares of IRC (24,541,360 shares) for proceeds of \$2,732.

Exploration and evaluation assets

Exploration and evaluation assets represent the acquisition costs and deferred exploration and evaluation costs pertaining to the Company's exploration and evaluation activities carried out in Russia. The balance of exploration and evaluation assets at September 30, 2013 represents capitalized costs in relation to exploration and evaluation activities carried out by the Company in Russia. Additions to exploration and evaluation assets include capitalized borrowing costs arising on financing directly attributable to these activities amounting to \$nil for the three and nine months ended September 30, 2013 (\$nil and \$487 for the three and nine months ended September 30, 2012). The imputed capitalization rate was 13% for the nine months ended September 30, 2012.

Exploration and evaluation assets by project are as follows:

Project	September 30, 2013	December 31, 2012
(in \$ 000's)	\$	\$
Ak-Sug	44,221	39,828
Kingash	70,601	72,480
Greater Ak-Sug	12,870	10,048
East Sayan	—	45,171
Arbinsk	16,627	16,204
	144,319	183,731

Ak-Sug is a copper porphyry deposit in the early development stage and has a completed preliminary economic assessment. Further studies to demonstrate the economic viability of the project are being undertaken.

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Kingash is a nickel sulphide property consisting of three identified deposits. A preliminary economic assessment has been completed on the project and further studies to demonstrate the economic viability of the project are being undertaken.

If economic viability of these projects is determined, a development decision for each will be made followed by financing, construction and mine development in order to place each project into production.

During the second quarter of 2013, the Company determined that it did not currently have sufficient financial resources to continue exploration and evaluation work to evaluate the potential mineral resources of its East Sayan property. As a result, management decided to indefinitely suspend exploration and evaluation activities at the East Sayan property resulting in the Company recognizing an impairment loss totaling \$42,179 during the nine months ended September 30, 2013.

Property, plant and equipment

At September 30, 2013, the carrying amount of property, plant and equipment was \$3,225. This compares with property, plant and equipment of \$4,408 at December 31, 2012. The decrease in the carrying value of property, plant and equipment of \$1,183 primarily relates to depreciation expenses during the period of \$1,004, and net dispositions of property, plant and equipment of \$95, partially offset by additions to equipment and other totalling \$150.

Borrowings

On June 19, 2012, two 100% owned subsidiaries of Intergeo Russia, LLC East-Sayan nickel company and Golevskaya entered into credit line agreements denominated in Russian roubles with International Financial Club. International Financial Club is a related party to the Company, as Mr. Prokhorov is a shareholder and a member of the board of directors of International Financial Club. International Financial Club provided credit lines totalling approximately \$14 million (RUB 450 million) to LLC East-Sayan nickel company (RUB 225 million) (the "ESNC Credit Line") and Golevskaya (RUB 225 million) (the "Golevskaya Credit Line", and together with the ESNC Credit Line, the "Credit Lines"). The Credit Lines had a six month term and bore interest at 12% per annum. On December 18, 2012, the term of the Golevskaya Credit Line was extended until January 31, 2013. The Credit Lines were secured by a pledge of marketable securities by Leonina Investments Limited, a related party to the Company. Mr. Prokhorov is the ultimate beneficial owner of Leonina Investments Limited. During the year ended December 31, 2012, the Company drew a total of \$13,963 (RUB 450 million) and repaid \$7,145 (RUB 225 million) under the terms of the Credit Lines.

As at December 31, 2012, \$7,371 (RUB 225 million) was outstanding under the Golevskaya Credit Line.

On January 31, 2013, Golevskaya repaid its loan from International Financial Club in the amount of approximately \$7,499 (RUB 225 million).

Accounts payable and accrued liabilities

As at September 30, 2013, the Company had accounts payable and accrued liabilities totalling \$2,457, representing a decrease of \$4,591 from \$7,048 at December 31, 2012. The primary reason for the decrease in accounts payable and accrued liabilities was a decrease in accrued professional services of \$4,100 and a decrease in accrued vacation pay of \$360. The decrease in accrued professional services relates to the expenses incurred in 2012 related to a planned public offering that was not completed.

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(in \$ 000's)	September 30, 2013	December 31, 2012
	\$	\$
Accrued professional services	714	4,814
Accrued vacation pay	701	1,061
Accrued payroll	506	539
Accrued interest payable	—	27
Other	536	607
	2,457	7,048

Share capital

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value. Upon incorporation, the Company issued 10,000 Common Shares for cash consideration of \$10. As part of the Intergeo Reorganization, during the first quarter of 2012, the Company issued a further 100,000,000 Common Shares at a carrying amount of \$215,508. Consideration received for the Common Shares issued was related party loans receivable and promissory notes receivable aggregating \$208,246 and cash of \$7,262.

On October 23, 2012, the Company and Daselina entered into a subscription agreement whereby Daselina agreed to purchase up to an aggregate of 14,000,000 Common Shares at a subscription price of \$5.00 per Common Share for aggregate gross proceeds of \$70,000. The subscription agreement provided that the Private Placement would be completed in three tranches: the first tranche was completed on October 26, 2012, pursuant to which the Company received cash proceeds of \$25,000 in exchange for the issue of 5,000,000 Common Shares. The second tranche was completed on January 17, 2013, pursuant to which the Company received cash proceeds of \$25,000 in exchange for the issue of 5,000,000 Common Shares and the third tranche was completed on January 25, 2013, pursuant to which the Company received cash proceeds of \$20,000 in exchange for the issue of 4,000,000 Common Shares.

Segmented Information

The Company operates in one business segment: the exploration and development of mineral properties located in Russia. The operations of the Company are located primarily in Russia, with the exception of its corporate offices, which are located in the BVI, Canada and Cyprus. All current exploration and evaluation activities are located in Russia.

Segmented information consists of the following:

	September 30, 2013			December 31, 2012		
	Corporate and other	Russia	Total	Corporate and other	Russia	Total
	\$	\$	\$	\$	\$	\$
Current assets	12,377	14,577	26,954	17,092	9,797	26,889
Exploration and evaluation assets	—	144,319	144,319	—	183,731	183,731
Other non-current assets	—	3,576	3,576	—	4,723	4,723
Total assets	12,377	162,472	174,849	17,092	198,251	215,343
Current liabilities	690	1,767	2,457	3,557	10,862	14,419
Non-current liabilities	—	13,062	13,062	—	15,376	15,376
Total liabilities	690	14,829	15,519	3,557	26,238	29,795

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	For the three months ended September 30, 2013			For the three months ended September 30, 2012		
	Corporate and other	Russia	Total	Corporate and other	Russia	Total
	\$	\$	\$	\$	\$	\$
General and administrative expenses	(1,710)	(2,276)	(3,986)	(2,408)	(2,635)	(5,043)
Impairment of exploration and evaluation assets	—	—	—	—	—	—
Other income	(35)	123	88	—	—	—
Other expenses	—	(33)	(33)	—	(155)	(155)
Finance income	45	179	224	—	—	—
Finance costs	(13)	(12)	(25)	(521)	(306)	(827)
Gain on sale of shares of IRC Limited	1,249	—	1,249	—	—	—
Loss on disposal of Uralmining, Ltd.	—	—	—	(580)	(604)	(1,184)
Loss before income taxes	(464)	(2,019)	(2,483)	(3,509)	(3,700)	(7,209)
Income tax (expense)	(48)	(867)	(915)	—	(1,059)	(1,059)
Loss for the period	(512)	(2,886)	(3,398)	(3,509)	(4,759)	(8,268)

	For the nine months ended September 30, 2013			For the nine months ended September 30, 2012		
	Corporate and other	Russia	Total	Corporate and other	Russia	Total
	\$	\$	\$	\$	\$	\$
General and administrative expenses	(7,347)	(8,341)	(15,778)	(7,053)	(9,837)	(16,890)
Impairment of exploration and evaluation assets	—	(42,179)	(42,179)	—	—	—
Other income	—	225	225	—	37	37
Other expenses	—	(73)	(73)	—	(628)	(628)
Finance income	—	575	575	3	211	214
Finance costs	(45)	(114)	(159)	(521)	(953)	(1,474)
Gain on sale of shares of IRC Limited	1,256	—	1,256	—	—	—
Loss on disposal of Uralmining, Ltd.	—	—	—	(580)	(604)	(1,184)
Loss before income taxes	(6,226)	(49,907)	(56,133)	(8,151)	(11,774)	(19,925)
Income tax (expense) recovery	(48)	1,367	1,319	—	(2,338)	(2,338)
Loss for the period	(6,274)	(48,540)	(54,814)	(8,151)	(14,112)	(22,263)

SUMMARY OF QUARTERLY RESULTS

The Company was incorporated on June 9, 2011 and it did not prepare quarterly financial statements during the period from incorporation to December 31, 2011. However, the Intergeo Reorganization is considered a transaction between entities under common control. As such, the Company has presented its financial results on the book value (carry-over basis) accounting of the assets and liabilities – the financial statements of the Company and Intergeo Russia are

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combined together at book value for the current and comparative years to account for the entity as though they had always been combined together as one entity. See "— *Financial statement presentation*".

For the year ending December 31, 2013	September 30 Qtr 3	June 30 Qtr 2	March 31 Qtr 1
(in \$ 000's, except per share amounts)			
Loss for the period	(3,398)	(43,989)	(7,427)
Other comprehensive income (loss) for the period	1,113	(10,812)	(6,705)
Total comprehensive income (loss) for the period	(2,285)	(54,801)	(14,132)
Loss per share – basic and diluted	(0.03)	(0.38)	(0.07)
Cash flow used in operating activities	(4,282)	(7,473)	(7,034)
Cash flow used in investing activities	(1,157)	(4,703)	(6,765)
Cash flow provided by financing activities	—	—	37,501
Effect of foreign exchange rate changes on cash and cash equivalents	83	(1,020)	(407)

For the year ended December 31, 2012	December 31 Qtr 4	September 30 Qtr 3	June 30 Qtr 2	March 31 Qtr 1
(in \$ 000's, except per share amounts)				
Loss for the period	(8,473)	(8,268)	(7,292)	(6,703)
Other comprehensive income (loss) for the period	10,183	6,550	(19,866)	12,670
Total comprehensive income (loss) for the period	1,710	(1,718)	(27,158)	5,967
Loss per share – basic and diluted	(0.08)	(0.08)	(0.06)	(0.08)
Cash flow used in operating activities	(4,593)	(6,222)	(5,510)	(4,405)
Cash flow used in investing activities	(5,052)	(4,812)	(5,220)	(2,501)
Cash flow provided by financing activities	19,730	6,540	5,548	7,262
Effect of foreign exchange rate changes on cash and cash equivalents	111	578	(999)	1,015

For the period from incorporation to December 31, 2011	December 31 Qtr 4	September 30 Qtr 3	June 30 Qtr 2⁽ⁱ⁾
(in \$ 000's, except per share amounts)			
Loss for the period	(7,010)	(6,185)	—
Other comprehensive income for the period	383	2,861	—
Total comprehensive loss for the period	(6,627)	(3,324)	—
Loss per share – basic and diluted	(684.00)	(615.90)	—
Cash flow used in operating activities	(706)	(12,129)	—
Cash flow used in investing activities	(6,563)	(66,393)	—
Cash flow provided by financing activities	19,165	76,460	—
Effect of foreign exchange rate changes on cash and cash equivalents	(4,349)	6,121	—

- (i) The Company was incorporated on June 9, 2011 and had no significant operations during the period from incorporation to June 30, 2011.

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LIQUIDITY AND CAPITAL RESOURCES

The Company's condensed consolidated interim financial statements have been prepared on a going-concern basis, which assumes that it will continue its activities for the foreseeable future and that all of its obligations will be settled in the normal course of business.

The Company and its subsidiaries are at the exploration and evaluation stage of activities and have not generated revenue or cash flow from their exploration projects. The attainment of profitable operations is dependent upon future events, including the successful exploration and development of projects. To continue its planned exploration and development activities, the Company will continue to be reliant on funding provided by related parties and/or successful equity or debt financings.

On December 5, 2013, the Company received a letter of financial support from Onexim Holdings Limited under which an undertaking was given to provide sufficient funding to ensure that the Company has the ability to meet its obligations and liabilities as and when they fall due during the period of one year subsequent to the date of signing of the Board of Directors' approval of the condensed consolidated interim financial statements for the three and nine months ended September 30, 2013, which was December 25, 2013.

Onexim Holdings Limited has provided the letter of support because as at September 30, 2013 the Company was 99.02% indirectly owned by Mr. Prokhorov, who also controls and is the ultimate beneficial shareholder of Onexim Holdings Limited.

On June 19, 2012 two 100% owned subsidiaries of the Company, LLC East-Sayan nickel company and Golevskaya entered into credit line agreements denominated in Russian roubles with International Financial Club. International Financial Club is a related party of the Company, as Mr. Prokhorov is a shareholder and member of the board of directors of International Financial Club.

International Financial Club provided credit lines totalling approximately \$14,000 (RUB 450 million), to LLC East-Sayan nickel company (RUB 225 million) and Golevskaya (RUB 225 million). The Credit Lines had a six month term and bore interest at 12% per annum. The Credit Lines were secured by a pledge of marketable securities by Leonina Investments Limited, a related party to the Company. Mr. Prokhorov is the ultimate beneficial owner of Leonina Investments Limited. On October 4, 2012, LLC East-Sayan nickel company drew a further \$1,875 (RUB 58 million) on its credit line and on November 7, 2012, LLC East-Sayan nickel company repaid the amount of \$7,145 (RUB 225 million) outstanding on its credit line. On December 18, 2012, the term of the Golevskaya Credit Line was extended until January 31, 2013. On January 31, 2013, Golevskaya repaid its loan from International Financial Club in the amount of approximately \$7,499 (RUB 225 million).

The Company has limited financial resources and expects to incur losses for the foreseeable future. As at September 30, 2013, the Company had cash and cash equivalents of \$17,819 and a term deposit with an original maturity of 122 days in the amount of \$4,181.

On October 23, 2012, the Company and Daselina entered into a subscription agreement whereby Daselina agreed to purchase up to an aggregate of 14,000,000 Common Shares at a subscription price of \$5.00 per Common Share for aggregate gross proceeds of \$70,000. The subscription agreement provided that the Private Placement would be completed in three tranches: the first tranche was completed on October 26, 2012, pursuant to which the Company received cash proceeds of \$25,000 in exchange for the issue of 5,000,000 Common Shares; the second tranche was completed on January 17, 2013, pursuant to which the Company received cash proceeds of \$25,000 in exchange for the issue of 5,000,000 Common Shares; and the third tranche was completed on January 25, 2013, pursuant to which the Company received cash proceeds of \$20,000 in exchange for the issue of 4,000,000 Common Shares.

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Contractual obligations As at September 30, 2013	Payments Due by Period				
	Total \$	Less than 1 year \$	1 – 3 years \$	4 – 5 years \$	After 5 years \$
(in \$ 000's)					
Debt	—	—	—	—	—
Finance lease obligations	—	—	—	—	—
Operating leases	5,407	1,929	3,115	16	347
Purchase obligations ⁽ⁱ⁾	17,750	17,750	—	—	—
Other obligations ⁽ⁱⁱ⁾	2,457	2,457	—	—	—
Total contractual obligations	25,614	22,136	3,115	16	347

- (i) "Purchase obligations" means an agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.
- (ii) "Other obligations" means Accounts payable and accrued liabilities reflected on the Company's statement of financial position.

Contingencies and commitments

Tax legislation

Russian tax and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Company may be challenged by the relevant authorities.

The Russian tax authorities may take a more assertive approach in their interpretation of the legislation and tax examinations, which may include following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Legal proceedings

The Company may be subject to various contingent liabilities that occur in the normal course of operations. The Company is not aware of any pending or threatened proceedings that would have material adverse effect on its consolidated financial position as at September 30, 2013.

Capital commitments

At September 30, 2013, the Company had contractual capital expenditure commitments in respect of exploration and evaluation assets in the amount of \$17,750 (December 31, 2012 – \$6,821).

Additional expenditures are planned in 2013 and 2014 in order to advance exploration activities on the Company's properties. The amount of these additional expenditures will be dependent upon funding sources available to the Company.

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Environmental matters

The enforcement of environmental regulation in Russia is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material.

Operating leases

The Company and its subsidiaries lease office space under various non-cancellable lease agreements. The terms of the office space lease agreements in Toronto and Moscow extend to June 2014 and April 2016, respectively. In addition, the Company leases land under non-cancellable operating lease agreements. The lease terms are generally between 10 and 17 years, and the majority of the land lease agreements are renewable at the end of the lease period.

The expected amount of lease payments as at September 30, 2013, under the terms of the leases are:

(in \$ 000's)	\$
No later than 1 year	1,929
Later than 1 year and no later than 5 years	3,131
Later than 5 years	347
	5,407

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet transactions.

TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties to Intergeo and its subsidiaries include:

Related Party	Relationship	Period Related
Mikhail D. Prokhorov	Ultimate beneficial owner	From June 29, 2011
Maxim Finskiy	Ultimate beneficial owner ⁽ⁱⁱ⁾	From April 18, 2012
Daselina Investments Ltd.	Shareholder ⁽ⁱ⁾⁽ⁱⁱ⁾	From November 15, 2011
Kirkland Intertrade Corp.	Shareholder ⁽ⁱⁱ⁾	From April 18, 2012
Onexim Holdings Limited	Other related party ⁽ⁱ⁾	From June 29, 2011
Onexim Group Management Limited	Other related party ⁽ⁱ⁾	From June 29, 2011
Coverico Holdings Co. Limited	Other related party ⁽ⁱ⁾	From June 29, 2011
North Financial Overseas Corp.	Other related party ⁽ⁱ⁾	From June 29, 2011
Leonina Investments Limited	Other related party ⁽ⁱ⁾	From June 29, 2011
International Financial Club	Other related party ⁽ⁱⁱⁱ⁾	From June 29, 2011

(i) Mr. Prokhorov is the ultimate beneficial owner of the entity.

(ii) On April 18, 2012, ownership of 1,118,259 Common Shares of the Company was transferred from Daselina to

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Kirkland. Mr. Finskiy is the ultimate beneficial owner of Kirkland.

- (iii) Mr. Prokhorov is a shareholder and member of the board of directors of International Financial Club.

Unless otherwise noted, the parties were related during the entire period covered by the financial statements.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in the following table.

a) Borrowings and related interest

Borrowings – Principal

	September 30, 2013	December 31, 2012
	\$	\$
International Financial Club	—	7,371

Borrowings – Interest payable

	September 30, 2013	December 31, 2012
	\$	\$
International Financial Club	—	27

Borrowings – Interest expense

	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
	\$	\$	\$	\$
International Financial Club	—	228	75	252

Borrowings – Repayment of borrowings

	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
	\$	\$	\$	\$
International Financial Club	—	—	7,499	—

Borrowings – Interest paid

	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
	\$	\$	\$	\$
International Financial Club	—	—	103	—

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b) Cash and cash equivalents

Cash and cash equivalents includes an amount held at International Financial Club, a commercial bank that is considered to be a related party to the Company.

	September 30, 2013	December 31, 2012
	\$	\$
International Financial Club	79	676

SUBSEQUENT EVENT

Transaction with Mercator Minerals Ltd.

On December 12, 2013 Intergeo announced that it had entered into an arrangement agreement (the "Arrangement Agreement") with Mercator Minerals Ltd. ("Mercator") to effect a business combination by way of plan of arrangement (the "Arrangement") to create a new copper-focused base metals company (the "Transaction"). Mercator is a Toronto Stock Exchange ("TSX") listed base metals mining company, which operates the wholly-owned copper/molybdenum/silver Mineral Park Mine in Arizona, USA and also has two wholly-owned development projects in Sonora, Mexico: the copper heap leach El Pilar project and the molybdenum/copper El Creston property.

In connection with the Transaction, Daselina has agreed to invest US\$100,000 via a private equity placement (the "Private Placement") in the combined company at a subscription price of US\$0.1224 per share (approximately C\$0.13 per share based on the noon exchange rate on December 11, 2013 of US\$1 equals C\$1.0607) (the "Subscription Price"). Prior to completing the Transaction, Daselina has agreed to advance up to US\$14,000 (which will comprise a portion of the aggregate subscription price for the Private Placement) to Mineral Park Inc. ("MPI"), the wholly-owned subsidiary of Mercator which holds the Mineral Park Mine, by way of a bridge loan to provide it with sufficient funding to stabilize its operations until the Transaction is completed. Approximately US\$50,000 (which includes up to US\$14,000 to be advanced under the bridge loan) of the proceeds from the Private Placement will be advanced to MPI in connection with the Transaction to fund principal payments under MPI's existing credit facility, trade payables, deferred maintenance and capital expenditures. The remainder of the proceeds from the Private Placement will be used to fund closing costs related to the Transaction, to advance the El Pilar and Ak-Sug projects and for general working capital.

Intergeo's shareholders, Daselina and Kirkland, will receive approximately 8.35 common shares of the combined company for each Intergeo share. As well, each of Daselina and Kirkland will also receive one newly-created non-transferable, non-voting, non-participating special share in the combined company which provide certain special rights and restrictions as set out in the Arrangement Agreement, which include the right to nominate up to three directors in certain circumstances and to appoint the Chair and CEO. Mercator shareholders will receive one new common share of the combined company plus one transferable put right for each existing Mercator common share. Each put right will entitle the holder thereof to sell one common share of the combined company to the combined company at a price of C\$0.10. The put rights will be exercisable during the period of 18 to 30 months from the date of issuance and will expire thereafter. The put rights will be governed by an indenture pursuant to which, among other things, Daselina or its designee will deposit cash or an irrevocable letter of credit in the amount of approximately C\$31.7 million with a trustee to be available to support the combined company's payment obligation in relation to the put rights.

Upon completion of the Transaction, the existing Intergeo shareholders will own approximately 85% and existing Mercator shareholders will own approximately 15% of the outstanding shares of the combined company.

The Transaction will be carried out by way of a plan of arrangement, the implementation of which will be subject to the approval of at least 66% of the votes cast at a special meeting of Mercator shareholders that is expected to be held in March 2014 followed by and subject to the approval of the Supreme Court of British Columbia. The Transaction is also subject to applicable regulatory approvals (including the approval of the TSX), certain third party consents and other

Intergeo MMC Ltd

Management's Discussion and Analysis

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customary conditions. The Arrangement Agreement also provides for the payment of a termination fee of US\$6,000 to Intergeo if the Transaction is terminated in certain specified circumstances.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results can differ from those estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

(b) Initial recognition of related party receivables and borrowings

In the normal course of business the Company enters into transactions with its related parties. Judgement is applied in determining if such transactions are conducted at market or non-market interest rates. The basis for judgement includes pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

(c) Transaction between entities under common control

The Intergeo Reorganization is considered a transaction between entities under common control. Judgement was applied in determining that the Intergeo Reorganization should be accounted for as a transaction between entities under common control and the date that Intergeo and Intergeo Russia came under common control. Management concluded that as a result of the transfer of ownership of Intergeo to Onexim Holdings Limited on June 29, 2011, Intergeo and Intergeo Russia came under the common control of Mr. Prokhorov effective June 29, 2011.

As such, the Company has presented its financial results on the book value (carry-over basis) accounting of the assets and liabilities – the financial statements of the Company and Intergeo Russia are combined together at book value for the current and comparative periods to account for the entity as though they had always been combined together as one entity. Accordingly, the consolidated statements of comprehensive loss, changes in equity (deficit) and cash flows include the activities for Intergeo Russia from June 29, 2011, the date the entities came under common control.

Intergeo MMC Ltd

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Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Ore reserve and resource estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, property, plant and equipment, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortization charges.

(b) Fair value determination

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the use of financial models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgement is required in establishing fair values. This judgement includes consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(c) Impairment of non-financial assets

The Company assesses non-financial assets other than goodwill for indicators of impairment at each reporting period. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for exploration and evaluation assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash-generating units as being an individual mine site or project, which is the lowest level for which cash inflows are largely independent of those of other assets.

(d) Tax losses carried forward

Tax losses are recognized as a deferred tax asset to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilized. As the Company's operations are at the exploration and evaluation stage, management concluded that estimates of future taxable income are not sufficiently reliable to allow a deferred tax asset to be recognized.

(e) Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on experience with similar assets. The future economic benefits embodied in the assets are consumed principally through

Intergeo MMC Ltd

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use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

(f) Environmental rehabilitation provision

The Company assesses its site rehabilitation provision at each reporting date. Significant estimates and assumptions are made in determining the provision for rehabilitation, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

CHANGES IN ACCOUNTING POLICIES

The Company has adopted the following new and revised IFRSs, as issued by the IASB along with any amendments, effective January 1, 2013. These changes were made in accordance with the applicable transition provisions.

Amendments to IFRS 7, Financial Instruments: Disclosures and IAS 32, Financial Instruments: Presentation

In December 2011, the IASB approved amendments to IFRS 7, *Financial Instruments: Disclosures*, with respect to offsetting financial assets and financial liabilities. The common disclosure requirements of amended IFRS 7 are intended to help investors and other users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. Companies and other entities are required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The required disclosures should be provided retrospectively.

As part of this project the IASB also clarified aspects of IAS 32, *Financial Instruments: Presentation*. The amendments to IAS 32 address inconsistencies in current practice when applying the requirements. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively.

The Company reviewed the amendments to IFRS 7 and IAS 32 and determined that no additional disclosures are currently required.

IFRS 10, Consolidated Financial Statements

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements* and Standing Interpretation Committee ("SIC")-12, *Consolidation – Special Purpose Entities*, and is effective for annual periods beginning on or after January 1, 2013.

The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of the Company's subsidiaries.

IFRS 11, Joint Arrangements

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* and is effective for annual periods beginning on or after January 1, 2013.

Intergeo MMC Ltd

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The Company determined that the standard did not have any impact on its condensed consolidated interim financial statements.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

The Company assessed its disclosures and concluded that the adoption of IFRS 12 did not result in any change in disclosures in the condensed consolidated interim financial statements.

IFRS 13, Fair Value Measurements

IFRS 13 defines fair value and sets out a single framework for measuring fair value which is applicable to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires that when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximized while unobservable inputs should be minimized. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013.

The Company assessed its disclosures and concluded that the adoption of IFRS 13 did not result in any change in disclosures in the condensed consolidated interim financial statements for the nine months ended September 30, 2013 and 2012.

Amendments to IAS 1, Presentation of Financial Statements

The amendments introduce changes to presentation of items of other comprehensive income. The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit and loss in the future if certain conditions are met from those that would never be reclassified to profit and loss. The amendments are to be applied effective July 1, 2012 and may be early adopted. The amendments are to be applied retroactively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

In accordance with the requirements of Amendments to IAS 1, the Company separated the items of other comprehensive income that would be reclassified to profit and loss from those that would never be reclassified to profit and loss on the Statement of Other Comprehensive Income (Loss).

IAS 19, Employee Benefits (amended standard)

The amended standard introduces various changes in accounting and disclosure requirements for defined benefit plans. The amended standard also finalizes proposals on accounting for termination benefits; under the amended standard the termination benefits are recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, that includes the payment of a termination benefit, and when the entity can no longer withdraw the offer of the termination benefit. The amended standard is to be applied for periods beginning on or after January 1, 2013.

The amended standard does not impact the Company's condensed consolidated interim financial statements.

IAS 27 – Separate financial statements

IAS 27, *Separate financial statements* (IAS 27) was re-issued by the IASB in May 2011 to only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The consolidation guidance will now be included in IFRS 10. The amendments to IAS 27 are effective for annual periods beginning on or after January 1, 2013.

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The Company determined that the amendments to IAS 27 did not have any impact on its condensed consolidated interim financial statements.

IAS 28 (2011) – Investments in associates and joint ventures

IAS 28 (2011), Investments in associates and joint ventures (IAS 28) was re-issued by the IASB in May 2011. IAS 28 continues to prescribe the accounting for investments in associates but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013.

The Company determined that the amendments to IAS 28 did not have any impact on its condensed consolidated interim financial statements.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 is a new interpretation on the accounting for waste removal activities. The interpretation considers when and how to account separately for the benefits arising from a stripping activity, as well as how to measure such benefit. The interpretation generally requires that costs from a stripping activity which improve access to ore to be recognized as a non-current asset when certain criteria are met and should be accounted as an addition to the related asset.

As the Company does not currently conduct any stripping activities, IFRIC 20 does not currently impact the Company's condensed consolidated interim financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments are comprised of financial liabilities and financial assets. The Company's principal financial liabilities comprise accounts payable and short and long-term borrowings. The Company's principal financial assets are cash and cash equivalents and loans and other receivables.

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- price risk;
- interest rate risk; and
- currency risk.

This section presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There were no changes to the Company's risk management policies and systems during the period ended March 31, 2013. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable. The credit risk on liquid funds is limited because the Company does not hold significant cash balances and its counterparties are banks with acceptable credit ratings. The credit risk on other receivables is primarily concentrated on loans receivable, which are due from both related and unrelated parties. The Company's exposure to these counterparties is continually monitored.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	September 30, 2013	December 31, 2012
(in \$ 000's)	\$	\$
Cash and cash equivalents	17,819	13,076
Other receivables	1,493	2,121
Financial assets	4,184	15
	23,496	15,212

The Company's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. The Company has not recognized an allowance for doubtful debts as all balances are still considered recoverable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. To date, the major part of the Company's funding has been provided by its related parties. On October 23, 2012, the Company entered into a private placement agreement with an existing shareholder to issue a further 14,000,000 Common Shares of the Company in exchange for gross proceeds of \$70,000. On October 23, 2012 the Company received cash proceeds of \$25,000 in exchange for the issue of 5,000,000 Common Shares under the terms of the private placement agreement. The private placement was completed on January 25, 2013.

The following tables show the remaining contractual maturities as of the reporting date of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates). The Company did not have any derivative financial liabilities as at September 30, 2013 or December 31, 2012.

Financial liabilities	Carrying amount	Contractual cash flows	0-6 months	6-12 months	Over 1 year
(in \$ 000's)	\$	\$	\$	\$	\$
September 30, 2013					
Accounts payable and accrued liabilities	2,457	2,457	2,457	—	—
(in \$ 000's)					
December 31, 2012					
Borrowings	7,371	7,371	7,371	—	—
Accounts payable and accrued liabilities	7,048	7,116	7,116	—	—
	14,419	14,487	14,487	—	—

Intergeo MMC Ltd

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For the Three and Nine Months Ended September 30, 2013 and 2012

Price risk

The Company is exposed to price risk due to fluctuations in the market price of its investment in shares of IRC. The Company has designated its investment in IRC as an available-for-sale financial asset with the changes in fair value being included in other comprehensive income.

At September 30, 2013, if the market price of the shares of IRC Limited weakened/strengthened by 10% and no shares were disposed of or impaired, comprehensive income (loss) for the three and nine month period ended September 30, 2013 would have changed by \$288 and \$288, respectively (three and nine month period ended September 30, 2012 – \$482 and \$482).

Interest rate risk

The Company's operations expose it primarily to the financial risks of changes in interest rates. To date the majority of borrowings have been at fixed rates from related parties.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was as follows:

	September 30, 2013	December 31, 2012
(in \$ 000's)	\$	\$
Fixed rate instruments		
Financial liabilities	—	(7,371)

Currency risk

The majority of the assets of the Company are denominated in Russian roubles. Accordingly, the carrying value of the net assets is subject to currency risk.

At September 30, 2013, if the RUB had weakened/strengthened by 10% against the US\$ with all other variables held constant, after-tax loss for the three and nine months ended September 30, 2013 would have changed by \$291 and \$4,860 (three and nine months ended September 30, 2012 – \$926 and \$1,388) and equity at September 30, 2013 would have changed by \$14,607. At December 31, 2012, if the RUB had weakened/strengthened by 10% against the US\$ with all other variables held constant, equity at December 31, 2012 would have changed by \$16,764.

At September 30, 2013, if the Canadian dollar had weakened/strengthened by 10% against the US\$ with all other variables held constant, after-tax loss for the three and nine months ended September 30, 2013 would have changed by \$8 and \$22 (three and nine months ended September 30, 2012 – \$23 and \$18) and equity at September 30, 2013 would have changed by \$32. At December 31, 2012, if the Canadian dollar had weakened/strengthened by 10% against the US\$ with all other variables held constant, equity at December 31, 2012 would have changed by \$12.

Intergeo MMC Ltd

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2013 and 2012

(a) *Fair values versus carrying amounts*

	September 30, 2013		December 31, 2012	
	Carrying Amount	Fair value	Carrying amount	Fair value
(in \$ 000's)	\$	\$	\$	\$
Assets				
Cash and cash equivalents	17,819	17,819	13,076	13,076
Other receivables	1,493	1,493	2,121	2,121
Financial assets	7,064	7,064	11,287	11,287
	23,376	23,376	26,484	26,484
Liabilities				
Borrowings	—	—	7,371	7,371
Accounts payable and accrued liabilities	2,457	2,457	7,048	7,048
	2,457	2,457	14,419	14,419

(b) *Fair value hierarchy*

The different levels have been defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At September 30, 2013 and December 31, 2012, the Company's investment in the shares of IRC was classified within Level 1 of the fair value hierarchy.

The Company does not hold any financial assets or liabilities that have been classified within Level 2 or 3 of the fair value hierarchy as at September 30, 2013 or December 31, 2012.

(c) *Capital risk management*

The Company manages its capital to ensure that it will continue as a going concern in order to complete its planned exploration and evaluation activities.

The capital structure of the Company consists of borrowings from related parties, share capital and additional paid-in capital of the Company.

The Company is not subject to any externally imposed capital requirements.

To date, the majority of the Company's capital has been sourced from equity provided by shareholders.

Intergeo MMC Ltd

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2013 and 2012

OTHER

Outstanding Share Data

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value. A summary of Common Share issuances is set forth below:

	Number of shares	\$
(in \$000's)		
January 1, 2012	10,000	10
Issued as a result of the Intergeo Reorganization	100,000,000	215,508
Issued as a result of the Private Placement	5,000,000	25,000
December 31, 2012	105,010,000	240,518
Issued as a result of the Private Placement	9,000,000	45,000
Balance as at December 25, 2013 and September 30, 2013	114,010,000	285,518

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining internal controls over financial reporting, and disclosure controls and procedures. Management has undertaken a detailed review of its internal controls over financial reporting in order to identify and document the controls, and correct any weaknesses. Disclosure controls and procedures have been developed, in conjunction with Intergeo's Timely Disclosure, Confidentiality and Insider Trading Policy. Management continues to refine and complete the work on both of these controls and procedures in order to meet the requirements for Intergeo's future reporting periods once it is a reporting issuer.

The mandate of the Intergeo Audit Committee will require the Audit Committee to oversee management's review of the adequacy of internal controls and to oversee management's disclosure controls and procedures.

APPENDIX M
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF THE
RESULTING ISSUER

Unaudited pro forma condensed consolidated financial information of

Intergeo Mining Ltd.

(Expressed in thousands US dollars, except for per share amounts)

Intergeo Mining Ltd.
Unaudited Pro Forma Condensed Consolidated Statement of Financial Position
As at September 30, 2013

(thousands of US dollars)	Intergeo MMC Ltd Note 2	Mercator Minerals Ltd Note 2	Pro Forma Adjustments	Note 3	Pro Forma Consolidated
ASSETS					
Current Assets					
Cash and cash equivalents	17,819	2,174	100,000	(a)	119,993
Restricted cash	-	10,772			10,772
Accounts receivable	-	14,559			14,559
Other receivables	1,493	-			1,493
Financial assets	7,064	-			7,064
Inventories	-	21,314			21,314
Prepaid expenses and other	578	1,265			1,843
	26,954	50,084	100,000		177,038
Non-Current Assets					
Exploration and evaluation assets	144,319	-			144,319
Mineral properties, plant and equipment	3,225	223,289	(12,383)	(g)	214,131
Restricted cash	-	3,543			3,543
Other assets	351	-			351
	147,895	226,832	(12,383)		362,344
TOTAL ASSETS	174,849	276,916	87,617	-	539,382
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities	2,457	33,496	13,800	(h)	49,753
Long term debt	-	99,813	(83,230)	(f)	16,583
Derivative liabilities	-	8,914			8,914
Deferred revenue	-	2,249			2,249
	2,457	144,472	(69,430)		77,499
Non-Current Liabilities					
Deferred tax liabilities	12,562	-			12,562
Provisions	500	8,483			8,983
Long-term debt	-	24,721	79,323	(f)	104,044
Derivative liabilities	-	11,689			11,689
Share purchase warrants	-	149			149
Share put rights			13,407	(b)	13,407
			75	(d)	75
Deferred revenue	-	32,487			32,487
	13,062	77,529	92,805		183,396
TOTAL LIABILITIES	15,519	222,001	23,375		260,895
EQUITY					
Share capital	285,518	422,833	100,540	(a)	419,015
			(422,833)	(b)	
			32,957	(e)	
Share-based payments reserve	-	23,283	(114)	(d)	102
			(23,283)	(e)	
			216	(e)	
Accumulated other comprehensive income	-	(26)	26	(e)	-
Additional paid-in capital	42,783	-			42,783
Deficit	(166,003)	(391,175)			(180,445)
			(540)	(a)	
			(102)	(d)	
			391,175	(e)	
			(13,800)	(h)	
Unrealized gain on financial assets reserve	729	-			729
Foreign currency translation reserve	(4,427)	-			(4,427)
Equity attributable to owners	158,600	54,915	64,242		277,757
Non-controlling interest	730	-	-		730
TOTAL EQUITY	159,330	54,915	64,242		278,487
TOTAL LIABILITIES AND EQUITY	174,849	276,916	87,617		539,382

Intergeo Mining Ltd.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
For the nine months ended September 30, 2013

(thousands of US dollars)	Intergeo MMC Ltd Note 2	Mercator Minerals Ltd Note 2	Pro Forma Adjustments	Note 3	Pro Forma Consolidated
Revenue					
Copper revenue	-	91,406			91,406
Molybdenum revenue	-	73,966			73,966
Silver revenue	-	2,777			2,777
Other revenue	-	16			16
	-	168,165	-		168,165
Cost of sales					
Mining and processing	-	142,195	(500)	(i)	141,695
Freight, smelting & refining	-	31,460			31,460
	-	173,655	(500)		173,155
Gross profit	-	(5,490)	500		(4,990)
Expenses					
General and administrative expenses	15,778	5,656			21,434
Exploration expenditures	-	522			522
Impairment of exploration and evaluation assets	42,179	167,812			209,991
Operating expenses	57,957	173,990	-		231,947
Results from operating activities	(57,957)	(179,480)	500		(236,937)
Other income/(expense)	152	2			154
Finance income	575	32			607
Finance costs	(159)	(8,316)			(17,738)
			(7,970)	(c)	
			(1,177)	(c)	
			(116)	(f)	
Realized loss on derivative liabilities	-	(7,837)			(7,837)
Unrealized gain/(loss) on derivative instruments	-	23,586	773	(c)	24,359
Unrealized gain/(loss) on share purchase warrants	-	3,841			3,841
Unrealized loss on deferred silver	-	(145)			(145)
Gain on sale of share of IRC Limited	1,256	-			1,256
Foreign exchange gain (loss)	-	(252)			(252)
Loss before income taxes	(56,133)	(168,569)	(7,990)		(232,692)
Income taxes recovery	1,319	27,262			28,581
Total loss for the period	(54,814)	(141,307)	(7,990)		(204,111)
Loss attributable to:					
Owners	(54,773)	(141,307)	(7,990)		(204,070)
Non-controlling interest	(41)				(41)
	(54,814)	(141,307)	(7,990)	-	(204,111)
Loss per share					
Basic	(0.48)	(0.45)			(4.88)
Diluted	(0.48)	(0.45)			(4.88)

Intergeo Mining Ltd.

Unaudited Pro Forma Condensed Consolidated Statement of Operations

For the fiscal year ended December 31, 2012

(thousands of US dollars)	Intergeo MMC Ltd Note 2	Mercator Minerals Ltd Note 2	Pro Forma Adjustments	Note 3	Pro Forma Consolidated
Revenue					
Copper revenue	-	134,511			134,511
Molybdenum revenue	-	124,181			124,181
Silver revenue	-	3,890			3,890
Other revenue	-	39			39
	-	262,621	-		262,621
Cost of sales					
Mining and processing	-	188,343	(666)	(i)	187,677
Freight, smelting & refining	-	38,064			38,064
	-	226,407	(666)		225,741
Gross profit	-	36,214	666		36,880
Expenses					
General and administrative expenses	24,256	10,581	102	(d)	34,939
Exploration expenditures	-	971			971
Impairment of exploration and evaluation assets	-	119,766			119,766
Operating expenses	24,256	131,318	102		155,676
Results from operating activities	(24,256)	(95,104)	564		(118,796)
Other income/(expense)	(453)	225			(228)
Finance income	182	164			346
Finance costs	(2,098)	(10,477)			(23,134)
			(9,413)	(c)	
			(1,586)	(c)	
			440	(f)	
Realized loss on derivative liabilities	-	(16,881)			(16,881)
Unrealized gain/(loss) on derivative instruments	-	(4,179)	(620)	(c)	(4,799)
Unrealized gain/(loss) on share purchase warrants	-	10,843			10,843
Foreign exchange gain (loss)	-	(890)			(890)
Loss on extinguishment of debt	-	(35)			(35)
Loss on disposal of Uralmining, Ltd.	(1,184)	-			(1,184)
Loss before income taxes	(27,809)	(116,334)	(10,615)		(154,758)
Income taxes recovery	(2,927)	(12,352)			(15,279)
Total loss for the period	(30,736)	(128,686)	(10,615)		(170,037)
Loss attributable to:					
Owners	(30,415)	(128,686)	(10,615)		(169,716)
Non-controlling interest	(321)				(321)
	(30,736)	(128,686)	(10,615)		(170,037)
Earnings per share					
Basic	(0.32)	(0.48)			(4.16)
Diluted	(0.32)	(0.48)			(4.16)

INTERGEO MINING LTD.
NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL
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All amounts are quoted in thousands of United States dollars unless otherwise stated

1. BASIS OF PRESENTATION

The unaudited pro forma condensed consolidated financial information has been prepared in connection with the arrangement agreement entered into on December 12, 2013 between Mercator Minerals Ltd. (“Mercator”) and Intergeo MMC Ltd (“Intergeo”) regarding a proposed business combination by way of a plan of arrangement, pursuant to which Mercator would acquire all of the issued and outstanding shares of Intergeo. The plan of arrangement, if completed, would result in the existing shareholders of Intergeo holding an aggregate of up to approximately 84.83% of the outstanding common shares of post-transaction Mercator (to be renamed Intergeo Mining Ltd.) (collectively, the “Transaction”).

Intergeo is a private company incorporated in the British Virgin Islands. It is a copper-focused mineral resource company currently developing and exploring base metal properties in Russia. As of September 30, 2013, Intergeo had 114,010,000 common shares issued and outstanding, which were held by Daselina Investments Ltd. (“Daselina”) and Kirkland Intertrade Corp. (“Kirkland”) in a shareholding percentage of 99.02% and 0.98%, respectively.

Mercator, a TSX listed base metal mining company, operates in the USA and Mexico producing copper, molybdenum and silver at its wholly-owned Mineral Park Mine in Arizona, USA. As of September 30, 2013, Mercator had 315,675,277 common shares issued and outstanding, none of which were held by Daselina or Kirkland.

As part of the proposed plan of arrangement:

- Daselina has agreed to provide a bridge loan directly to Mercator’s wholly owned subsidiary, Mineral Park Inc. (“MPI”), in the amount of \$10,000 from December 23, 2013 to February 28, 2014, with a subsequent \$2,000 available on March 1, 2014 and \$2,000 available on April 1, 2014 if the Transaction does not close by those respective dates for a total of \$14,000. As partial consideration for this bridge loan, Mercator has issued to Daselina 50,962,676 warrants, each such warrant entitling Daselina to purchase one Mercator share at an exercise price of \$0.1224 per share. Of such warrants, only 34,685,741 warrants are exercisable as of the date hereof, subject to the terms and conditions thereof (as described further below). If and when a subsequent \$2,000 is made available on March 1, 2014, an additional 7,953,712 warrants will become exercisable, and if and when a further \$2,000 is made available on April 1, 2014 the remaining 8,323,223 warrants will become exercisable. All warrants may only be exercised upon termination of the arrangement agreement and will be cancelled if the Transaction is completed. On December 23, 2013 \$4,000 was advanced under the terms of the bridge loan. On January 29, 2014 a further \$4,000 was advanced under the terms of the bridge loan.
- On the day immediately prior to the closing of the Transaction, Mercator will change the designation of Mercator’s existing common shares to Class A common shares. Mercator will create a new class of shares – Class B common shares carrying two votes per share. Daselina will complete the subscription of Class B common shares at a price of \$0.1224 (as

INTERGEO MINING LTD.
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described in Note 2) and advance an additional cash sum to Mercator, bringing its aggregate investment in Mercator to \$100,000, plus the accrued interest on the bridge loan.

- On closing of the Transaction:
 - Each existing Class A common share, outstanding restricted share unit (“RSU”), and certain deferred share unit (“DSU”) will be exchanged for one Class B common share plus one put right. Each put right entitles the holder to sell back one Class B common share of the combined company to the combined company at Cdn\$0.10 per share (on a pre-consolidated basis) for a period of 18 to 30 months following closing of the Transaction.
 - Mercator and Intergeo shareholders will complete a share exchange pursuant to which Intergeo shareholders will receive approximately 8.35 Class B common shares of Mercator for each Intergeo common share held.
 - All of the Class B common shares will be consolidated on the basis of 50 pre-consolidation Class B common shares for 1 post-consolidation Class B common share (with corresponding adjustments to the put rights). Mercator will cancel the Class A common shares as a class and change the designation of the Class B common shares to “common shares” (“new common shares”). Mercator will be renamed to “Intergeo Mining Ltd.”

The unaudited pro forma consolidated financial information has been prepared for illustrative purposes only and the adjustments are based on an estimated closing date of May 1, 2014 and pursuant to the assumptions described in Note 3. If the Transaction closes on any date other than May 1, 2014, some of the pro forma adjustments will be impacted for the accrued interest portion of the bridge loan provided to Mercator by Daselina. The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2012 and for the nine months ended September 30, 2013 give effect to the Transaction as if it were completed on January 1, 2012. The unaudited pro forma condensed consolidated statement of financial position as at September 30, 2013 gives effect to the proposed Transaction as if it had occurred as at September 30, 2013.

The historical consolidated financial information has been adjusted to give effect to pro forma events that are (1) directly attributable to the Transaction, (2) factually supportable, and (3) expected to have a continuing impact on the consolidated results.

The pro forma consolidated financial information is not necessarily indicative of the operating results or financial condition that would have been achieved had the Transaction been completed on the dates or for the periods presented, nor do they purport to project the results of operations or financial position of the consolidated entities for any future period or as of any future date. The pro forma consolidated financial information does not reflect any efficiencies relating to operating synergies that may be incurred as a result of the Transaction.

INTERGEO MINING LTD.
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The pro forma adjustments and allocations of the purchase price invested by Intergeo's parent company Daselina to Mercator are based in part on estimates of the fair value of assets acquired and liabilities to be assumed. The final purchase price allocation will be completed after asset and liability valuations are finalized as of the date of the completion of the Transaction. Refer to Note 2 for further discussion of the purchase price allocation.

In preparing the unaudited pro forma consolidated financial information, the following historical financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") were used:

- (a) the audited annual consolidated financial statements of Mercator for the year ended December 31, 2012;
- (b) the unaudited interim condensed consolidated financial statements of Mercator for the nine months ended September 30, 2013;
- (c) the audited annual consolidated financial statements of Intergeo for the year ended December 31, 2012; and
- (d) the unaudited interim condensed consolidated financial statements of Intergeo for the nine months ended September 30, 2013.

The pro forma condensed consolidated financial information includes information from the financial statements of Mercator and Intergeo as indicated above. Management is not aware of any significant differences between Mercator's and Intergeo's IFRS accounting policies.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with the above listed financial statements and their accompanying notes.

2. ACQUISITION OF MERCATOR

In connection with the Transaction, Intergeo's controlling shareholder, Daselina, has agreed to purchase Class B common shares at a price of \$0.1224 per share for an aggregate subscription price of \$100,000 (including the principal amount of the bridge loan (which will be assigned to Mercator)) plus the amount of the capitalized and accrued interest under the bridge loan at the time of the closing of the Transaction.

In addition, Mercator and each of the Intergeo shareholders would undertake a share exchange whereby each of Daselina and Kirkland will receive approximately 8.35 Class B common shares for each Intergeo common share (plus one newly-created special share).

Each of the private placement and share exchange will be completed pursuant to the plan of arrangement and the net effect of the completed Transaction would be for Daselina and Kirkland to own approximately up to 84.83% of the combined company's new common shares (which will be redesignated from Class B common shares) and Mercator's existing shareholders owning the remaining new common shares.

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NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL
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Management has performed its analysis under IFRS 3 – Business Combinations and determined that Intergeo is the accounting acquirer of Mercator, who is the accounting acquiree. Therefore, the proposed Transaction between Mercator (legal parent) and Intergeo (legal subsidiary) will constitute a reverse acquisition. Application of reverse acquisition accounting results in the following:

- the consolidated financial information of the combined company will be issued under the legal name of the legal parent, Mercator, but will be a continuation of the financial information of the legal subsidiary, Intergeo;
- Intergeo is deemed to be the continuing enterprise for accounting purposes and, as such, its assets and liabilities will be included in the consolidated financial information of the combined company at historical cost;
- Mercator, being the acquired enterprise for accounting purposes, will have its assets and liabilities included in accordance with IFRS 3; and
- the capital structure of the combined company will be that of the Mercator, but the dollar amount of the issued share capital in the unaudited pro forma condensed consolidated statement of financial position will be that of Intergeo, plus any Class B common shares issued by Mercator as part of the Transaction, and the fair value of the consideration paid for Mercator as determined in accordance with IFRS 3.

The resulting purchase price allocation will be performed by Intergeo and any purchase price adjustments will be reflected on Intergeo Mining Ltd.'s statement of financial position. The preliminary purchase price allocation indicates that the fair value of Mercator's assets and liabilities approximate their carrying value as at September 30, 2013 other than the decrease of Mercator's mineral properties, the modification of Mercator's existing credit facility (Note 3(f)) and the recognition of the put right granted to certain of Mercator's shareholders (Note 3(b)). The preliminary purchase price is allocated as follows:

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Purchase of Mercator's Class B common shares:

Issuance of Mercator's Class B common shares attributable to non-controlling shareholders	15,262
Exchange of Intergeo's common shares with Mercator's Class B common shares	17,695
Total purchase consideration	32,957

The purchase price was allocated as follows:

Net working capital	14,339
Mineral properties, plant and equipment	210,906
Other assets	3,543
Derivative liabilities	(20,603)
Provisions	(8,483)
Long term debt	(120,627)
Long term deferred revenue	(32,487)
Put liability	(13,482)
Other liabilities	(149)
Total purchase consideration	32,957

Intergeo Mining Ltd. will finalize the purchase price upon closing of the Transaction.

3. EFFECT OF TRANSACTIONS ON THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The pro forma condensed consolidated financial information incorporates the following pro forma assumptions and adjustments:

- (a) This pro forma adjustment reflects the bridge loan and the remaining payment by Daselina to Mercator of \$100,000 in cash plus the accrued interest of \$540 (per Note 1 for illustrative purposes accrued up to May 1, 2014) on the bridge loan for the issuance of 821,405,229 Mercator Class B common shares.
- (b) This pro forma adjustment reflects the exchange of existing Mercator Class A common shares for Class B common shares and a transferable put right. The put right contains a conditional obligation for Mercator to purchase its own Class B common shares and is presented as a financial liability at the fair value as determined by the binomial model. Such put right is subsequently measured at the amortized cost.
- (c) This pro forma adjustment reflects the:
 - Accretion of the put right up to the earliest exercise date, and is reflected as finance cost on the statements of operations.
 - The put right is exercisable in Canadian dollars and Intergeo Mining Ltd.'s functional currency is in United States dollars. As such, a pro forma adjustment has been

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reflected for the mark to market on this foreign currency embedded derivative in the statement of operations.

- Daselina will deposit \$31,744 Canadian dollars into an escrow account held by an independent trustee that will become available to satisfy the put liability if Intergeo Mining Ltd. is unable to satisfy the obligation on exercise. Daselina will charge a 5% per annum facility fee to Intergeo Mining Ltd. on any undrawn amount in the escrow account following the time at which there are no longer any put rights outstanding for creating this escrow account. An adjustment has been reflected for the finance cost in the statement of operations.
- (d) This pro forma adjustment reflects the exchange of each outstanding Mercator RSU and certain DSU for one Class B common share and transferable put right. The settlement of outstanding RSUs and certain DSUs with a replacement of Class B common shares is treated as an acceleration of vesting, and unrecognized compensation costs of approximately US\$102 is reflected in the statement of operations. The put right contains an obligation for Mercator to purchase its own Class B common shares and is presented as a financial liability at fair value as determined by the binomial model. Such put right is subsequently measured at the amortized cost.
- (e) This pro forma adjustment reflects the share exchange of approximately 8.35 Mercator Class B common shares for each existing Intergeo common share. As the former shareholders of Intergeo will obtain control of Mercator, the proposed Transaction between Mercator (legal parent) and Intergeo (legal subsidiary) will constitute a reverse acquisition. Mercator's historical equity accounts are eliminated in such reverse acquisition.
- (f) The modification of Mercator's existing credit facility with third part lenders has been adjusted to reflect the fair value. See Note 2 for fair value allocation. Any changes to interest expense, as a result of the modified terms, are reflected in the statement of comprehensive income (loss). The long term portion of the credit facility is reclassified to non-current liabilities.
- (g) The mineral properties have been adjusted to reflect the fair value. See Note 2 for fair value allocation.
- (h) This adjustment reflects the transaction costs related to the Transaction on the statement of financial position estimated at \$7,000 for Mercator and \$6,800 for Intergeo for a combined total of \$13,800. Due to the non-recurring nature of the expense, transaction costs should not be reflected in the pro forma condensed consolidated statement of operations as these costs are not expected to continue in future periods.
- (i) This pro forma adjustment reflects the changes in the depreciation expense due to the fair value adjustment for Mercator's mineral properties.

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- (j) The impact of the statement of operations pro forma adjustments is an income tax recovery. However, an income tax recovery has not been reflected on the condensed pro forma consolidated statement of operations because management has determined that it is not probable that future taxable profits of Intergeo Mining Ltd. will be available against which the unused tax losses or unused tax credits can be utilized.

4. SHARES OUTSTANDING

The average number of shares used in the computation of pro forma basic and diluted earnings (loss) per share has been determined as follows (shares issuable on the exercise of stock options and share purchase warrants have been excluded from the calculation of diluted earnings (loss) per share because of the effect is anti-dilutive):

	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
	Basic		Diluted	
Weighted average shares outstanding for the period - September 30, 2013	315,196,947	269,563,744	315,196,947	269,563,744
Pro forma adjusted shares				
Issuance of Class B shares to Daselina	821,405,229	821,405,229	821,405,229	821,405,229
Exchange of restricted and deferred share units with Class B common shares	1,583,572	1,583,572	1,583,572	1,583,572
Share exchange between Mercator and Intergeo	952,332,105	952,332,105	952,332,105	952,332,105
Consolidation of 50 to 1 Class B common shares	(2,048,707,496)	(2,003,986,957)	(2,048,707,496)	(2,003,986,957)
Pro forma basic weighted average common shares for Intergeo Mining Ltd.	<u>41,810,357</u>	<u>40,897,693</u>	<u>41,810,357</u>	<u>40,897,693</u>

APPENDIX N

DIRECTORS, EXECUTIVE OFFICERS AND MANAGEMENT OF INTERGEO

Board of Directors of Intergeo

The Board of Directors of Intergeo currently consists of Maxim Finskiy, John Lill and Dmitry Razumov. For more information regarding each of Messrs. Finskiy, Lill and Razumov, please see "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer".

Officers of Intergeo

Intergeo's current officers are:

Name	Positions and Offices
Maxim Finskiy	Executive Chairman
John Lill	Chief Executive Officer and Director
Andrey Shchetinin	Senior Vice-President, Corporate Affairs
Robert Wickham	Senior Vice-President, Finance and Chief Financial Officer

For more information regarding each of Messrs. Finskiy, Lill, Shchetinin and Wickham, please see "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer".

Share Ownership by Board of Directors and Officers

As a group, Intergeo's current directors and executive officers beneficially own or exercise control or direction over, directly or indirectly, 1,118,259 Intergeo Shares, representing less than 1% of the issued and outstanding Intergeo Shares (on an undiluted basis), and no shares of Intergeo's subsidiaries, prior to giving effect to the Arrangement.

COMPENSATION OF DIRECTORS AND OFFICERS

The Intergeo NEOs who are the focus of Appendix N of this Circular and who appear in the compensation tables below are: John Lill, Chief Executive Officer; Robert Wickham, Senior Vice-President, Finance and Chief Financial Officer; and Andrey Shchetinin, Senior Vice-President, Corporate Affairs. Other than the individuals named above, there are no other "executive officers" (as such term is defined in applicable Canadian securities law) of Intergeo or any of its subsidiaries (or any individual acting in a similar capacity) whose total compensation was, at the end of the most recently completed financial year, more than C\$150,000.

Historically, the compensation of Intergeo's executive officers was determined on an individual basis based on arm's length negotiations between Intergeo and the executive officer taking into account a number of factors, including Intergeo's financial condition and available resources, the executive officer's qualifications, experience and the compensation levels of Intergeo's other executive officers. In September 2011, Hugessen was engaged to review compensation of a comparator group of companies to ensure that Intergeo would be competitive with the compensation characteristics of the comparator group. The comparator group companies were Inmet Mining Corporation, Katanga Mining Ltd., Sherritt International Corporation, Lundin Mining Corporation, Quadra FNX Mining Ltd., HudBay Minerals Inc., and Thompson Creek Metals Company Inc. The comparator group was selected based on a number of criteria including that each of the companies be a diversified metals and mining company listed on the TSX with a total enterprise value between C\$1 billion and C\$4 billion. After reviewing and considering Hugessen's recommendations, Intergeo established the compensation payable to the Intergeo NEOs, which was designed to be competitive with Intergeo's comparator group. Benefit and perquisite arrangements were also designed to be competitive with Intergeo's comparator group.

Executive Compensation: Tables and Narrative

Summary Compensation Table

The following table reflects compensation that was paid to the Intergeo NEOs for the fiscal year ending December 31, 2013.

Name and Principal Position	Year	Salary (C\$)	Share-Based Awards (C\$)	Option-Based Awards (C\$)	Non-Equity Incentive Plan Compensation (C\$)		Pension Value (C\$)	All Other Compensation (C\$)	Total Compensation (C\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
John Lill,..... CEO ⁽¹⁾⁽²⁾	2013	405,707	—	—	—	—	—	267,723	673,431
Robert Wickham,..... SVP Finance and CFO ⁽³⁾	2013	400,000	—	—	—	—	—	93,135	493,135
Andrey Shchetinin,..... SVP, Corporate Affairs ⁽⁴⁾	2013	317,086	—	—	—	—	—	1,737	318,823

Notes:

- (1) The amount reported for Mr. Lill under the column "All Other Compensation" includes perquisites and benefits received by Mr. Lill, including an amount for group insurance benefits (C\$9,647), life insurance (C\$9,864), long-term disability insurance (C\$19,264), an allowance for accommodation arrangements and living expenses (C\$200,000), Intergeo's contribution to his RRSP (C\$23,820), and a cash payment relating to his 2012 RRSP contribution entitlement that exceeded the limit set by the CRA (C\$5,128).
- (2) The amount reported for Mr. Lill under the column "Salary" was adjusted in respect of services provided by Mr. Lill in Intergeo's Moscow offices in 2013 and previous years.
- (3) The amount reported for Mr. Wickham under the column "All Other Compensation" includes perquisites and benefits received by Mr. Wickham including an amount for group insurance benefits (C\$9,647), a parking allowance (C\$5,232), life insurance (C\$4,428), long-term disability insurance (C\$9,060), Intergeo's contribution to his RRSP (C\$20,000), a cash payment relating to his 2012 RRSP contribution entitlement that exceeded the limit set by the CRA (C\$15,537) and a cash payment for unused vacation time (C\$29,231).
- (4) Calculated based on the average noon exchange rate for 2013 of C\$1.00 equals RUB31.60. The amount reported for Mr. Shchetinin under the column "All Other Compensation" consists of the amount received in respect of medical insurance for a two month period, which was paid in RUB and has been converted to C\$ for purposes of the table using an exchange rate of C\$1.00 equals RUB31.20, being the average RUB/C\$ exchange rate for November 2013 and December 2013.

Incentive Plan Awards

No options-based awards or share-based awards were outstanding at the end of the most recently completed financial year.

Incentive Plan Awards – Value Vested or Earned During the Year

No options-based awards or share-based awards vested during the most recently completed financial year.

Termination and Change of Control

Other than as described below, there are no agreements, compensation plans, contracts or arrangements whereby an Intergeo NEO is entitled to receive payments in the event of the resignation, retirement or other termination of the Intergeo NEO's employment with Intergeo, change of control of Intergeo or a change in the Intergeo NEO's responsibilities following a change in control.

Employment Agreements

Intergeo has entered into employment agreements with each of the Intergeo NEOs, as further described below.

John Lill, Chief Executive Officer

Mr. John Lill entered into an employment agreement with Intergeo Cyprus on April 4, 2011. Effective October 1, 2011, Intergeo Cyprus assigned its rights and obligations under such employment agreement to Intergeo Canada in connection with an amended and restated employment agreement. It is expected that the Resulting Issuer and Mr. Lill will enter into an amended and restated agreement in respect of this employment agreement. See "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Employment Agreements".

Robert Wickham, Senior Vice-President, Finance and Chief Financial Officer

Mr. Robert Wickham entered into an employment agreement with Intergeo Cyprus on August 1, 2011. Effective October 1, 2011, Intergeo Cyprus assigned its rights and obligations under such employment agreement to Intergeo Canada in connection with an amended and restated employment agreement, which was subsequently amended on January 18, 2013. It is expected that the Resulting Issuer and Mr. Wickham will enter into an amended and restated agreement in respect of this employment agreement. See "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Employment Agreements".

Andrey Shchetinin, Senior Vice-President, Corporate Affairs

Mr. Andrey Shchetinin is engaged under two sets of agreements, namely (i) an employment agreement with Intergeo Russia dated September 1, 2008, as amended from time to time (the "**AS Employment Agreement**") and (ii) a service agreement entered into by a service company wholly-owned by Mr. Shchetinin and Intergeo MMC Ltd dated May 10, 2012. It is expected that the Resulting Issuer and Mr. Shchetinin's wholly-owned service company will enter into an amended and restated agreement in respect of the service agreement. See "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Employment Agreements".

Director Compensation

As at the date of this Circular, Intergeo has not paid any compensation to any of its directors for serving in such capacity.

In September 2011, Hugessen was engaged to provide independent advice on compensation for the directors of Intergeo. Hugessen reviewed compensation paid by a comparator group of companies and made recommendations regarding compensation to ensure that Intergeo would be competitive with the compensation characteristics of the comparator group. The comparator group companies were Inmet Mining Corporation, Katanga Mining Ltd., Sherritt International Corporation, Lundin Mining Corporation, Quadra FNX Mining Ltd., HudBay Minerals, Inc. and Thompson Creek Metals Company Inc. The comparator group was selected based on a number of criteria including that each of the companies be a diversified metals and mining company listed on the TSX with a total enterprise value between C\$1 billion and C\$4 billion.

Incentive Plan Awards

No options-based awards or share-based awards were outstanding at the end of the most recently completed financial year.

Incentive Plan Awards – Value Vested or Earned During the Year

No options-based awards or share-based awards vested during the most recently completed financial year.

Advice on Compensation

In connection with its review of the Intergeo NEOs compensation and its recommendation of the directors' compensation, Hugessen was paid a fee of C\$92,055. Hugessen did not provide any non-compensation related services.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

Intergeo is not aware of any individuals who are either current or former executive officers, directors or employees of Intergeo or any of its subsidiaries and who have indebtedness outstanding as at the date of this Circular (whether entered into in connection with the purchase of securities of Intergeo or otherwise) that is owing to (i) Intergeo or its subsidiaries, or (ii) another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Intergeo or any of its subsidiaries.

Except for (i) indebtedness that has been entirely repaid on or before the date of this Circular, and (ii) "routine indebtedness" (as defined in Form 51-102F5 of the Canadian Securities Administrators), Intergeo is not aware of any individuals who are, or who at any time since incorporation of Intergeo were, a director or executive officer of Intergeo, or an associate of any of those directors or executive officers, who are, or have been at any time since incorporation of Intergeo, indebted to Intergeo or any of its subsidiaries, or whose indebtedness to another entity is, or at any time since incorporation of Intergeo has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Intergeo or any of its subsidiaries.

APPENDIX O
DIRECTORS, EXECUTIVE OFFICERS AND MANAGEMENT OF MERCATOR

The name, province or state and country of residence, position or office held and period(s) served as a director or officer with Mercator and principal occupation during the past five years of each director and officer of Mercator and the number, designation and percentage of securities of Mercator (including Mercator Shares, Mercator Options, Creston Options, Mercator DSUs and Mercator RSUs) beneficially owned or over which control or direction is exercised by each director and officer of Mercator, and each associate or affiliate thereof, are described below:

Name, Province/State and Country of Residence	Position with Mercator and Period of Service	Current Principal Occupation and during the Past Five Years	# and % of Securities of Mercator Beneficially Owned or Controlled or Directed
John Bowles, FCA, FCIM British Columbia, Canada	Director since April 2011	Retired Partner, PricewaterhouseCoopers (PwC) LLP, Chartered Accountants; Chartered Accountant; Corporate Director.	200,000 Mercator Options 92,593 Mercator DSUs (0.09%) ⁽¹⁾
Bruce McLeod British Columbia, Canada	President, CEO and Director since June 2011	President and CEO of Mercator since June 2011; President and CEO of Troon Ventures Ltd. (a public mineral exploration company) from June 1989 to July 2011; President and CEO of Creston Moly Corp. (formerly a public mineral exploration company) from August 2009 to June 2011.	886,870 Mercator Shares 600,000 Mercator Options 172,950 Creston Options 169,492 Mercator RSUs (0.58%) ⁽¹⁾
Robert Quinn Texas, USA	Non-Executive Chairman and Director since September 2005	Attorney, Partner Quinn & Brooks LLP; a director of a number of public companies; Chairman of North American Palladium Ltd., Great Western Minerals Group Ltd. and Formation Metals Inc. (each a public mining company).	15,000 Mercator Shares 350,000 Mercator Options 92,593 Mercator DSUs (0.14%) ⁽¹⁾
Stephen Quin British Columbia, Canada	Director since February 2005	President and CEO of Midas Gold Corp., (a public mineral exploration company) since February 2011; President and CEO of Midas Gold Inc., (a private mineral exploration company) from January 2011 to March 2011; President of Capstone Mining Corp. (a public mining company) from November 2008 to December 2010; COO of Capstone Mining Corp. from November 2008 to May 2010.	119,591 Mercator Shares 300,000 Mercator Options 92,593 Mercator DSUs (0.16%) ⁽¹⁾
Daniel Tellechea Arizona, USA	Director since April 2012	President and CEO and a Director of Sierra Metals Inc. (formerly Dia Bras Exploration Inc.), (a public mining company).	100,000 Mercator Options and 92,593 Mercator DSUs ($<0.01\%$) ⁽¹⁾

Name, Province/State and Country of Residence	Position with Mercator and Period of Service	Current Principal Occupation and during the Past Five Years	# and % of Securities of Mercator Beneficially Owned or Controlled or Directed
Ronald Earl Vankoughnett British Columbia, Canada	Director since May 2005	Independent Businessman.	50,000 Mercator Shares 400,000 Mercator Options 92,593 Mercator DSUs (0.17%) ⁽¹⁾
Roman Friedrich California, USA	Director since August 2013	Investment Banker, Founder and President of Roman Friedrich and Company (a specialized investment banking firm).	92,593 Mercator DSUs ⁽²⁾ (0.03%) ⁽¹⁾
Mark Distler Arizona, USA	CFO since January 2011.	Chief Financial Officer of Mercator since January 2011; Operations Controller, Curis Resources Ltd. (a mineral exploration company) from July 2010 to December 2010; Chief Financial Officer, Frontera Copper Corp. (a mining company) from June 2007 to June 2010.	33,559 Mercator Shares 550,000 Mercator Options 27,119 Mercator RSUs (0.19%) ⁽¹⁾
Marc LeBlanc British Columbia, Canada	Corporate Secretary since January 2005.	Corporate Secretary of Mercator since January 2005; VP Corporate Development of Mercator from June 2007 to August 2011.	43,499 Mercator Shares 725,000 Mercator Options 22,600 Mercator RSUs (0.25%) ⁽¹⁾
Michael Broch Nevada, USA	VP, Exploration and Evaluation since February 2010.	VP Exploration and Evaluation of Mercator since August 2011; VP Exploration of Mercator since February 2010; Consultant (Project Manager) to Mercator from 2006 to 2010.	188,802 Mercator Shares 375,000 Mercator Options 22,600 Mercator RSUs (0.19%) ⁽¹⁾

Notes:

- (1) On a partially diluted basis, assuming exercise of all convertible securities held by such director/officer.
- (2) Effective October 15, 2013, the Mercator Board approved the award of 92,593 Mercator DSUs to Roman Friedrich, who became a director of Mercator effective August 22, 2013. Despite Mercator Board approval, such Mercator DSUs have not yet been awarded due to a trading black-out currently in place. These Mercator DSUs will be awarded following the expiry of the trading black-out period and in any event, no later than the Effective Time.

Cease Trade Orders, Bankruptcies, Sanctions and Penalties

Cease Trade Orders

Except as disclosed below, to the knowledge of Mercator, no director or executive officer of Mercator is, as of the date of this Circular, or was within ten years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including Mercator) that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was

issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

In early 1998, Mercator, through its then management, filed a registration statement under the U.S. Exchange Act with the SEC, which became effective in 1998 without further action by Mercator. Mercator's subsequent management and directors were not aware that the registration statement had become effective and, accordingly, no further filings were made with the SEC. In June 2011, Mercator received a notice from the SEC advising that Mercator's registration had become effective in 1998 and that Mercator had an obligation to file periodic reports with the SEC. As Mercator had not filed such periodic reports, it was delinquent in its SEC filings. In light of the fact that Mercator was not able to make the filings for the period from 1998 to 2011, Mercator negotiated with the SEC and on November 8, 2011 an order (the "**12(j) Order**") was issued under Section 12(j) of the U.S. Exchange Act, revoking the registration of Mercator. The 12(j) Order restricts members of a national securities exchange, brokers or dealers from effecting any transaction in or inducing the purchase or sale of Mercator Shares in the United States. On November 8, 2011, Mercator filed a Form 40-F registration statement under the provisions of the U.S. Exchange Act with the SEC, which, when effective, removes the restrictions on the market participants caused by the 12(j) Order, so that trading of Mercator Shares in the United States could resume. The Form 40-F registration statement became effective on January 9, 2012. Each of the directors and officers of Mercator, except for Mr. Tellechea and Mr. Friedrich, were directors or officers of Mercator at the time of the issuance of the 12(j) Order.

Corporate and Personal Bankruptcies

Except as disclosed below, to the knowledge of Mercator, no director or executive officer of Mercator: (a) is, as of the date of this Circular, or has been within the ten years before the date of this Circular, a director or executive officer of any company (including Mercator) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Tellechea was the President and Chief Executive Officer of Asarco LLC (formerly Asarco Inc.) which on August 9, 2005, filed seeking protection from its creditors under Chapter 11 of the United States Bankruptcy Code. Mr. Tellechea resigned as the President and Chief Executive Officer of Asarco LLC (formerly Asarco Inc.) on November 14, 2005.

Penalties or Sanctions

To the knowledge of Mercator, no existing director or executive officer of Mercator has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Employment Agreements

Mercator has entered into employment agreements with each of its named executive officers (as such term is defined in Form 51-102F6 of the Canadian Securities Administrators) as further described below or in the documents incorporated by reference in this Circular, as applicable.

Mark Distler, Chief Financial Officer

Mr. Mark Distler entered into an employment agreement with Mercator on January 15, 2011 (the "**MD Employment Agreement**"). Under its terms, if the MD Employment Agreement is terminated by Mercator for any

reason (other than in the context of a change of control (as defined below under the heading "Change of Control"), and other than for just cause, disability or death), Mr. Distler is entitled to receive a lump sum payment equal to 12 months of salary, plus an additional one month of salary for each completed year of employment under the MD Employment Agreement (prorated for partial years), up to a maximum of 24 months of salary, less any statutorily required deductions and amounts owing by Mr. Distler. In addition, Mr. Distler is entitled to receive the medical, vision, dental, group term life insurance and disability benefits under the MD Employment Agreement for 24 months after his termination date.

If Mr. Distler is terminated (other than for just cause, disability or death) during the 12-month period beginning on the effective date of a change of control (a "**Change of Control Period**"), or if Mr. Distler terminates his employment during a Change of Control Period for good reason, he will receive a lump sum cash payment equal to: (i) two times the amount of his annual salary in effect on the termination date; plus (ii) two times the amount equal to the average of bonuses paid to him by Mercator within the three most recent years. In addition, if Mr. Distler is terminated (other than for just cause, disability or death) involuntarily by Mercator, or if Mr. Distler terminates his employment for good reason, during a Change of Control Period he is entitled to receive the medical, vision, dental, group term life insurance and disability benefits under the MD Employment Agreement for 24 months after his termination date.

Pursuant to the MD Employment Agreement, Mr. Distler is also entitled to participate in the Mercator Stock Option Plan. The grant of any awards to Mr. Distler under the Mercator Stock Option Plan shall be contingent upon achievement of certain performance indicators (either individual or corporation-based) to be determined by Mercator at the beginning of each year. Except as provided for in the MD Employment Agreement, all awards issued to Mr. Distler pursuant to the Mercator Stock Option Plan may be exercised and shall expire in accordance with the terms of any award agreement between Mercator and Mr. Distler and/or the Mercator Stock Option Plan.

In the event Mr. Distler's employment is terminated outside of the Change of Control Period for any reason (other than for just cause, disability or death), the Mercator Options granted to Mr. Distler will expire on the earlier of (i) the scheduled expiry date, and (ii) the 90th day following the termination date.

In the event of a change of control, all unexercised Mercator Options, Mercator RSUs or other awards held by Mr. Distler under the Mercator Stock Option Plan or the Mercator LTIP shall vest and be exercisable or settled as of the date of termination of employment without regard as to whether such awards have vested.

The MD Employment Agreement contains confidentiality provisions whereby Mr. Distler is prohibited from, among other things, disclosing any confidential information regarding Mercator, its affiliates or any of their respective customers or clients to any person during and subsequent to the term of the MD Employment Agreement. The MD Employment Agreement also contains non-solicitation provisions whereby, during the term of the MD Employment Agreement and for a period of one year thereafter, Mr. Distler is prohibited from: (a) soliciting or assisting others in soliciting the employment or hire of any employee of Mercator without the consent of Mercator; or (b) taking advantage of any business opportunity existing on his termination date which opportunity rightfully belongs to Mercator.

Michael Broch, Vice-President, Exploration and Evaluation

Mr. Michael Broch entered into an employment agreement with Mercator on February 1, 2010 (the "**MB Employment Agreement**"). Under its terms, if the MB Employment Agreement is terminated by Mercator for any reason (other than in the context of a change of control (as defined below under the heading "Change of Control"), and other than for just cause, disability or death), Mr. Broch is entitled to receive a lump sum payment equal to 12 months of salary, plus an additional one month of salary for each completed year of employment under the MB Employment Agreement (prorated for partial years), up to a maximum of 24 months of salary, less any statutorily required deductions and amounts owing by Mr. Broch. In addition, Mr. Broch is entitled to receive the medical, vision, dental, group term life insurance and disability benefits under the MB Employment Agreement for 24 months after his termination date.

If Mr. Broch is terminated (other than for just cause, disability or death) during a Change of Control Period, or if Mr. Broch terminates his employment during a Change of Control Period for good reason, he will receive a lump sum cash payment equal to: (i) two times the amount of his annual salary in effect on the termination date; plus (ii) two times the amount equal to the average of bonuses paid to him by Mercator within the three most recent years. In addition, if Mr. Broch is terminated (other than for just cause, disability or death) involuntarily by Mercator, or if Mr. Broch terminates his employment for good reason, during a Change of Control Period he is entitled to receive the medical, vision, dental, group term life insurance and disability benefits under the MB Employment Agreement for 24 months after his termination date.

Pursuant to the MB Employment Agreement, Mr. Broch is also entitled to participate in the Mercator Stock Option Plan. The grant of any awards to Mr. Broch under the Mercator Stock Option Plan shall be contingent upon achievement of certain performance indicators (either individual or corporation-based) to be determined by Mercator at the beginning of each year. Except as provided for in the MB Employment Agreement, all awards issued to Mr. Broch pursuant to the Mercator Stock Option Plan may be exercised and shall expire in accordance with the terms of any award agreement between Mercator and Mr. Broch and/or the Mercator Stock Option Plan.

In the event Mr. Broch's employment is terminated outside of the Change of Control Period for any reason (other than for just cause, disability or death), the Mercator Options granted to Mr. Broch will expire on the earlier of (i) the scheduled expiry date, and (ii) the 90th day following the termination date.

In the event of a change of control, all unexercised Mercator Options, Mercator RSUs or other awards held by Mr. Broch under the Mercator Stock Option Plan or the Mercator LTIP shall vest and be exercisable or settled as of the date of termination of employment without regard as to whether such awards have vested.

The MB Employment Agreement contains confidentiality provisions whereby Mr. Broch is prohibited from, among other things, disclosing any confidential information regarding Mercator, its affiliates or any of their respective customers or clients to any person during and subsequent to the term of the MB Employment Agreement. The MB Employment Agreement also contains non-solicitation provisions whereby, during the term of the MB Employment Agreement and for a period of one year thereafter, Mr. Broch is prohibited from: (a) soliciting or assisting others in soliciting the employment or hire of any employee of Mercator without the consent of Mercator; or (b) taking advantage of any business opportunity existing on his termination date which opportunity rightfully belongs to Mercator.

Change of Control

Each of the MD Employment Agreement and MB Employment Agreement provide that a "change of control" will have occurred when:

- (i) the consummation of a merger, amalgamation, or arrangement of Mercator with any other person or persons different from the persons holding equity securities (defined below) of Mercator immediately prior to the transaction, other than (a) a merger, amalgamation, or arrangement which would result in the equity securities of Mercator outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than sixty percent (60%) of the combined voting power of the voting securities of Mercator or such surviving entity outstanding immediately after such merger, amalgamation, or arrangement; or (b) a merger, amalgamation, or arrangement effected to implement a recapitalization of Mercator (or similar transaction) in which no person acquires more than thirty percent (30%) of the combined voting power of Mercator's then outstanding equity securities;
- (ii) any person (other than Mercator and any entity owned, directly or indirectly, by the stockholders of Mercator in substantially the same proportion as their ownership of equity securities of Mercator), is or becomes the beneficial owner, directly or indirectly, of equity securities of Mercator representing thirty percent (30%) or more of the combined voting power of Mercator's then outstanding securities;

- (iii) during any period of not more than six (6) consecutive months, individuals who at the beginning of such period constitute the Mercator Board cease for any reason to constitute at least a majority thereof; or
- (iv) any other transaction which the Mercator Board designates as a "change of control".

The term "equity securities", when used in the definition immediately above, means securities of Mercator that carry a residual right to participate in the earnings of the issuer and, on liquidation or winding up of the issuer, in its assets.

APPENDIX P
DIRECTORS, EXECUTIVE OFFICERS AND MANAGEMENT OF THE RESULTING ISSUER

Summary Information

The following table provides the names and jurisdictions of residence of those persons who will be directors and officers of the Resulting Issuer upon completion of the Arrangement, their respective proposed positions and offices with the Resulting Issuer, and their principal occupations during the past five years.

Name, Province/State and Country of Residence	Current Position with Mercator/Intergeo and Proposed Position with Resulting Issuer	Current Principal Occupation and Principal Occupation during the Past Five Years	# and % of Resulting Issuer Common Shares Beneficially Owned or Controlled or Directed on completion of Arrangement	# and % of Options, RSUs, DSUs, Mercator Options and Mercator DSUs Beneficially Owned, or Controlled or Directed on completion of Arrangement
Maxim Finskiy⁽¹⁾ Moscow, Russia	Executive Chairman and a director of Intergeo since April 19, 2012; President of Intergeo Russia since February 2010. Will be Executive Chairman and a director of the Resulting Issuer.	Private investor since August 2008.	186,818 (0.45%)	38,300 Options ⁽²⁾ (0.09%)
Dmitry Razumov Moscow, Russia	A director of Intergeo since April 19, 2012. Will be a director of the Resulting Issuer.	CEO, ONEXIM Group (a private investment fund) since June 2007.	0 (0%)	38,300 Options ⁽²⁾ (0.09%)
John Lill Ontario, Canada	Chief Executive Officer of Intergeo since April 2011; a director of Intergeo since April 19, 2012. Will be a director and President and CEO of the Resulting Issuer.	CEO of Intergeo since April 2011; Director, Centerra Gold Inc. (a mining company) since December 2009; retired from August 2008 to November 2009.	0 (0%)	127,500 Options ⁽²⁾ 115,385 RSUs ⁽³⁾ (0.58%)
Richard Evans California, United States	Not currently a director or officer of Intergeo. Will be a director of the Resulting Issuer.	Corporate Director since May 2013; Chairman, Resolute Forest Products Inc. (a pulp and paper manufacturer) from February 2010 to May 2013; Executive Director, Rio Tinto PLC and Rio Tinto Ltd. (each a mining company) from October 2007 to April 2009.	0 (0%)	38,300 Options ⁽²⁾ (0.09%)

Name, Province/State and Country of Residence	Current Position with Mercator/Intergeo and Proposed Position with Resulting Issuer	Current Principal Occupation and Principal Occupation during the Past Five Years	# and % of Resulting Issuer Common Shares Beneficially Owned or Controlled or Directed on completion of Arrangement	# and % of Options, RSUs, DSUs, Mercator Options and Mercator DSUs Beneficially Owned, or Controlled or Directed on completion of Arrangement
Stephen Quin British Columbia, Canada	A director of Mercator since February 2005 Will be a director of the Resulting Issuer.	President and CEO of Midas Gold Corp., (a public mineral exploration company) since February 2011; President and CEO of Midas Gold Inc., (a private mineral exploration company) from January 2011 to March 2011; President of Capstone Mining Corp. (a public mining company) from November 2008 to December 2010; COO of Capstone Mining Corp. from November 2008 to May 2010.	2,392 Resulting Issuer Shares (<0.01%)	38,300 Options ⁽²⁾ 300,000 Mercator Options ⁽⁶⁾ 92,593 Mercator DSUs ⁽⁵⁾ (0.11%)
Walter Murray ⁽⁴⁾ Ontario, Canada	Not currently a director or officer of Intergeo. Will be a director of the Resulting Issuer.	Director, Hydro One Inc. (supplier of electric power) since November 2005.	0 (0%)	38,300 Options ⁽²⁾ (0.09%)
Patrick Garver ⁽⁴⁾ Ontario, Canada	Not currently a director or officer of Intergeo. Will be a director of the Resulting Issuer.	Independent consultant since August 2010; Executive VP and General Counsel, Barrick Gold Corporation (a mining company) from 1993 to August 2010.	0 (0%)	38,300 Options ⁽²⁾ (0.09%)
Christophe Charlier Moscow, Russia	Not currently a director of Intergeo. Will be a director of the Resulting Issuer.	Deputy CEO of ONEXIM Group since April 2009.	0 (0%)	38,300 Options ⁽²⁾ (0.09%)
John Bowles ⁽⁴⁾ British Columbia, Canada	A director of Mercator since April 2011. Will be a director of the Resulting Issuer.	Corporate Director since May 2006.	0 (0%)	38,300 Options ⁽²⁾ 200,000 Mercator Options ⁽⁶⁾ 92,593 Mercator DSUs ⁽⁵⁾ (0.10%)
Andrey Shchetinin Moscow, Russia	Senior VP Corporate Affairs of Intergeo since April 2012, General Director of Intergeo Russia since July 2013. Will be Senior VP, Corporate Affairs, General Director (Russia) of the Resulting Issuer.	Senior VP, Corporate Affairs of Intergeo since April 2012; General Director, Intergeo Russia since July 2013; Deputy General Director, Corporate and Business Development, Intergeo Russia from September 2008 to July 2013; Corporate Secretary, White Tiger Gold Ltd. (a mining company) from December 2010 to March 2013.	0 (0%)	25,500 Options ⁽²⁾ 48,615 RSUs ⁽³⁾ (0.18%)

Name, Province/State and Country of Residence	Current Position with Mercator/Intergeo and Proposed Position with Resulting Issuer	Current Principal Occupation and Principal Occupation during the Past Five Years	# and % of Resulting Issuer Common Shares Beneficially Owned or Controlled or Directed on completion of Arrangement	# and % of Options, RSUs, DSUs, Mercator Options and Mercator DSUs Beneficially Owned, or Controlled or Directed on completion of Arrangement
Robert Wickham Ontario, Canada	Senior VP, Finance, and CFO of Intergeo since August 2011. Will be Senior VP, Finance and CFO of the Resulting Issuer.	Senior VP, Finance and Chief Financial Officer of Intergeo since August 2011; Independent Consultant from July 2009 to August 2011; Executive VP, Finance and Corporate Development and CFO, Ivernia Inc. (a mining company) from September 2008 to June 2009.	0 (0%)	38,300 Options ⁽²⁾ 61,538 RSUs ⁽³⁾ (0.24%)
Mark Distler Arizona, USA	CFO of Mercator since January 2011. Will be VP, Finance of the Resulting Issuer.	CFO of Mercator since January 2011; Operations Controller, Curis Resources Ltd. (a mineral exploration company) from July 2010 to December 2010; Chief Financial Officer, Frontera Copper Corp. (a mining company) from June 2007 to June 2010.	1,214 Resulting Issuer Common Shares ($<0.01\%$)	550,000 Mercator Options ⁽⁶⁾ (0.03%)
Marc LeBlanc British Columbia, Canada	Corporate Secretary of Mercator since January 2005. Will be Corporate Secretary of the Resulting Issuer.	Corporate Secretary of Mercator since January 2005; VP Corporate Development of Mercator from May 2007 to August 2011.	1,322 Resulting Issuer Common Shares ($<0.01\%$)	725,000 Mercator Options ⁽⁶⁾ (0.03%)
Michael Broch Nevada, USA	VP, Exploration and Evaluation since February 2010. Will be VP, Exploration and Evaluation of the Resulting Issuer.	VP Exploration and Evaluation of Mercator since August 2011; VP Exploration of Mercator from February 2010 to August 2011; Consultant (Project Manager) to Mercator from 2006 to February 2010.	4,228 Resulting Issuer Common Shares ($<0.01\%$)	375,000 Mercator Options ⁽⁶⁾ (0.02%)
William Jupp Ontario, Canada	Consultant to Intergeo since September 2011. Will be VP of the Resulting Issuer.	Financial Consultant since July 2010; CFO, Canada Lithium Corp. (a mining company) from October 2009 to June 2010; VP, Finance, and CFO, Stonegate Agricom Ltd. (a mining company) from August 2008 to June 2010.	0 (0%)	0 (0%)

Notes:

- (1) Mr. Finskiy will beneficially own, control or direct, directly or indirectly, 186,818 Resulting Issuer Common Shares, which will be represent 0.45% of the issued and outstanding Resulting Issuer Common Shares following completion of the Arrangement. Pursuant to the Daselina-Kirkland Option Agreement, Mr. Finskiy may acquire beneficial ownership of Resulting Issuer Common Shares representing 15.22% of the issued and outstanding Resulting Issuer Common Shares, assuming the acquisition by Kirkland from Daselina of the maximum number of Kirkland Option Shares under the Daselina-Kirkland Option Agreement. See "Information Concerning the Resulting Issuer – Daselina-Kirkland Option Agreement".
- (2) Assuming approval of the New Plan.
- (3) Assuming (i) approval of the New LTIP and (ii) the weighted average trading price of Resulting Issuer Common Shares for the 30 calendar day period after the Effective Date is C\$6.50.
- (4) Proposed member of the Audit Committee, of which Mr. Murray is proposed to be the Chairman.
- (5) Messrs. Bowles and Quin will each continue to hold Mercator DSUs following completion of the Arrangement, which shall vest when each of Messrs. Bowles and Quin ceases to be a director of the Resulting Issuer, as applicable. On vesting of their respective Mercator DSUs, Messrs. Bowles and Quin will be entitled to receive, in lieu of every Mercator Share to which such holder would have been entitled pursuant to such Mercator DSUs, one Resulting Issuer Common Share and one Additional Put Right (provided vesting occurs prior to the Put Right Expiry Date). The actual number of Resulting Issuer Common Shares and Put Rights received by each of Messrs. Bowles and Quin upon vesting of their respective Mercator DSUs will be subject to adjustment in accordance with the terms of the Mercator LTIP and will reflect the Consolidation. See "The Arrangement – Consolidation" and "The Arrangement – Treatment of Fractional Securities".
- (6) Each of Messrs. Bowles, Quin, Distler, LeBlanc and Broch will continue to hold Mercator Options following completion of the Arrangement, which may be exercised in accordance with the terms of the Mercator Stock Option Plan, as amended. See "The Arrangement – Convertible Securities". On exercise of their respective Mercator Options, Messrs. Bowles, Quin, Distler, LeBlanc and Broch will be entitled to receive, lieu of every Mercator Share to which such holder would have been entitled, and for the same aggregate consideration payable therefor, one Resulting Issuer Common Share and one Additional Put Right (provided exercise occurs prior to the Put Right Expiry Date). The actual number of Resulting Issuer Common Shares and Put Rights received by a holder of Mercator Options upon exercise will be subject to adjustment in accordance with the terms of the Mercator Stock Option Plan and will reflect the Consolidation. See "The Arrangement – Consolidation" and "The Arrangement – Treatment of Fractional Securities".

Messrs. Finskiy, Razumov, Lill, Charlier, Evans, Garver and Murray will be appointed as directors of the Resulting Issuer concurrently with the completion of the Arrangement. Messrs. Bowles and Quin, current directors of Mercator, will continue to be directors of the Resulting Issuer upon completion of the Arrangement.

Each director of the Resulting Issuer will hold office for the term, if any, including on an annual basis, fixed by the resolution of shareholders or the resolution of directors appointing him, or until his earlier death, resignation or removal. If no term is fixed on the election or appointment of a director, the director shall serve for a term not exceeding the close of the next annual meeting of shareholders following his election or appointment subject to his earlier death, resignation or removal. The Resulting Issuer's officers are appointed by, and serve at the discretion of, the Board. The nomination of individuals for election as directors will be subject to the nomination rights of Daselina and Kirkland discussed under the heading "Information Concerning the Resulting Issuer – Governance Arrangements with Principal Shareholders". The Corporate Governance and Nominating Committee will be comprised of at least two directors, a majority of whom will be independent.

Biographies

The following are brief profiles of those persons who will be the directors and officers of the Resulting Issuer upon completion of the Arrangement.

Maxim Finskiy, Executive Chairman and Director

Mr. Finskiy will be the Executive Chairman and a director of the Resulting Issuer. Mr. Finskiy has been the President of Intergeo Russia since February 2010. Since July 2011, Mr. Finskiy has also been a Director of Red Tiger Mining Inc. (formerly Zaruma Resources Inc.). Mr. Finskiy was the Executive Chairman and a Director of White Tiger Gold Ltd. from December 2010 to March 2013. He was the General Director of Intergeo Russia from August 2008 to January 2010. From May 2009 to December 2011, Mr. Finskiy was a Director of OJSC Polyus

Gold, a subsidiary of Polyus Gold International Limited. Mr. Finskiy was instrumental in the formation of OJSC Polyus Gold. From October 2001 to August 2008, Mr. Finskiy was Deputy General Director and Deputy Chairman of the Management Board of Norilsk Nickel. Mr. Finskiy holds a Ph.D. in Law from Saint Petersburg University of the Ministry of Internal Affairs of Russia, Saint Petersburg, Russia and was trained in Economics at the Moscow Finance Institute, Moscow, Russia.

John Lill, Chief Executive Officer and Director

Mr. Lill will be the Chief Executive Officer and a director of the Resulting Issuer. Since December 2009, Mr. Lill has been a Director of Centerra Gold Inc. Mr. Lill was President and Chief Executive Officer of FNX Mining Company Inc. from September 2007 to August 2008. Mr. Lill was also Executive Vice-President and Chief Operating Officer for Dynatec Corporation from October 2003 to August 2007 as well as President and Chief Operating Officer of BHP Billiton Base Metals from 2001 to 2003, and Vice-President and Chief Operating Officer, Copper, Billiton Plc from March 2001 to June 2001. Mr. Lill was the Vice-President Operations for Rio Algom Limited from 1998 to 2001 and President of Barrick Chile from 1994 to 1997. Mr. Lill has extensive experience in project development, including Barrick Gold Corporation's Goldstrike project in Nevada (as Senior Vice-President US Operations), the Antamina copper-zinc project in Peru (as Executive Chairman of the owners' management committee) and the Ambatovy nickel project in Madagascar (as Executive Chairman and Project Director from inception to project financing). He has also been a director of several other public companies, including Rio Algom Limited, Western Oil Sands Inc., Dynatec Corporation and FNX Mining Company Inc. Mr. Lill is a professional engineer and has a Bachelor of Science from Queens University, Kingston, Ontario, Canada.

Dmitry Razumov, Director

Mr. Razumov will be a director of the Resulting Issuer, and has been a member of the board of directors of Intergeo MMC Ltd since April 2012. Mr. Razumov has been the Chief Executive Officer of ONEXIM Group LLC since June 2007. Mr. Razumov is or has been a member of the board of directors of several companies, including Intergeo Russia since 2008, Nor-Med Limited since 2008, OPEN Investments since 2008 (where Mr. Razumov serves as Chairman), Soglasie Insurance Company since 2008 (where Mr. Razumov serves as Chairman), Renaissance Financial Holdings Limited since 2009 (where Mr. Razumov has served as Chairman since October 2013), LLC Yo-Auto since 2011 (where Mr. Razumov serves as Chairman), Onexim Holdings Limited since November 2012 (where Mr. Razumov serves as Chairman), United Company Rusal Plc from 2008 until November 2012, Polyus Gold International Limited from 2011 until March 2013, and Renaissance Capital Investments Limited from March 2012 until June 2013. In addition, from 2009 to 2010, Mr. Razumov served as Chairman of the board of directors of Joint Stock Commercial Bank International Financial Club and was also a director of Norilsk Nickel. From 2001 to 2005, Mr. Razumov served as Deputy Chief Executive Officer for Strategy and M&A at Norilsk Nickel. Mr. Razumov has a Master's degree in International Trade Law from the International Law Department of the Moscow State Institute of International Relations, Moscow, Russia.

Richard Evans, Director

Mr. Evans will be a director of the Resulting Issuer. Mr. Evans was the Chairman of the board of Resolute Forest Products Inc. (formerly AbitibiBowater Inc.) from February 2010 to May 2013, and was a member of such board from October 2007 to May 2013. He was President and Chief Executive Officer of Alcan Inc. from March 2006 until its merger with Rio Tinto Aluminum in October 2007. He then served as executive director of Rio Tinto PLC and Rio Tinto Ltd. from October 2007 through April 2009. From April 2001 to March 2006, Mr. Evans was the Executive Vice-President of Alcan Inc. and from 1997 to October 2005, he held several other executive positions with that company, including Executive Vice-President for aluminum fabrication, Europe, Executive Vice-President for fabricated products, North America and President of Alcan Aluminum Corporation. Mr. Evans is the former Chairman of the International Aluminum Institute. He currently serves on the board of several other companies, including CGI Group Inc., Noranda Aluminum Holding Corporation, Tyhee Gold Corp. and Constellation NV. Mr. Evans holds a Bachelor of Science from Oregon State University, Corvallis, Oregon, United States and a Master of Science from Stanford University, Palo Alto, California, United States.

Stephen Quin, Director

Mr. Quin will be a director of the Resulting Issuer. Mr. Quin has served as a director of Mercator since February 2005, as the President & CEO and a Director since the inception of Midas Gold Corp. in February 2011 and the same for its wholly-owned subsidiary, Midas Gold Inc., since January 1, 2011. Prior to joining Midas Gold, Mr. Quin was President of Capstone Mining Corp. from November 22, 2008 until December 31, 2010 and COO of Capstone Mining Corp. from November 22, 2008 until May, 2010. Prior to that, Mr. Quin was President and CEO of Sherwood Copper Corp. from September 1, 2005 until November 2008 when Sherwood combined with Capstone. In addition to his roles with Midas Gold Corp., Mr. Quin serves as a non-executive director of Chalice Gold Mines Limited, and was previously a non-executive director of Troon Ventures Ltd. and Blue Wolf Mongolia Holdings Corp. Mr. Quin is a graduate of the Royal School of Mines, London, with a B.Sc. (Honours) in Mining Geology and has over 30 years' experience in exploration, feasibility studies, mine development, financing and operations, as well as corporate development and general corporate affairs. He is a Professional Geoscientist registered with the Association of Professional Engineers and Geoscientists of BC, a Fellow of the Geologic Association of Canada and the Society of Economic Geologists, and a member of the Canadian Institute of Mining & Metallurgy and the Institute of Materials, Minerals and Mining.

Walter Murray, Director

Mr. Murray will be a director of the Resulting Issuer. Mr. Murray was formerly Vice-Chairman and a member of the Executive Committee of RBC Capital Markets, an international corporate and investment bank. Mr. Murray retired from RBC Royal Bank in April 2005 after a 38-year career, which included holding several executive positions such as Senior Executive Investment Banking (where he was responsible for overseeing and directing all financial and advisory activity with a portfolio of major Canadian and international accounts), Executive head of Corporate Banking activities across Canada and Regional Executive for RBC's Midwestern USA Corporate Banking operations. Mr. Murray has been a director of Hydro One Inc. since November 2005, and was a director of Ivernia Inc. from 2000 until 2009. Mr. Murray received a Bachelor of Commerce degree (winner of Commerce Medal) from Concordia University, Montreal, Québec, Canada and is also a graduate of the Executive Development Program at the Tuck School of Business, Dartmouth College, New Hampshire, United States.

Patrick Garver, Director

Mr. Garver will be a director of the Resulting Issuer. Mr. Garver is a lawyer with extensive experience in the global natural resources sector. From 1993 to August 2010, he was Executive Vice-President and General Counsel of Barrick Gold Corporation. Prior to joining Barrick Gold Corporation, Mr. Garver practised law with the law firm of Parsons Behle & Latimer, where for several years he served on the firm's Board of Directors and managed its Natural Resources Practice Group. He is currently engaged as a Senior Advisor to the Good Governance Group, an international strategic advisory company, and also serves as an international commercial arbitrator. In 2006, he was named by the National Post as Canada's General Counsel of the Year. Mr. Garver holds a J.D. from the University of Utah College of Law, Salt Lake City, Utah, United States and a Bachelor of Science from Western Michigan University, Kalamazoo, Michigan, United States.

Christophe Charlier, Director

Mr. Charlier will be a director of the Resulting Issuer. Mr. Charlier has been the Deputy Chief Executive Officer of ONEXIM Group since April 2009. Since June 2013, Mr. Charlier has also served as the Chairman of Renaissance Capital Investments Limited, and was a director of Renaissance Capital Investments Limited from March 2012 to June 2013. Since May 2010, Mr. Charlier has also served as the Chairman of Brooklyn Basketball Holdings, LLC, a company that owns the Brooklyn Nets, a professional basketball team in the National Basketball Association, and a director of Brooklyn Arena, LLC, a real estate holding company and the operator of Barclays Center. He has served as a director of United Company Rusal Plc, an aluminum company listed on the HKEX, Euronext and MICEX-RTS, since November 2012. Mr. Charlier also serves as Chairman of Commercial Bank "Renaissance Credit" (LLC), and as a director of Ukrainian Agrarian Investments S. A., OJSC "RBC", Renaissance Financial Holdings Limited, OJSC "QUADRA" and Rusal Global Management BV. Mr. Charlier's past directorships include Ecometals Limited, a mining company listed on the TSX Venture Exchange, RUSAL America Corp., CJSC "Optogan", CJSC

"Profotech", Clean Wave Technologies, Inc. Mr. Charlier also served as Chairman of OptoGan Oy. Mr. Charlier holds a Bachelor of Arts in International Relations from the College of Arts and Sciences and a Bachelor of Science with a concentration in Finance from the Wharton School of the University of Pennsylvania, Philadelphia, Pennsylvania, United States.

John Bowles, Director

Mr. Bowles will be a director of the Resulting Issuer. Mr. Bowles has served as a director of Mercator since April 2011, and has served as a director of Hecla Mining Co., a New York Stock Exchange listed silver mining company, since May 2006. Mr. Bowles was also a director of Boss Power Corp., a TSX Venture listed mineral exploration company, from September 2007 to November 2013, and a director of HudBay Minerals Inc., a TSX listed mining company, from May 2006 to March 2009. Mr. Bowles was a partner at PricewaterhouseCoopers LLP (an accounting firm), where his practice focused on the mining industry, from April 1976, until his retirement in June 2006. Mr. Bowles has served as treasurer for the Mining Suppliers Association of British Columbia (an association of providers of equipment, products and related services to the British Columbia mining industry) from May 1999 until May 2012, and director emeritus, Ducks Unlimited Canada (a national, private, non-profit wetland conservation organization) since March 1996. Mr. Bowles was appointed a fellow of the British Columbia Institute of Chartered Accountants in December 1997, and a fellow of the Canadian Institute of Mining and Petroleum in May 2003.

Andrey Shchetinin, Senior Vice-President, Corporate Affairs, General Director (Russia)

Mr. Shchetinin will be the Senior Vice-President, Corporate Affairs, General Director (Russia) of the Resulting Issuer. Mr. Shchetinin has been Senior VP, Corporate Affairs of Intergeo since April 2012. Mr. Shchetinin has been the General Director of Intergeo Russia since July 2013. Mr. Shchetinin was the Deputy General Director, Corporate and Business Development of Intergeo Russia from September 2008 to July 2013. Mr. Shchetinin was the Corporate Secretary of White Tiger Gold Ltd. from December 2010 to March 2013. From August 2000 to August 2008, Mr. Shchetinin held various strategy, business development and M&A related positions with Norilsk Nickel including Head of Business and Project Development. His areas of responsibility included developing corporate strategy and managing various aspects of Russian and international merger and acquisition transactions. He was also involved in the creation and management of joint ventures/alliances with Rio Tinto and BHP Billiton. He has more than 10 years of strategy, corporate and business development experience in the natural resources industry. Mr. Shchetinin holds a degree (cum laude) in international economics from the State Finance Academy, Moscow, Russia.

Robert Wickham, Senior Vice-President, Finance and Chief Financial Officer

Mr. Wickham will be the Senior Vice-President, Finance and Chief Financial Officer of the Resulting Issuer. Since August 2011, Mr. Wickham has been the Senior Vice-President, Finance and Chief Financial Officer of Intergeo. Mr. Wickham was an independent consultant from July 2009 to August 2011. Mr. Wickham was Executive Vice-President, Finance and Corporate Development and Chief Financial Officer of Ivernia Inc. from September 2008 to June 2009, and an independent consultant from October 2006 to September 2008. From September 2002 to October 2006, Mr. Wickham was President and a Director of Trizec Canada Inc., and with its predecessor, TrizecHahn Corporation, a commercial real estate company, from 1996 to 2002. From 1983 to 1994, Mr. Wickham held various senior executive positions at Barrick Gold Corporation (a gold mining company), including Vice-President, Finance and Chief Financial Officer. Mr. Wickham has extensive experience managing and financing mid to large cap public companies. Mr. Wickham also serves as a Director of Oakville Hydro Corporation. Mr. Wickham holds a Bachelor of Commerce degree from McMaster University, Hamilton, Ontario, Canada and is a Chartered Professional Accountant, Chartered Accountant, Certified Management Accountant and a Chartered Director.

Mark Distler, Vice-President, Finance

Mr. Distler will be Vice-President, Finance of the Resulting Issuer. Mr. Distler has been the Chief Financial Officer of Mercator since January 2011. Prior to that, from July 2010 to December 2010, Mr. Distler was employed by Curis Resources Ltd. as Operations Controller. Prior to that, from June 2007 to June 2010, he was employed by Frontera Copper Corporation as Chief Financial Officer. Prior to that, from 1988 to 2007, he was employed by Freeport McMoRan Copper & Gold Inc. (Phelps Dodge Corporation) as Accounting Team Leader, Mining Division (2001 to 2007), Accounting Manager, Corporate (1996 to 2001), Tax Supervisor, Corporate (1994 to 1995) and as a Staff/Senior Tax Accountant (1988 to 1994). Mr. Distler holds a Bachelor of Science in Accounting and has been a Certified Public Accountant since 1989.

Marc LeBlanc, Corporate Secretary

Mr. LeBlanc will be Corporate Secretary of the Resulting Issuer. Mr. LeBlanc has been the Corporate Secretary since January 2005 and was also Vice-President, Corporate Development of Mercator from May 2007 to August 2011, and was the Assistant Corporate Secretary upon joining Mercator in September 2003. Mr. LeBlanc is currently a member in good standing with the Canadian Society of Corporate Secretaries and a member of the Prospectors and Developers Association of Canada. Mr. LeBlanc holds a Bachelor of Arts Degree from Simon Fraser University and an Associate Degree in Legal Studies from Capilano University. Prior to joining Mercator on a full time basis, he provided consulting services to Mercator and a number of other public mining companies in the areas of corporate finance and regulatory affairs in the review and preparation of offering materials and continuous disclosure filings pursuant to Canadian and US securities legislation and regulation. From 2000 to May 2004, he was employed with a number of Vancouver law firms and was responsible for the preparation and review of all continuous disclosure documents for publicly traded companies listed in North America and Europe and ensuring the maintenance of these companies of the requirements of Canadian and US securities legislation and regulations. Mr. LeBlanc was formerly the Assistant Corporate Secretary for Miramar Mining Corporation and Northern Orion Explorations Ltd. Mr. LeBlanc is and has been a director or officer of a number of public mining and industrial companies.

Michael Broch, Vice President, Exploration and Evaluation

Mr. Broch will be Vice President, Exploration and Evaluation of the Resulting Issuer. Mr. Broch has been Vice President, Exploration and Evaluation of Mercator since August 2011 and was the Vice President, Exploration of Mercator from February 2010 to August 2011. From 2006 through to February 2010, Mr. Broch was a consultant to Mercator as a project manager at the Mineral Park Mine. From 1998 until 2006, Mr. Broch was employed as a consultant to the mining industry as President and CEO of Global Ore Finders. Prior to that, he had progressively senior corporate development and exploration roles at Battle Mountain Gold Company in the United States and Indonesia. His career also includes experience with Amoco Minerals, Cypress Mining, US Borax and Anaconda Copper. Mr. Broch holds a Bachelor of Science in geology and a Master of Science in economic geology, both from Washington State University. Mr. Broch is a Fellow Member of the Australian Institute of Mining and Metallurgy and also serves on the advisory board to the College of Sciences at Washington State University.

William Jupp, Vice-President

Mr. Jupp will be the Vice-President of the Resulting Issuer. Since July 2010, Mr. Jupp has been a self-employed Financial Consultant, and has been a consultant to Intergeo since September 2011. Mr. Jupp was Chief Financial Officer of Canada Lithium Corp. from October 2009 to June 2010. From August 2008 to June 2010, Mr. Jupp was the Vice-President, Finance, and Chief Financial Officer of Stonegate Agricom Ltd. From October 2006 to April 2008, Mr. Jupp was the Director, Financial Reporting, of Brookfield Properties. Prior to that, from June 2002 to October 2006 Mr. Jupp was the Assistant Secretary and Director, Financial Reporting, of Trizec Canada Inc. Mr. Jupp holds a Bachelor of Commerce from the University of Toronto, Toronto, Ontario, and is a Chartered Professional Accountant, a Chartered Accountant, and a Certified Public Accountant.

Committees of the Board

It is anticipated that the Board will reconstitute the Environment, Health and Safety Committee as a Health, Safety, Environmental and Corporate Social Responsibility Committee, reconstitute the Audit Committee, reconstitute the current Compensation Committee as a Human Resources and Compensation Committee and reconstitute the Corporate Governance and Nominating Committee. See "Appendix R – Corporate Governance of the Resulting Issuer" for a description of the proposed roles and responsibilities of each proposed committee of the Board.

Share Ownership by Directors and Officers

Upon completion of the Arrangement, as a group, the Resulting Issuer's directors and executive officers will beneficially own or exercise control or direction over, directly or indirectly, 193,582 Resulting Issuer Common Shares representing less than 1% of the issued and outstanding Resulting Issuer Common Shares (on an undiluted basis), and exercise no control or direction over any shares of any of the Resulting Issuer's subsidiaries. See "Information Concerning the Resulting Issuer – Daselina-Kirkland Option Agreement".

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

Except as disclosed below and in "Appendix O – Directors, Executive Officers and Management of Mercator", to the knowledge of Intergeo and Mercator, no existing or proposed director or executive officer of the Resulting Issuer (nor any personal holding company of any of such persons) is, as of the date of this Circular, or was within ten years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including Intergeo and/or Mercator), that: (a) was subject to an Order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. Murray was a director of Ivernia Inc. in 2003, when a management cease trade order was issued against the directors and officers of Ivernia Inc. The management cease trade order resulted from a delay in filing Ivernia Inc.'s 2002 audited annual consolidated financial statements and certain other disclosure documents within the periods required by Canadian securities legislation. Each of the directors and officers of Ivernia Inc. voluntarily consented to the issuance by the Ontario Securities Commission on May 22, 2003, of a management cease trade order. The order prohibited such persons and certain other insiders from trading in securities of Ivernia Inc. until the company completed all its required disclosure filings, which were delayed as a result of continuing negotiations with respect to certain transactions. Following the completion of the transactions, Ivernia Inc. completed all outstanding disclosure filings and the temporary cease trade order was allowed to lapse on July 23, 2003.

Corporate and Personal Bankruptcies

Except as disclosed below, to the knowledge of Intergeo and Mercator, no existing or proposed director or executive officer of the Resulting Issuer (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer: (a) is, as of the date of this Circular, or has been within the ten years before the date of this Circular, a director or executive officer of any company (including Intergeo and/or Mercator) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Evans has been a director of AbitibiBowater Inc. (now Resolute Forest Products Inc.) since 2007. In April 2009, AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries filed voluntary petitions in the United States Bankruptcy Court for the District of Delaware for relief under the provisions of Chapter 11 and Chapter 15 of the United States Bankruptcy Code, as amended, and sought creditor protection under the *Companies' Creditors Arrangement Act* (Canada) with the Superior Court of Québec in Canada. On September 14, 2010, AbitibiBowater Inc. announced that it had received approval for its plan of reorganization from unsecured creditors under the *Companies' Creditors Arrangement Act* (Canada) in Canada. On September 21, 2010, AbitibiBowater Inc. announced it had received the necessary creditor approval for its plan of reorganization under Chapter 11 of the U.S. Bankruptcy Code. On December 9, 2010, AbitibiBowater Inc. announced that it had successfully completed its reorganization and emerged from creditor protection under the *Companies' Creditors Arrangement Act* (Canada) in Canada and Chapter 11 of the U.S. Bankruptcy Code.

Penalties or Sanctions

To the knowledge of the Intergeo and Mercator, no existing or proposed director or executive officer of Intergeo, Mercator and/or the Resulting Issuer (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best of Intergeo and Mercator's knowledge, there are no known existing or potential material conflicts of interest between the Resulting Issuer or a subsidiary of the Resulting Issuer and a director or officer of the Resulting Issuer or of a subsidiary of the Resulting Issuer, except that Mr. Lill, the proposed Chief Executive Officer and a proposed director of the Resulting Issuer, is a director of Centerra Gold Inc.; Messrs. Bowles, Charlier, Finskiy, Evans and Quin, each of whom will be directors of the Resulting Issuer, are directors of other mineral resource companies. Therefore, it is possible that a conflict may arise between their duties to the Resulting Issuer and their duties as directors or officers of such other companies. In the event of any conflicts of interest, such conflicts must be disclosed to the Resulting Issuer and dealt with in accordance with the BCBCA, which will require a conflicted director to abstain from voting as a director for the approval of any such transaction, if such transaction is material. Directors, officers and employees must also comply with the Ethics Code, the Resulting Issuer's related party transactions policy and the provisions of the BCBCA which requires that a director disclose the nature and extent of the conflict. See "Information Concerning the Resulting Issuer – Governance Arrangements with Principal Securityholders".

In addition, Mr. Prokhorov holds a 0.5% equity interest in Intergeo Russia. See "Information Concerning Intergeo – Principal Securityholders".

COMPENSATION OF DIRECTORS AND OFFICERS OF THE RESULTING ISSUER

Compensation Discussion and Analysis

The following discussion describes the significant elements that are expected to comprise the Resulting Issuer's executive compensation program, with particular emphasis on the process for determining compensation payable to the proposed NEOs. The NEOs who are the focus of this Compensation Discussion and Analysis and who appear in the compensation tables of this Circular are: John Lill, Chief Executive Officer; Robert Wickham, Senior Vice-President, Finance and Chief Financial Officer; Andrey Shchetinin, Senior Vice-President, Corporate Affairs; and Mark Distler, Vice-President, Finance; and Michael Broch, Vice-President, Exploration and Evaluation.

Compensation Objectives

The Resulting Issuer's executive compensation program will be designed to retain its executive officers and motivate and reward them for their performance and contribution to the Resulting Issuer's long-term success. The Resulting Issuer will seek to reward executive officers for the achievement of corporate and individual performance objectives and to align executive officers' incentives with the creation of shareholder value. Compensation will consist primarily of three elements: base salary; short-term incentives; and long-term equity incentives.

Benefit and perquisite arrangements will also be designed to be competitive with the Resulting Issuer's comparator group. These arrangements are expected to be reviewed periodically to ensure they remain competitive. The description contained herein represents the expectations of management with respect to the Resulting Issuer's executive compensation program following Closing. It is anticipated that following Closing, the Human Resources and Compensation Committee of the Board will meet with management to review the Resulting Issuer's executive compensation program and, if deemed appropriate, will make further recommendations to the Board regarding changes to the program, and will continue to review the Resulting Issuer's compensation policies, including its compensation-related risk profile, as necessary, to ensure its compensation policies and practices are not reasonably likely to have a material adverse effect on the Resulting Issuer or encourage an NEO to take any inappropriate or excessive risks. The Human Resources and Compensation Committee of the Board will consider and assess, as necessary, risks relating to compensation prior to entering into or amending employment with NEOs and when setting the compensation of directors. The compensation policies and practices are expected to be appropriate for the Resulting Issuer's industry and stage of business and such policies and practices are not expected to have associated with them any risks that are reasonably likely to have a material adverse effect on the Resulting Issuer or which would encourage an NEO to take any inappropriate or excessive risks. It is not expected that the Resulting Issuer will permit purchases by NEOs or directors of financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by an NEO or director. Compensation decisions made by the Resulting Issuer are the responsibility of the Resulting Issuer and may reflect factors and considerations in addition to the information and recommendations from Hugessen. See "Appendix N – Directors, Executive Officers and Management of Intergeo – Compensation Discussion and Analysis".

Base Salary

Base salaries are expected to be reviewed annually and may be increased for merit reasons. The base salaries for executive officers will be established based on the scope of their responsibilities and their prior relevant experience, taking into account compensation paid by other companies in the industry for similar positions and market demand for such executives. An executive officer's base salary will be determined by reviewing the executive officer's other compensation to ensure that the executive officer's total compensation is in line with the Resulting Issuer's overall compensation philosophy.

Short-Term Incentives

The Resulting Issuer's compensation program is expected to include eligibility for an annual incentive cash bonus. The cash bonuses will be intended to reward the Resulting Issuer's executive officers for achieving short-term goals while making progress towards the Resulting Issuer's longer-term objectives. The amount of the cash bonus is expected to depend on the level of achievement of individual performance goals, with a target bonus generally to be set as a percentage of base salary. See "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Employment Agreements".

Long-Term Equity Incentives

Mercator and Intergeo believe that equity-based awards, being the RSUs, will allow the Resulting Issuer to reward executive officers for their sustained contributions to the Resulting Issuer and that equity-based awards will provide management with a strong link to long-term corporate performance and the creation of shareholder value. Rather than basing equity-based awards on a prescribed formula or target, it is anticipated that the grant of equity-based awards will be determined by taking into account a number of factors including the individual's position, scope of

responsibility, the individual's historic and recent performance and the value of the awards in relation to other elements of the individual's total compensation.

Executive Compensation: Tables and Narrative

Summary Compensation Table

The following table reflects compensation that is expected to be paid to the NEOs for the fiscal year ending December 31, 2014, assuming completion of the Arrangement on May 1, 2014 and no changes to existing employment agreements.

Name and Principal Position	Year	Salary (C\$)	Share-Based Awards (C\$) ⁽¹⁾	Option-Based Awards (C\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (C\$)		Pension Value (C\$)	All Other Compensation (C\$)	Total Compensation (C\$)
					Annual Incentive Plans ⁽³⁾	Long-Term Incentive Plans			
John Lill,..... CEO ⁽⁴⁾	2014	333,333	750,000	—	—	—	—	175,363	1,258,696
Robert Wickham,..... SVP Finance and CFO ⁽⁵⁾	2014	266,667	400,000	—	—	—	—	32,245	698,912
Andrey Shchetinin,..... SVP, Corporate Affairs ⁽⁶⁾	2014	266,667	316,000	—	—	—	—	7,014	589,681
Mark Distler,..... VP Finance ⁽⁷⁾	2014	212,721	—	—	—	—	—	7,987	220,708
Michael Broch,..... VP Exploration and Evaluation ⁽⁸⁾	2014	148,904	—	—	—	—	—	3,058	151,962

Notes:

- (1) In connection with the completion of the Arrangement, each of Messrs. Lill, Wickham and Shchetinin will be issued a number of RSUs to be determined by a formula which is dependent on the 30-day weighted average trading price of Resulting Issuer Common Shares following the Effective Date and which number cannot be determined at the date of the Circular. See "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Employment Agreements".
- (2) It is anticipated that Options will be granted to each of Messrs. Lill, Wickham and Shchetinin during the year, the dollar value of which cannot be determined as at the date of this Circular. For more information see "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Incentive Plan Awards".
- (3) The employment agreement for each of Messrs. Lill, Wickham and Shchetinin provides for a cash bonus payable in certain circumstances. See "Appendix P – Directors, Executive Officers and Management of the Resulting Issuer – Employment Agreements".
- (4) The amount reported for Mr. Lill under the column "All Other Compensation" includes perquisites and benefits to be received by Mr. Lill including an amount for group insurance benefits (C\$6,431), life insurance (C\$6,576), long-term disability insurance (C\$12,843), an allowance for accommodation arrangements and living expenses in Moscow (C\$133,333) and the Resulting Issuer's contribution to his RRSP (C\$16,180).
- (5) The amount reported for Mr. Wickham under the column "All Other Compensation" includes perquisites and benefits to be received by Mr. Wickham including an amount for group insurance benefits (C\$6,431), a parking allowance (C\$3,488), life insurance (C\$2,952), long-term disability insurance (C\$6,040) and the Resulting Issuer's contribution to his RRSP (C\$13,333).
- (6) Calculated based on the noon exchange rate on December 31, 2013 of C\$1.00 equals RUB30.9023. The amount reported for Mr. Shchetinin under the column "All Other Compensation" represents the amount to be received in respect of medical insurance.
- (7) Calculated based on the noon exchange rate on December 31, 2013 of C\$1.00 equals US\$0.9402. The amount reported for Mr. Distler under the column "All Other Compensation" includes perquisites and benefits to be received by Mr. Distler including an amount for medical benefits (C\$2,686.80), car allowance (C\$8,400) and dental and vision benefits (C\$177.12). The amount reported for Mr. Distler does not include amounts in respect of salary (\$106,360) and perquisites and benefits (\$3,993) received or expected to be received by Mr. Distler for the period from January 1, 2014 to April 30, 2014 (i.e. the period prior to the assumed completion of the Arrangement on May 1, 2014).

- (8) Calculated based on the noon exchange rate on December 31, 2013 of C\$1.00 equals US\$0.9402. The amount reported for Mr. Broch under the column "All Other Compensation" includes perquisites and benefits to be received by Mr. Broch including an amount for medical benefits (C\$4,215.36) and dental and vision benefits (C\$96.72). The amount reported for Mr. Broch does not include amounts in respect of salary (\$74,453) and perquisites and benefits (\$1,528) received or expected to be received by Mr. Broch for the period from January 1, 2014 to April 30, 2014 (i.e. the period prior to the assumed completion of the Arrangement on May 1, 2014).

Incentive Plan Awards

No options-based awards or share-based awards were outstanding at the end of the most recently completed financial year other than as disclosed in this Circular with respect to the Mercator Option Plan. Each NEO will be granted Options following the completion of the Arrangement. It is anticipated that, pursuant to the CEO Employment Agreement, Mr. Lill will be granted 127,500 Options representing approximately 0.30% of the number of Resulting Issuer Common Shares outstanding immediately following the Effective Date. It is anticipated that Mr. Wickham will be granted 38,300 Options under the New Plan representing approximately 0.09% of the number of Resulting Issuer Common Shares outstanding immediately following the Effective Date. It is anticipated that Mr. Shchetinin will be granted 25,500 Options under the New Plan representing approximately 0.06% of the number of Resulting Issuer Common Shares outstanding immediately following the Effective Date.

The following table reflects Options that are expected to be granted to the NEOs listed below, assuming completion of the Arrangement and approval of the Stock Option Plan Amendment by the Mercator Shareholders.

Option Recipient	# of Options ⁽¹⁾	Term
John Lill ⁽²⁾	127,500	7 years
Robert Wickham ⁽³⁾	38,300	7 years
Andrey Shchetinin ⁽³⁾	25,500	7 years

Notes:

- (1) Exercise price will be set at the higher of:
- (a) the volume weighted average trading price of Resulting Issuer Common Shares calculated in respect of the 30 calendar day period immediately following the Effective Date;
 - (b) the volume weighted average trading price of Resulting Issuer Common Shares calculated in respect of the 5 trading days immediately preceding the 31st calendar day immediately following the Effective Date; and
 - (c) the market price (as defined in the New Plan) calculated on the date of grant.
- (2) It is proposed that Options will vest on date of grant.
- (3) It is proposed that Options will vest $\frac{1}{3}$ on the date of grant $\frac{1}{3}$ on the first anniversary of the date of grant and $\frac{1}{3}$ on the second anniversary of the date of grant.

Termination and Change of Control

Upon completion of the Arrangement, the Resulting Issuer will enter into amended and restated agreements with each of Messrs. Lill and Wickham in respect of their employment agreements and with Mr. Shchetinin in respect of his service company's service agreement. A description of each of these amended and restated agreements is set out below.

Other than as described herein and as of the date of this Circular, it is not anticipated that there will be agreements, compensation plans, contracts or arrangements whereby an NEO will be entitled to receive payments in the event of

the resignation, retirement or other termination of the NEO's employment with the Resulting Issuer, change of control of the Resulting Issuer or a change in the NEO's responsibilities following a change in control.

Employment Agreements

John Lill, Chief Executive Officer

Concurrently with the completion of the Arrangement, the Resulting Issuer will enter into an amended and restated agreement with Mr. Lill (the "**CEO Employment Agreement**") in respect of Mr. Lill's employment agreement with Intergeo. Under the CEO Employment Agreement, Mr. Lill will be employed as the Chief Executive Officer of the Resulting Issuer until December 1, 2017 (unless such employment is terminated earlier as provided in the agreement), at an annual salary of C\$500,000. Mr. Lill will also be entitled to term life insurance, the reimbursement of annual medical insurance and disability insurance, retirement benefits and a discretionary cash bonus between 50% and 100% of his salary for the relevant year. In connection with the completion of the Arrangement, and assuming that the LTIP Amendments are approved by the Mercator Shareholders, it is anticipated that Mr. Lill will receive that number of RSUs that is equal to C\$750,000 divided by the volume weighted average trading price of Resulting Issuer Common Shares calculated in respect of the 30 calendar day period immediately following the Effective Date (the "**RSU Grant Price**").

If the CEO Employment Agreement is terminated by the Resulting Issuer for any reason (other than in the context of a change of control (as defined below under the heading "Change of Control") and other than for just cause or incapacity) or by Mr. Lill for good reason (other than in the context of a change of control), Mr. Lill will be entitled to receive a lump sum payment equal to (i) 12 months of salary plus an additional one month of salary for each completed year of employment, beginning with 2012, up to a maximum of six additional months of salary (the "**CEO Service Amount**"), plus (ii) an amount equivalent to 65% of the CEO Service Amount (being in lieu of any bonus that may have been earned by Mr. Lill during such 12 to 18-month period), less any statutorily required deductions and amounts owing by Mr. Lill. In addition, Mr. Lill will continue to receive the benefits under the CEO Employment Agreement until the earlier of (i) Mr. Lill obtaining new employment and comparable benefits, and (ii) the expiry of the notice period under applicable law.

If Mr. Lill is terminated (other than for just cause, incapacity or death) during the 24-month period beginning on the first day after a change of control (the "**Window Period**"), or if Mr. Lill terminates his employment during the Window Period for good reason: (a) he will receive a lump sum cash payment equal to: (i) two times the amount that is the greater of his salary in effect (x) on the day immediately before the change of control, and (y) on the termination date; plus (ii) two times the amount that is the greater of (x) the annual bonus that he earned in the year immediately before the change of control occurs, (deemed to be C\$375,000 if the applicable year is 2013) and (y) the maximum annual bonus that he would be entitled to receive in the year in which the termination occurs; minus (iii) any deductions required by law and amounts owing by Mr. Lill; and (b) he will continue to receive benefits from the termination date until the earlier of (i) Mr. Lill obtaining new employment and comparable benefits, and (ii) the expiry of the notice period under applicable law.

If Mr. Lill is terminated during the Window Period (other than for just cause, incapacity or death), or if he terminates his employment during the Window Period for good reason, Mr. Lill will not be obligated to seek alternate employment or other sources of income or benefits, or to mitigate his damages.

Pursuant to the CEO Employment Agreement, Mr. Lill will also be entitled to participate in the New Plan, following the Effective Date. Pursuant to the CEO Employment Agreement, following the Effective Date, Mr. Lill will receive 127,500 Options, under the New Plan, to acquire approximately 0.3% of the Resulting Issuer Common Shares outstanding immediately following the Effective Date. Such Options will vest immediately, will have an exercise price equal to the Initial Option Exercise Price and will have a term of seven years. In the event of Mr. Lill's death, retirement, incapacity, resignation or termination, the Options will be treated substantially in the same manner as Options to be granted under the New Plan. See "Particulars of Matters to be Acted Upon – Amendments to Stock Option Plan".

The further grant of any awards to Mr. Lill under the New Plan shall be contingent upon the achievement of certain performance indicators (either individual or corporation-based) to be determined by the Resulting Issuer at the beginning of each year. Except as provided for in the CEO Employment Agreement, all awards issued to Mr. Lill pursuant to the New Plan and New LTIP may be exercised and shall expire in accordance with the terms of any award agreement between the Resulting Issuer and Mr. Lill and/or the New Plan or the New LTIP.

In the event of a change of control, all unexercised Options, RSUs or other awards held by Mr. Lill under the New Plan or the New LTIP shall vest and be exercisable or settled as of the date of termination of employment without regard as to whether such awards have vested.

The CEO Employment Agreement will contain confidentiality provisions whereby Mr. Lill will be prohibited from, among other things, disclosing any confidential information regarding the Resulting Issuer, its affiliates or any of their respective customers or clients to any person during and subsequent to the term of the CEO Employment Agreement. The CEO Employment Agreement also contains non-solicitation provisions whereby Mr. Lill will be prohibited from contacting or soliciting any designated customers or clients of the Resulting Issuer or any of its affiliates or employing or retaining as an independent contractor any employee of Resulting Issuer or any of its affiliates (or inducing or soliciting or attempting to induce any such person to leave that person's employment) during the term of the CEO Employment Agreement and for a period of 12 months thereafter.

Robert Wickham, Senior Vice-President, Finance and Chief Financial Officer

Concurrently with the completion of the Arrangement, the Resulting Issuer will enter into a amended and restated agreement with Mr. Wickham (the "**CFO Employment Agreement**") in respect of Mr. Wickham's employment agreement with Intergeo. Under the CFO Employment Agreement, Mr. Wickham will be employed as the Senior Vice-President, Finance and Chief Financial Officer of the Resulting Issuer at an annual salary of C\$400,000. Mr. Wickham will also be entitled to term life insurance, the reimbursement of annual medical insurance and disability insurance, retirement benefits and a discretionary cash bonus of up to 50% of his salary for the relevant year. In connection with the completion of the Arrangement, and assuming that the LTIP Amendments are approved by the Mercator Shareholders, it is anticipated that Mr. Wickham will receive that number of RSUs that is equal to C\$400,000 divided by the RSU Grant Price.

If the CFO Employment Agreement is terminated by the Resulting Issuer for any reason (other than in the context of a change of control, and other than for just cause or incapacity), or by Mr. Wickham for good reason (other than in the context of a change of control), Mr. Wickham will be entitled to receive a lump sum payment equal to (i) 12 months of salary plus an additional one month of salary for each completed year of employment, beginning with 2012, up to a maximum of six additional months of salary (the "**CFO Service Amount**"), plus (ii) an amount equivalent to 40% of the CFO Service Amount (being in lieu of any bonus that may have been earned by Mr. Wickham during such 12 to 18-month period), less (iii) any statutorily required deductions and amounts owing by Mr. Wickham. If the CFO Employment Agreement is terminated by the Resulting Issuer outside the Window Period for any reason (other than for just cause or incapacity), or by Mr. Wickham for good reason outside the Window Period, Mr. Wickham will also be entitled to the continuation of the benefits under the CFO Employment Agreement from the termination date until the earlier of (i) Mr. Wickham obtaining new employment and comparable benefits, or (ii) the expiry of the notice period under applicable law.

If Mr. Wickham is terminated (other than for just cause, incapacity or death) during the Window Period, or if he terminates his employment during the Window Period for good reason: (a) he will receive a lump sum cash payment equal to: (i) two times the amount that is the greater of his salary in effect (x) on the day immediately before the change of control, and (y) on the termination date; plus (ii) two times the amount that is the greater of (x) the annual bonus that he earned in the year immediately before the change of control occurs, (deemed to be C\$200,000 if the applicable year is 2013) and (y) the maximum annual bonus that he would be entitled to receive in the year in which the termination occurs; minus (iii) any deductions required by law and amounts owing by him; and (b) he will continue to receive benefits from the termination date until the earlier of (i) obtaining new employment and comparable benefits, or (ii) the expiry of the notice period under applicable law.

If Mr. Wickham is terminated during the Window Period (other than for just cause, incapacity or death), or if he terminates his employment during the Window Period for good reason, Mr. Wickham will not be obligated to seek alternate employment or other sources of income or benefits, or to mitigate his damages.

Pursuant to the CFO Employment Agreement, Mr. Wickham will also be entitled to participate in the New Plan, following the Effective Date. Pursuant to the CFO Employment Agreement, following the Effective Date, Mr. Wickham will be granted 38,300 Options under the New Plan to acquire approximately 0.09% of the Resulting Issuer Common Shares outstanding immediately following the Effective Date. One-third of his Options will vest immediately on the date of the grant and one-third of his Options will vest on each subsequent anniversary of the date of grant. The Options to be granted to Mr. Wickham will have an exercise price equal to the Initial Option Exercise Price and will have a term not exceeding seven years.

The further grant of any awards to Mr. Wickham under the New Plan shall be contingent upon the achievement of certain performance indicators (either individual or corporation-based) to be determined by the Resulting Issuer at the beginning of each year. Except as provided for in the CFO Employment Agreement, all awards issued to Mr. Wickham pursuant to the New Plan and New LTIP may be exercised and shall expire in accordance with the terms of any award agreement between the Resulting Issuer and Mr. Wickham and/or the New Plan or the New LTIP.

In the event of a change of control, all unexercised vested and unvested Options, RSUs or other awards held by Mr. Wickham under the New Plan or the New LTIP shall vest and be exercisable or settled as of the date of termination of employment.

The CFO Employment Agreement will contain confidentiality provisions whereby Mr. Wickham will be prohibited from, among other things, disclosing any confidential information regarding the Resulting Issuer, its affiliates or their respective customers or clients to any person during and subsequent to the term of the CFO Employment Agreement. The CFO Employment Agreement will also contain non-solicitation provisions whereby Mr. Wickham will be prohibited from contacting or soliciting any designated customers or clients of the Resulting Issuer or any of its affiliates or from employing or retaining as an independent contractor any employee of the Resulting Issuer or any of its affiliates (or inducing or soliciting or attempting to induce any such person to leave that person's employment) during the term of the CFO Employment Agreement and for a period of 12 months thereafter.

Andrey Shchetinin, Senior Vice-President, Corporate Affairs

Concurrently with the completion of the Arrangement, the Resulting Issuer will enter into an amended and restated agreement with Mr. Shchetinin's service company in respect of the service agreement with Intergeo (the "**AS Service Agreement**") (together with the AS Employment Agreement, the "**AS SVP Agreements**"). Under the AS Service Agreement, Mr. Shchetinin will be engaged as Senior Vice President, Corporate Affairs, General Director (Russia) of the Resulting Issuer. Under the AS Employment Agreement, Mr. Shchetinin will receive an annual salary of US\$375,000, and a discretionary cash bonus of up to 50% of his salary for the relevant year. In connection with the completion of the Arrangement, and assuming that the LTIP Amendments are approved by the Mercator Shareholders, it is anticipated that Mr. Shchetinin will receive that number of RSUs that is equal to C\$316,000 divided by the RSU Grant Price.

If the AS Service Agreement is terminated by the Resulting Issuer for any reason (in the context of a change of control, and other than for just cause or incapacity), or by Mr. Shchetinin's service company for good reason (other than in the context of a change of control), Mr. Shchetinin's service company will be entitled to receive a lump sum payment equal to: (i) 12 months salary under the AS Employment Agreement plus an additional one month of salary for each completed year of employment following January 1, 2012 up to a maximum of six additional months of salary under the AS Employment Agreement, (the "**AS Service Amount**"), plus (ii) an amount equivalent to 40% of the AS Service Amount, less (iii) any statutorily required deductions and amounts owing by Mr. Shchetinin and his service company.

If the AS Service Agreement is terminated (other than for just cause, incapacity or death) during the Window Period, or if Mr. Shchetinin's service company terminates the AS Service Agreement during the Window Period for good reason: (a) such service company will receive a lump sum cash payment equal to: (i) two times the amount that

is the greater of his salary under the AS Employment Agreement in effect (x) on the day immediately before the change of control, and (y) on the termination date, plus (ii) two times the amount that is the greater of (x) the annual bonus that he earned in the year immediately before the change of control occurs, (deemed to be US\$166,000 if the applicable year is 2013) and (y) the target annual bonus that he would be entitled to receive in the year in which the termination occurs; minus (iii) any deductions required by law and amounts owing by Mr. Shchetinin and his service company; and (b) Mr. Shchetinin will continue to receive benefits from the termination date until the earlier of (i) obtaining new employment and comparable benefits, or (ii) a week for every completed year of employment under the AS Employment Agreement since January 1, 2012, up to a maximum of eight weeks.

Pursuant to the AS Service Agreement, following the Effective Date, Mr. Shchetinin, beneficially through his wholly-owned service company, will also be entitled to participate in the New Plan, following the Effective Date. Pursuant to the AS Service Agreement, following the Effective Date, Mr. Shchetinin's service company will be granted 25,500 Options under the New Plan to acquire approximately 0.06% of the Resulting Issuer Common Shares outstanding immediately following the Effective Date. One-third of his Options will vest immediately on the date of the grant, and one-third of his Options will vest on each subsequent anniversary of the date of grant. The Options to be granted to Mr. Shchetinin's service company will have an exercise price equal to the Initial Option Exercise Price and will have a term not exceeding seven years.

The further grant of any awards to Mr. Shchetinin under the New Plan shall be contingent upon the achievement of certain performance indicators (either individual or corporation-based) to be determined by the Resulting Issuer at the beginning of each year. Except as provided for in the AS Service Agreement, all awards issued to Mr. Shchetinin, beneficially through his wholly-owned service company, pursuant to the New Plan and New LTIP may be exercised and shall expire in accordance with the terms of any award agreement between the Resulting Issuer and Mr. Shchetinin and/or the New Plan or the New LTIP.

In the event of a change of control, all unexercised vested and unvested Options, RSUs or other awards held by Mr. Shchetinin's service company under the New Plan or the New LTIP shall vest and be exercisable or settled as of the date of termination of the service provision.

The AS SVP Agreements will contain confidentiality provisions whereby Mr. Shchetinin will be prohibited from, among other things, disclosing any confidential information regarding the Resulting Issuer, its affiliates or their respective customers or clients to any person during and subsequent to the term of the AS Service Agreement. The AS SVP Agreements will also contain non-solicitation provisions whereby Mr. Shchetinin will be prohibited from contacting or soliciting any designated customers or clients of the Resulting Issuer or any of its affiliates or from employing or retaining as an independent contractor any employee of the Resulting Issuer or any of its affiliates (or inducing or soliciting or attempting to induce any such person to leave that person's employment) during the term of the AS Service Agreement and for a period of 12 months thereafter.

Mark Distler, Vice-President, Finance

If the Arrangement is completed, the MD Employment Agreement will remain in place and all references to Mercator, Mercator Options and Mercator RSUs in the description of the MD Employment Agreement provided in Appendix O should be read as referring to the Resulting Issuer, Options and RSUs, respectively. If the Stock Option Plan Amendment and the LTIP Amendment are approved, all references to the Mercator Stock Option Plan and the Mercator LTIP in the description of the MD Employment Agreement provided in Appendix O should be read as referring to the New Plan and the New LTIP, respectively. See "Appendix O – Appendix O – Directors, Executive Officers and Management of Mercator – Employment Agreements".

Michael Broch, Vice-President, Exploration and Evaluation

If the Arrangement is completed, the MB Employment Agreement will remain in place and all references to Mercator, Mercator Options and Mercator RSUs in the description of the MB Employment Agreement provided in Appendix O should be read as referring to the Resulting Issuer, Options and RSUs, respectively. If the Stock Option Plan Amendment and the LTIP Amendment are approved, all references to the Mercator Stock Option Plan and the Mercator LTIP in the description of the MB Employment Agreement provided in Appendix O should be read as

referring to the New Plan and the New LTIP, respectively. See "Appendix O – Appendix O – Directors, Executive Officers and Management of Mercator – Employment Agreements".

Change of Control

CEO Employment Agreement, the CFO Employment Agreement and the AS Service Agreement

Each of the CEO Employment Agreement, the CFO Employment Agreement and the AS Service Agreement will provide that a "change of control" will have occurred when:

- (i) any event or series of related events or transaction or series of related transactions as a result of which or pursuant to which any person or group of persons acting jointly or in concert (excluding any person or group of persons beneficially owned by Mr. Prokhorov and/or Mr. Finskiy) acquires, directly or indirectly, beneficial ownership of or control or direction over voting shares of the Resulting Issuer (other than pursuant to a treasury issuance of voting shares of the Resulting Issuer), or voting shares of the Resulting Issuer are redeemed or otherwise acquired by the Resulting Issuer or are cancelled, where, immediately following the occurrence of such event or series of events or completion of such transaction or series of transactions, the number of voting shares of the Resulting Issuer beneficially owned, directly or indirectly, or over which control or direction is exercised by such person or group of persons acting jointly or in concert totals for the first time voting shares of the Resulting Issuer carrying more than 50% of the votes attaching to all voting shares of the Resulting Issuer outstanding immediately following such occurrence or completion;
- (ii) any event or series of related events or transaction or series of related transactions as a result of which or pursuant to which voting shares of the Resulting Issuer are converted into or exercised or exchanged for securities of the Resulting Person and any person or group of persons acting jointly or in concert (excluding any person or group of persons beneficially owned by Mr. Prokhorov and/or Mr. Finskiy) acquires, directly or indirectly, beneficial ownership of or control or direction over voting shares of such Resulting Person where, immediately following the occurrence of such event or series of events or completion of such transaction or series of transactions, the number of voting shares of the Resulting Person beneficially owned, directly or indirectly, or over which control or direction is exercised by such person or group of persons acting jointly or in concert totals for the first time voting shares of the Resulting Person carrying more than 50% of the votes attaching to all voting shares of the Resulting Person outstanding immediately following such occurrence or completion;
- (iii) a change in the composition of the Board as a result of a contested election of directors of the Resulting Issuer, with the result that less than 50% of the directors of the Resulting Issuer elected in such election are comprised of the individuals who were directors of the Resulting Issuer prior to such contested election or (if applicable) the individuals nominated by the Board for election at the meeting of shareholders at which such election is contested (excluding any change in the composition of the Board as a result of a contested election of directors, when the election of at least 50% of the elected directors is supported by any person or group of persons beneficially owned by Mr. Prokhorov and/or Mr. Finskiy);
- (iv) the sale, lease or similar transfer or alienation, in a single transaction or a series of related transactions (including by way of the liquidation, dissolution, winding-up or other distribution by the Resulting Issuer or any subsidiary), of assets having a fair market value equal to 50% or more of the fair market value of all of the assets of the Resulting Issuer on a consolidated basis, excluding (A) a transaction or series of related transactions between the Resulting Issuer or any subsidiary or between subsidiaries, and (B) any distribution by a subsidiary to the Resulting Issuer or any other subsidiary; or

- (v) the Board determines, pursuant to a simple majority vote of the directors (which majority must include all of the directors, if any, nominated by each of Daselina and Kirkland) that a change in legal or effective control of the Resulting Issuer has occurred or is imminent.

Other NEO Employment Agreements

Each of the MB Employment Agreement and MD Employment Agreement contain "change of control" terms. If the Arrangement is completed, these "change of control" terms will remain in place and all references to Mercator, Mercator Board and "equity securities" in the description of such "change of control" terms provided in Appendix O should be read as referring to the Resulting Issuer, Board and securities of the Resulting Issuer, respectively. See "Appendix O – Appendix O – Directors, Executive Officers and Management of Mercator – Change of Control". The "change of control" terms in each of the MB Employment Agreement and MD Employment Agreement differ from the "change of control" terms in the CEO Employment Agreement, the CFO Employment Agreement and the AS Service Agreement.

The following table sets out the estimated payments in the event of termination of employment outside the Window Period or the Change of Control Period, as applicable, and termination following a change of control for each of the NEOs, assuming that the event giving rise to the payment occurred on the last business day of 2014.

NEO	Amount Payable (C\$)	
	Change of Control ⁽¹⁾	Other than Change of Control
John Lill, CEO	\$2,000,000	\$1,031,250
Robert Wickham, SVP Finance and CFO	\$1,200,000	\$700,000
Andrey Shchetinin, ⁽²⁾ SVP, Corporate Affairs	\$1,200,000	\$700,000
Mark Distler, ⁽³⁾ VP, Finance	\$663,000 ⁽⁴⁾	\$425,000
Michael Broch, ⁽³⁾ VP, Exploration & Evaluation	\$467,000 ⁽⁴⁾	\$315,000

Notes:

- (1) Upon termination following a change of control, the Options granted to each of Messrs. Wickham and Shchetinin will automatically vest. No value can be assigned to the Options as at the date of this Circular.
- (2) Calculated based on the noon exchange rate on December 31, 2013 of C\$1.00 equals RUB30.9023.
- (3) Calculated based on the noon exchange rate on December 31, 2013 of C\$1.00 equals US\$0.9402. The estimated payments to each of Messrs. Distler, and Broch would be approximately C\$691,000 and C\$487,000, respectively, if calculated using the noon exchange rate on February 25, 2014.

Director Compensation

It is expected that the Human Resources and Compensation Committee will be delegated responsibility for determining director compensation. Directors may receive equity-based awards grants as determined by the committee pursuant to the New Plan and the New LTIP.

The table below sets forth the anticipated compensation for directors of the Resulting Issuer. The Resulting Issuer will continue to review directors' compensation as needed, taking into account time commitment, risks and responsibilities to ensure that the amount of compensation adequately reflects the responsibilities and risks of being a director and makes adjustments as deemed necessary. Compensation decisions made by the Resulting Issuer are the responsibility of the Resulting Issuer and may reflect factors and considerations in addition to the information

and recommendations from Hugessen. See “Appendix N – Directors, Executive Officers and Management of Intergeo – Compensation Discussion and Analysis”.

Component	Fee (US\$)
Annual Retainer	120,000
Board Meeting Fees	1,500 per meeting
Committee Chair Retainer (Audit Committee)	25,000
Committee Chair Retainer (non-Audit Committee)	10,000
Committee Member Retainer (Audit Committee)	10,000
Committee Member Retainer (non-Audit Committee)	Nil
Committee Meeting Fee	1,500 per meeting

Stock Option Grants

Following completion of the Arrangement, it is anticipated that each director will be granted 38,300 Options under the New Plan, assuming approval of the Stock Option Plan Amendments (see "Particulars of Matters to be Acted Upon – Amendments to Stock Option Plan" in the Circular), representing approximately 1.20% of the number of Resulting Issuer Common Shares outstanding immediately following the Effective Date. These Options are expected to have a term not exceeding seven years and are expected to have an exercise price equal to the Initial Option Exercise Price.

The following table reflects Options that are expected to be granted to the directors listed below, assuming completion of the Arrangement and approval of the Stock Option Plan Amendment by the Mercator Shareholders.

Option Recipient	# of Options^{(1) (2)}	Term
John Bowles	38,300	7 years
Christophe Charlier	38,300	7 years
Richard Evans	38,300	7 years
Maxim Finskiy	38,300	7 years
Patrick Garver	38,300	7 years
Walter Murray	38,300	7 years
Dmitry Razumov	38,300	7 years
Stephen Quin	38,300	7 years

Notes:

(1) Exercise price will be set at the higher of:

(a) the volume weighted average trading price of Resulting Issuer Common Shares calculated in respect of the 30 calendar day period immediately following the Effective Date;

(b) the volume weighted average trading price of Resulting Issuer Common Shares calculated in respect of the 5 trading days immediately preceding the 31st calendar day immediately following the Effective Date; and

(c) the market price (as defined in the New Plan) calculated on the date of grant.

- (2) It is proposed that Options will vest $\frac{1}{3}$ on the date of grant $\frac{1}{3}$ on the first anniversary of the date of grant and $\frac{1}{3}$ on the second anniversary of the date of grant.

Incentive Plans

The Resulting Issuer will have two incentive plans, being (i) the New Plan (see "Particulars of Matters to be Acted Upon – Amendments to the Stock Option Plan" in the Circular), and (ii) the New LTIP (see "Particulars of Matters to be Acted Upon – Amendments to the Long Term Incentive Plan" in the Circular).

INDEBTEDNESS OF DIRECTORS AND OFFICERS

Neither Mercator nor Intergeo is aware of any individuals who are proposed executive officers, directors or employees of the Resulting Issuer or any of its subsidiaries and who have indebtedness outstanding as at the date of this Circular (whether entered into in connection with the purchase of securities of Intergeo and/or Mercator or otherwise) that is owing to (i) Intergeo and/or Mercator or their respective subsidiaries, or (ii) another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Intergeo and/or Mercator or any of their respective subsidiaries.

Except for (i) indebtedness that has been entirely repaid on or before the date of this Circular, and (ii) "routine indebtedness" (as defined in Form 51-102F5 of the Canadian Securities Authorities), neither Mercator nor Intergeo is aware of any individuals who are, or who at any time since incorporation of Intergeo or Mercator were, a director or executive officer of Intergeo or Mercator or an associate of any of those directors or executive officers, who are, or have been at any time since incorporation of Intergeo or Mercator, indebted to Intergeo and/or Mercator or any of its subsidiaries, or whose indebtedness to another entity is, or at any time since incorporation of Intergeo or Mercator has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Intergeo and/or Mercator or any of their respective subsidiaries.

APPENDIX Q

BACKGROUND INFORMATION ON RUSSIAN LEGAL FRAMEWORK

If the Arrangement is completed, the Resulting Issuer will be subject to certain Russian laws. If the Arrangement is completed, references to "Intergeo" below will refer to the "Resulting Issuer", and all references to "Intergeo Shares" will refer to "Resulting Issuer Common Shares".

The Russian legal framework for prospecting, appraisal, exploration and mining companies includes subsoil use regulations, prospecting, appraisal, exploration and mining related taxes, environmental protection requirements and a high degree of scrutiny from governments at all levels. This provides a tightly regulated environment for companies to explore, develop, operate and generate returns from their assets.

The use of mineral resources in Russia is based on three main principles:

- (a) state ownership of subsoil;
- (b) state or private ownership of the extracted minerals; and
- (c) payment for subsoil use.

State licences to explore and mine minerals are available to any business enterprise (including non-Russian enterprises, except for licences with respect to Strategic Plots, which may be acquired only through an auction by legal entities established in Russia) through an open tender, auction or other method permitted by applicable Russian legislation. The licence holder is entitled to conduct prospecting, appraisal, exploration and/or mining (depending on the type of subsoil licence) within a certain time period indicated in the licence. The Russian government has the right to impose additional specific restrictions on acquisition of rights with respect to Strategic Plots by Russian entities that are under direct or indirect control of a non-Russian investor or that have a non-Russian shareholder. See " – Strategic Plots".

Subsoil Licencing Regime in Russia

Prospecting, appraisal, exploration and mining of minerals in Russia is primarily governed by (i) Federal Law No. 2395-1 dated February 21, 1992 "On Subsoil", as amended (the "**Subsoil Law**"), (ii) "Regulations on the Procedure of Subsoil Licencing" approved by Decree of the Supreme Soviet of the Russian Federation No. 3314-1 dated July 15, 1992, as amended, (iii) the Land Code of the Russian Federation No. 136-FZ dated October 25, 2001, as amended (the "**Land Code**"), (iv) the Water Code of the Russian Federation No. 74-FZ dated June 3, 2006, as amended, (v) the Forestry Code of the Russian Federation No. 200-FZ dated December 4, 2006, as amended (the "**Forestry Code**"), and (vi) Federal Law No. 7-FZ dated January 10, 2002 "On Environmental Protection", as amended, as well as other legislation. The regulatory environment has been fully formed only recently and the legislation has been subject to various interpretations and inconsistent application by regulatory bodies.

The Subsoil Law provides that subsoil is considered the property of Russia. Accordingly, prospecting, appraisal, exploration and mining companies can only obtain the right to use subsoil (including a right to develop mineral deposits), rather than to own it, in the form of a licence for subsoil use which includes a licence agreement describing all of the main terms and conditions of the subsoil plot use. Extracted minerals generally belong to the licence holder, but the applicable licence may provide for the contrary and grant the Russian government ownership rights in the extracted minerals. All of Intergeo's licences (other than prospecting and appraisal licences) grant Intergeo ownership rights in the extracted minerals.

The rights to prospect, appraise, explore for and mine minerals are granted by the Federal Agency for Subsoil Use ("FASU") or its territorial bodies by issuing prospecting and appraisal licences, mining licences, exploration and mining licences and/or prospecting, appraisal, exploration and mining licences. Generally, subsoil licences are granted by virtue of a FASU decision or a decision of its territorial bodies. However, a decision of the federal government of Russia is required in order to obtain a licence for a Strategic Plot (which is subject to additional requirements as described below) and in certain other cases. See " – Strategic Plots".

There are a number of methods to obtain subsoil licences, including but not limited to:

- (a) by way of an auction/tendering procedure (under which a mining licence, an exploration and mining licence or a prospecting, appraisal, exploration and mining licence may be obtained);
- (b) by filing an application to obtain a prospecting and appraisal licence to conduct works at the licence holder's own cost (i.e., works not financed by the Russian government);
- (c) by "conversion" of prospecting and appraisal rights into mining rights or exploration and mining rights and issuance of a mining licence or exploration and mining licence where deposits are discovered as a result of the prospecting and appraisal work conducted under a prospecting and appraisal licence at the licence holder's own cost; and
- (d) by entering into a production sharing arrangement with the Russian government.

The licence sets out, among other things, the term of the licence, mineral rights granted thereunder, required work programs, amounts of certain taxes and fees payable by the licence holder, ownership of geological data and abandonment obligations. The holder of the licence may, subject to certain conditions, apply for amendments to certain provisions of the licence. The decision whether to grant such amendments is at the discretion of FASU or its territorial bodies.

Under the Subsoil Law, subsoil licences are granted for a limited period of time, and such period is stipulated in the licence. A prospecting and appraisal licence is usually granted for up to five to seven years, while a mining licence, an exploration and mining licence or a prospecting, appraisal, exploration and mining licence is usually granted for the useful life of the mineral reserve deposit, calculated on the basis of a feasibility study that ensures the rational use and protection of the subsoil. In practice, mining licences and exploration and mining licences are usually issued for a 20-year period and prospecting, appraisal, exploration and mining licences are usually issued for a 25-year period. The term of the subsoil licence may be extended by the relevant authorities at the request of the licence holder if such extension is necessary to complete the development of the deposit, provided that the licence holder has not violated the terms of the respective licence. To date, Russian prospecting, appraisal, exploration and mining companies have generally not experienced issues with being granted extensions of their licences. Upon expiration of a licence, a licence holder must, at its own expense, reclaim the land and return it to a condition adequate for future use. Government authorities undertake periodic reviews to ensure compliance by subsoil licence users with the terms of their licences and applicable legislation. A licence holder can be fined for failing to comply with the terms of its subsoil licence and/or applicable legislation and that licence can be revoked, suspended or limited in certain circumstances.

Under the Subsoil Law, a subsoil licence terminates when:

- (a) its term expires;
- (b) a specific termination condition (typically referred to as an "automatic termination provision") in the licence has been triggered;
- (c) the licence is re-issued, but the re-issuance procedures set out in the Subsoil Law were not complied with; or
- (d) other instances stipulated by applicable law occur.

A subsoil licence may be revoked, suspended or limited by the licencing authorities in certain circumstances, including when:

- (a) there is a direct threat to the life and health of people working or living in the area affected by the subsoil use;

- (b) the licence holder has breached a material condition of the licence;
- (c) the licence holder systematically violates the subsoil use requirements;
- (d) there is an emergency situation such as natural disaster or military action;
- (e) the licence holder does not commence operations as required by the licence;
- (f) the licence holder has failed to file reports in accordance with the Subsoil Laws; or
- (g) other instances stipulated by the Subsoil Law occur.

Typically, a licence can provide that certain conditions (such as requirements of technical and technological documentation, existence of insurance coverage or fulfillment of various commitments for regional development) are material conditions of the licence, and any failure to comply with these conditions by the licence holder either automatically result or may result in termination of the licence by the licencing authorities. All of Intergeo's licences provide the customary broad grounds for licence termination. In practice, termination of subsoil licences is uncommon and such licences are usually terminated for significant violations, such as failure to start operations at a specified time, constant underproduction, clear violations of a material condition of the licence for a significant period of time or failure to pay subsoil-related payments and taxes.

Licences cannot be transferred to another entity except in limited circumstances contemplated by, and subject to conditions specified in, the Subsoil Law. For example, a subsoil licence may be transferred if the transferee acquires assets of a bankrupt licence holder, or in the event of a spin-off, merger, consolidation, split-up or transfer of subsoil use rights to a parent company, subsidiary or a 'sister' company. Notwithstanding the foregoing, the Subsoil Law prohibits direct transfers of licences for Strategic Plots to Russian companies in which a Foreign Investor has an equity interest if such equity interest of the Foreign Investor enables it to, among other things, dispose of more than 10% of the voting shares in the transferee, appoint the transferee's chief executive officer and/or determine the transferee's decisions. This restriction limits the ability of such Russian companies to complete internal restructurings of strategic assets (such as direct transfers of licences for Strategic Plots).

Russian legislation also provides for the basic framework of payments applicable to licence holders, which includes: (i) one-time payments specified in the licence, (ii) regular payments for the subsoil use (such as rent paid for the right to conduct prospecting, appraisal and exploration work), (iii) mineral extraction tax, and (iv) fees for the right to participate in auctions/tenders.

Mining Allotments

Pursuant to the Subsoil Law, the subsoil area is provided to a licence holder under a subsoil licence as a "mining allotment" or "geological allotment" (i.e. a geometrized block of subsoil). The prospecting and appraisal licence sets out the final boundaries of the geological allotment. Prospecting, appraisal, exploration and mining licences may also provide for boundaries of geological allotments for the prospecting and appraisal stage. Preliminary mining allotment boundaries are determined at the time a mining licence, an exploration and mining licence or a prospecting, appraisal, exploration and mining licence is issued. Final mining allotment boundaries are set following preparation of technical project documentation and the approval thereof by the state expert commission formed by the FASU (comprised of representatives of the Ministry of Natural Resources and Environment, FASU, the Federal Service for Supervision of Natural Resources Usage ("FSSNRU") and the Federal Service for Environmental, Technological and Nuclear Supervision ("FSETNS")). No final mining allotment boundaries for Intergeo's deposits have yet been established.

Land Use Permits

In addition to a subsoil licence, a licence holder requires land use rights to the licenced area in order to conduct prospecting, appraisal, exploration and/or mining. Russian legislation prohibits any commercial activity, including mining activities, on a land plot without appropriate land use rights.

Pursuant to the Subsoil Law, the land plots for performance of prospecting, appraisal, exploration and mining work are granted to licence holders upon approval of the project documentation for such work in accordance with a simplified procedure set out in the Land Code and the Forestry Code for the purposes of prospecting, appraisal and exploration of subsoil resources and mining. Most land in Russia is owned by federal, regional or municipal authorities, which can sell, lease or grant other use rights to land plots through public auctions or tenders or negotiations. However, the Land Code and the Forestry Code provide for a streamlined procedure to lease land plots to a subsoil licence holder without holding an auction. The Forestry Code also permits one to perform prospecting and appraisal on forest land without executed lease agreements or any other documented rights to land.

Land lease rights are typically granted for a certain part of the licence area upon the submission of standardised reports, technical studies, pre-feasibility studies, budgets and impact statements to the respective authority. Pursuant to a resolution on granting a land lease right, the subsoil licence holder and the state or municipal authority enter into a lease agreement for a land or forest plot. The subsoil licence holder undertakes to pay the land rent throughout the lease term and, upon the expiry of the lease term, must return the land plot to the landlord in a condition suitable for its future use.

All land currently used by Intergeo is state-owned land and is used under leases or on other grounds contemplated by Russian law.

Environmental Regulation

Russian environmental legislation provides for a "pay-to-pollute" regime administered by the Ministry of Natural Resources and Ecology ("MNRE"), FSSNRU and FSETNS and regional authorities. MNRE establishes lists of harmful substances and physical impacts on the atmosphere as well as procedures for calculation and approval of limits for permissible emissions of polluting substances and waste disposal. FSSNRU approves such limits and issues permits for emissions of polluting substances and waste disposal. FSETNS exercises control and surveillance functions in respect of activities associated with hazardous industrial facilities. Fees are low for pollution within the prescribed limits and increase for pollution in excess of the prescribed limits to the highest for pollution in the absence of any permits. Payments of such fees do not relieve a company from its responsibility to take environmental protection measures and undertake restoration and clean-up activities.

Natural resources development issues are subject to periodic environmental evaluation. While in the past these evaluations have not generally resulted in substantial limitations on natural resources prospecting, appraisal, exploration and development activities, they are expected to become increasingly strict in the future. Currently, if the operations of a company do not comply with environmental requirements or cause harm to the environment, or an individual or legal entity, the environmental authorities may suspend these operations or a court action may be brought to limit or ban these operations. The company will be required to remedy the effects of the violations. Any company or employee that fails to comply with environmental regulations may be subject to administrative and/or civil liability and individuals (including managers of legal entities) may be held criminally liable. Courts may also impose clean-up obligations on violators in lieu of or in addition to imposing fines. The limitation period for claims for damage compensation caused by pollution is generally 20 years.

Project documentation relating to construction of mining and production facilities requires a prior favourable expert review by the competent state authorities. The purpose of such evaluation is to verify, among other things, that the project provides for the protection of the environment and rational use and restoration of natural resources.

Subsoil licences are granted on the condition that the licence holder undertakes to comply with Russian environmental standards and norms (relating to matters such as air, water and soil pollution limits, waste management requirements, animal protection and human health) and performs certain environmental commitments. All of Intergeo's licences contain obligations to comply with such standards and norms. There are clean-up requirements and penalties for failing to comply, the amount of which generally does not exceed US\$35,000. Once a subsoil licence is issued, FSSNRU monitors the licence holder's compliance with licencing requirements, as well as compliance with environmental legislation. State authorities are entitled to take legal actions to suspend or terminate activities performed by a licence holder in breach of environment-related licence conditions or terminate the licence for breach of environment-related licence conditions.

Strategic Plots

There are certain restrictions on the ability of Foreign Investors to acquire control over Russian companies developing subsoil plots of federal significance ("**Strategic Plots**") or to operate such plots. The legal regime of Strategic Plots is established by the Subsoil Law and the Strategic Investment Law (as defined below), which regulate the control and operation of such plots from two perspectives. First, there are certain restrictions on transfers and acquisitions of subsoil rights to Strategic Plots. Second, legal restrictions apply to direct or indirect acquisitions of corporate control over the Strategic Plots through corporate transactions involving direct or indirect transfers of control over companies holding subsoil rights to Strategic Plots. The restrictions established by the Subsoil Law with respect to transfers and acquisitions of subsoil rights (that is, restrictions of a company's rights to Strategic Plots) are generally stricter than and, to a certain extent, inconsistent with the restrictions in relation to transfers of corporate control established by the Strategic Investment Law.

Under the Subsoil Law, Russian hard rock Strategic Plots include:

- subsoil plots containing deposits and showings of uranium, diamonds, high-purity quartz, the yttrium group of rare earths, nickel, cobalt, tantalum, niobium, beryllium, lithium, and/or the platinum group of metals (irrespective of the size of the deposits and amount of the above minerals);
- subsoil plots containing the following reserves (as determined in accordance with applicable Russian standards): hard-rock gold reserves in excess of 50 tonnes and/or copper reserves in excess of 500,000 tonnes;
- subsoil plots that can only be developed using land used for defense and security; and/or
- subsoil plots included in the list of Strategic Plots.

The list of Strategic Plots has been prepared and published and is regularly updated by FASU. Once a subsoil plot has been included in this list it will retain its status as a Strategic Plot, notwithstanding any changes resulting from amendments of the above criteria. The list is not exhaustive and any subsoil plot which meets the above criteria may be deemed strategic irrespective of whether it is included in the list. The Ak-Sug Project and the Kingash Project are on the list of Strategic Plots. The Arbinsk property and the Greater Ak-Sug property may also be considered Strategic Plots.

Strategic Plots may be licenced only to legal entities established in Russia. However, the Russian government, in its own discretion, may impose restrictions on the ability of a Russian entity that is under direct or indirect control of a non-Russian investor or that has a non-Russian shareholder to participate in an auction or tender for a subsoil licence to use a Strategic Plot. Intergeo's Russian subsidiaries may be subject to such restrictions and, if a decision is made by the Russian government to introduce such restrictions for a particular "Strategic Plot" auction or a tender, Intergeo's Russian subsidiaries may be unable to participate in such auction or tender.

As discussed above, the Subsoil Law prohibits direct transfers of licences for Strategic Plots to Russian companies in which a Foreign Investor has an equity interest if such equity interest of the Foreign Investor entitles it to, among other things, dispose of more than 10% of the voting shares in such transferee, appoint such transferee's chief executive officer and/or determine the transferee's decisions. While licence transfers outside the Intergeo corporate structure are not contemplated, this restriction does effectively prohibit any intra-group transfer of Intergeo's strategic licences for reorganization purposes or for any other reasons.

An additional restriction applies to the commencement of exploration and/or mining operations at Strategic Plots for holders of prospecting, appraisal, exploration and mining licences. Under a prospecting, appraisal, exploration and mining licence, exploration and mining operations on a Strategic Plot may only commence after prospecting and appraisal of the entire subsoil plot are fully completed, and if such commencement of exploration and mining on the Strategic Plot is authorized by a Russian government decision. This is different from the general rule (applicable to non-strategic plots) where exploration and mining under a prospecting, appraisal, exploration and mining licence may be conducted simultaneously with prospecting and appraisal of a subsoil plot and mining can commence without any further authorization of the Russian government. As a result, Intergeo is obliged to complete its

prospecting and appraisal of the Greater Ak-Sug property (assuming that it is a Strategic Plot) before it can apply for authorization from the Russian government to commence exploration and mining at these plots. As Ak-Sug and the Kingash deposit each have an exploration and mining licence, this restriction does not apply to such deposits.

If in the course of prospecting and appraisal a discovery is made under a prospecting and appraisal licence and the discovered deposit meets the Strategic Plot criteria, the Russian government may veto the issuance of a mining licence or an exploration and mining licence to the discoverer if (i) the discoverer is under direct or indirect control of a non-Russian investor or has a non-Russian shareholder and (ii) the Russian government determines that there is a threat to the national defence and security of Russia. If the relevant discovery is made under a prospecting, appraisal, exploration and mining licence and the discoverer is under direct or indirect control of a non-Russian investor or has a non-Russian shareholder, the Russian government has the right to prematurely terminate the prospecting, appraisal, exploration and mining licence if it determines that there is a threat to the national defence and security of Russia. There are no established criteria for determining whether a threat to national defence or security exists. Accordingly, the previously discovered Upper Kingash and Kuyo deposits and all new Strategic Plots that may be discovered by Intergeo under its prospecting and appraisal licences (including the licence for the Arbinsk property) will be subject to the aforementioned provisions of the Subsoil Law. In addition, the prospecting, appraisal, exploration and mining licences of Intergeo under which Strategic Plots may be discovered including under the Greater Ak-Sug Licence will be subject to these restrictions as well.

If the issuance of a mining licence or an exploration and mining licence is denied, or a prospecting, appraisal, exploration and mining licence is terminated, the affected subsoil licence holder is entitled to be reimbursed for the costs it incurred during the prospecting and appraisal of the discovered deposit (in the case of termination of a prospecting, appraisal, exploration and mining licence, such costs include the one-time payment made under the terms of such licence), and is entitled to an additional payment. Such reimbursement and payment are payable from the Russian federal budget pursuant to a procedure established by the Russian government. See "Appendix U – Risks Related to the Resulting Issuer – *The Resulting Issuer's licences, in particular the license relating to the Ak-Sug Project will be important for the Resulting Issuer's prospects and the loss or failure to maintain, or the failure on expiry to extend, Intergeo's licences and other authorizations could materially adversely affect the Resulting Issuer*".

Strategic Entities

Federal Law No. 57-FZ dated April 29, 2008 "On the Procedure for Making Foreign Investments in Business Entities of Strategic Significance for the National Defence and Security of the Russian Federation", as amended (the "**Strategic Investment Law**"), introduces certain restrictions on the ability of Foreign Investors acquiring control over Russian limited liability companies and joint stock companies that conduct any of the 42 strategic activities referred to in the Strategic Investment Law, including operating Strategic Plots ("**Strategic Entities**").

The Strategic Investment Law requires a Foreign Investor to obtain approval ("**strategic approval**") from the Commission of the Russian government on Control over Foreign Investments chaired by the Russian Prime Minister (the "**Russian Government Commission**") prior to acquiring control over a Strategic Entity. Control is defined by the Strategic Investment Law through controlled transactions that include:

- the acquisition by a Foreign Investor of the right to: (i) directly or indirectly dispose of 25% or more of the aggregate number of voting shares (participating interests) in the Strategic Entity; and/or (ii) appoint a sole person executive body of the Strategic Entity and/or 25% or more of the members of the collegial executive body, and/or unconditionally elect 25% or more of the members of the board of directors (supervisory board) or another collegial management body of such Strategic Entity;
- the acquisition by a Foreign Investor of voting shares (participating interests) in the charter capital of a Strategic Entity in the event such Foreign Investor already has a right to directly or indirectly dispose of 25% or more of the aggregate number of voting shares comprising such Strategic Entity's charter capital (except for the acquisition by such Foreign Investor of voting shares (participating interests) in the Strategic Entity when the Foreign Investor's existing shareholding percentage does not increase);

- the acquisition by a Foreign Investor of the right to fulfill the functions of the manager (management company) in relation to the Strategic Entity; and
- other transactions aimed at the acquisition by a Foreign Investor of a right to determine the decisions of the management bodies of the Strategic Entity, including the right to establish the terms of conducting commercial activities by the Strategic Entity.

Foreign Investors that are non-Russian states, international organizations and organizations under their control are subject to stricter rules and are prohibited from acquiring control (as defined by the Strategic Investment Law) over Strategic Entities, including those operating Strategic Plots. In addition, certain transactions of such Foreign Investors (except for international financial organizations included in a special list of international financial organizations maintained by the Russian government) which do not result in the acquisition of control over Strategic Entities require strategic approval. For example, strategic approval is required for an acquisition by a Foreign Investor of the right to, directly or indirectly, dispose of more than 5% of the aggregate number of voting shares in a Strategic Entity that operates a Strategic Plot. It is unclear how the restrictions established by the Strategic Investment Law would apply to acquisitions of shares in a public company indirectly owning Strategic Entities. The Russian Federal Anti-monopoly Service ("FAS"), which is the Russian governmental entity in charge of implementing and administering the Strategic Investment Law, currently takes a de-facto position that such acquisitions, to the extent that they do not lead to a change of de facto control of the public company, do not trigger the strategic approval requirements. However, it is still possible that these restrictions could be interpreted as requiring Foreign Investors to obtain prior strategic approval. As a result, a Foreign Investor that is a non-Russian state, international organization (except for the international financial organizations mentioned above) or an organization under their control may be viewed to be required to obtain prior strategic approval to acquire more than 5% of the Intergeo Shares. Moreover, such a Foreign Investor may also be viewed to be prohibited from acquiring 25% or more of the Intergeo Shares. A Foreign Investor of any other type may be viewed as being required to obtain prior strategic approval to acquire 25% or more of the Intergeo Shares. The restrictions established by the Strategic Investment Law will apply to the acquisition of Intergeo Shares by one such Foreign Investor rather than to acquisitions made by several independent and non-affiliated Foreign Investors. Accordingly, independent and non-affiliated Foreign Investors may acquire more Intergeo Shares than specified above without the need to obtain prior strategic approval to the extent that neither of them individually (or jointly with their affiliates) acquires Intergeo Shares in excess of the respective thresholds.

The Strategic Investment Law does not apply to the following types of transactions:

- transactions between companies under "Russian control" (that is, where the seller and the acquirer are both under "Russian control"). Specifically, the term "Russian control" under the Strategic Investment Law means de facto control or control over a majority of votes at either the shareholder or board level by (i) Russia or (ii) Russian citizens who are Russian tax residents (other than Russian citizens with dual citizenship); and
- transactions done with the participation of international financial organizations which have been created in accordance with international treaties of Russia, and/or with which Russia has international treaties, and which are included in the list of such organizations maintained by the Russian government.

Since Intergeo is currently under "Russian control" (i.e., under the ultimate control of a Russian citizen who is a Russian tax resident), the restrictions established by the Strategic Investment Law with respect to acquisition of control over Strategic Entities that are also under "Russian control" do not currently apply to Intergeo, nor do they currently apply to internal intragroup reorganizations of Intergeo. However, Intergeo will not be able to rely on this exemption if it ceases to be under "Russian control", including in the event that its current ultimate controlling shareholder loses his status as a Russian tax resident, ceases to be a Russian citizen or becomes a citizen of any other country, or loses de facto control over Intergeo.

Anti-monopoly Legislation

The anti-monopoly legislation of Russia is based on Federal Law No. 135-FZ dated July 26, 2006 "On the Protection of Competition", as amended and other federal laws and regulations governing anti-monopoly issues.

The anti-monopoly legislation of Russia is aimed at the prevention and termination of monopolistic activity and control over economic concentration and governs relations which involve, among others, Russian legal entities, non-Russian legal entities, state agencies of Russia and local government authorities. Anti-monopoly restrictions include prohibitions on the conclusion of anti-competitive agreements, the exercise of anti-competitive coordinated actions, acts resulting in unfair competition and the abuse of a dominant position. Intergeo currently does not consider itself to be a monopoly or part of a monopoly.

Anti-monopoly legislation also imposes certain restrictions and approval requirements with respect to economic concentration, including, for example, acquisitions of significant stakes in, or control over, Russian companies or mergers involving Russian companies. Therefore, certain future transactions (including acquisitions) by Intergeo or its subsidiaries, as well as an internal reorganization of Intergeo may require a prior anti-monopoly consent of the FAS.

Russian Tax System

The Russian tax system includes federal, regional and local taxes. The comments below are of a general nature based on applicable Russian tax laws as of the date of this Circular, which are subject to change, possibly with retroactive effect. However, in accordance with the Tax Code of the Russian Federation (Part One) Law of the Russian Federation, No. 146-FZ, dated July 31, 1998 (as amended) and the Tax Code of the Russian Federation (Part Two) Law of the Russian Federation, No. 117-FZ, dated August 5, 2000, as amended (the "**Russian Tax Code**"), legislative acts on taxes and duties which adversely affect taxpayers cannot be retroactively imposed. Laws related to taxes in Russia have been in force for a shorter period of time relative to tax laws in more developed market economies with limited guidance and fewer court precedents with respect to the interpretation of these laws.

Corporate Profits Tax

Russia imposes a single corporate profits tax with payments split between the federal and regional budgets at a 20% tax rate (2% payable to the federal budget and 18% payable to regional budgets). The tax is imposed on Russian companies based on worldwide income and non-Russian companies with respect to Russian source income. The Profits Tax Chapter of the Russian Tax Code provides for the following important elements of the profits tax regime:

- Taxable profit calculation is based on the accrual method;
- Generally, expenses including prospecting and appraisal costs and unsuccessful exploration and development costs are deductible for tax purposes if they are "economically justified and properly documented"; however, certain business expenses are subject to specific limitations and other specific guidelines which need to be observed (including thin-capitalization rules and other interest deductibility limitations);
- Payments of mineral extraction tax are deductible for tax purposes;
- Fixed assets can be depreciated on a straight-line or a declining balance method (increasing depreciation in the early years) using the statutory life of the assets. The taxpayer is allowed a lump-sum deduction of 10% (30% for assets with statutory life from 3 to 20 years) of the book value of newly acquired/constructed fixed assets, which can be recaptured if the asset is sold to an affiliate within 5 years;
- Loss carry-forwards are permitted for ten years;
- New transfer pricing rules which came into effect as of January 1, 2012 impose stricter transfer pricing requirements than those in effect prior to January 1, 2012 and are largely based on the Organization for Economic Co-operation and Development ("**OECD**") guidelines, but also apply to certain categories of cross-border transactions even with unrelated parties and introduce new documentation requirements; and
- A new tax consolidation regime, which is currently available only for major Russian groups, whose total amount of value added tax, excise tax, profits tax and mineral extraction tax is not less than RUB10 billion,

combined turnover is not less than RUB100 billion and combined book value of assets is not less than RUB300 billion.

Regional legislative bodies may decrease the profits tax rate payable to the regional budget from 18% down to 13.5% for certain categories of taxpayers. Thus, the overall profit tax rate can range from 20% to 15.5%. As of January 1, 2014 Russian companies qualifying and registered as participants of regional investment projects in the Russian Far-East Region (including the Republic of Tyva, The Buryat Republic, Irkutsk Oblast and Amur Oblast) may be subject to further reduced corporate profits tax rates: not more than 10% for the first 5 years of the project and 0% to federal budget and not less than 10% to the regional budget for the following 5 years. Particular requirements and tax rates need to be set by the relevant regional authorities.

Dividends paid by one Russian company to another Russian company are subject to a 9% withholding tax. However, where the Russian company receiving the dividends holds not less than a 50% interest in the charter capital of the Russian company paying the dividends and has held such interest for not less than 365 calendar days the withholding rate on the dividends is zero.

Where a Russian company pays dividends to a non-Russian company, the withholding tax rate on such dividends is 15% unless reduced by an applicable tax treaty. In the case of the tax treaty between Russia and Cyprus such dividend withholding rate may be reduced to 5% if the direct investments by the Cypriot shareholder in the Russian company exceeded the equivalent of EUR100,000, otherwise the rate of withholding tax is reduced to 10%.

Value Added Tax

Value-added tax ("VAT") of 18% is imposed on domestic sales of goods, certain types of work and services and on the importation of goods into Russia. Import VAT is imposed on the customs value of imported goods inclusive of customs duties. Exports of goods from Russia, including exports of ferrous and non-ferrous metals are subject to a 0% VAT (which effectively means no VAT is imposed on the export sale with an ability to claim input VAT), although a specific procedure is required to claim the 0% rate on exports.

A number of goods, types of work, and services are exempt from VAT. An exemption from VAT applies to certain goods imported into Russia, e. g. technological equipment, its components and spare parts which do not have analogues produced in Russia according to the list approved by the Russian government.

Mineral Extraction Tax

The Mineral Extraction Tax for ferrous and non-ferrous metals is calculated by multiplying the value of the extracted mineral resources that first meet applicable quality standards by the applicable tax rate. The value is determined based on the taxpayer's sales prices for natural resources (without subsidies) for the relevant month less VAT, excise taxes and transportation costs or as a calculated price based on costs. For precious metals, the tax is applied to the share of the chemically pure metal contained in the extracted minerals multiplied by its value calculated as the taxpayer's sales price (without VAT) less refining and transportation costs. The rules on calculating the Mineral Extraction Tax are complex and may depend on the particular technological processes involved and are often subject to contradictory clarifications and court practice. The Russian Tax Code currently imposes the following tax rates for extracted metals:

<u>Type of mineral resources</u>	<u>Mineral Extraction Tax Rate</u>
Commercial grade ferrous metal ores, such as iron ⁽¹⁾	4.8%
Concentrates and other intermediate products containing gold	6.0%
Concentrates and other intermediate products containing precious metals (other than gold)	6.5%
Commercial grade non-ferrous metal ores and multi-component complex ores, as well as useful components of complex ores (except for precious metals), such as copper, nickel, titanium, molybdenum, rhenium and vanadium	8%

Note:

(1) As of January 1, 2014, new decreasing coefficient applies to commercial grade ferrous metal ores developed using underground mining on a subsoil plot, provided that the ores on such subsoil plot are expected to be fully developed by January 1, 2024.

Property Tax

Property tax is imposed with respect to a taxpayer's real property (except for land). Property tax is calculated by multiplying the average annual value of plant and equipment in the taxpayer's books by the tax rate imposed by regional authorities, which cannot exceed 2.2%. As of January 1, 2014, the corporate property tax for office or trade premises is effectively increased and applies on such value of the property shown on the public record (which is close to market value rather than book value as existed under the prior rules) at the rate set by regional authorities, but not more than 2%.

Payment of Dividends by Russian Companies

Russian legislation imposes administrative formalities on the transfer of funds both incoming to, and outgoing from, Russia. Intergeo Russia must comply with these administrative formalities prior to transferring funds to, or receiving funds from, non-Russian companies. For example, when engaging in transfer of dividends to Intergeo Cyprus, Intergeo Russia must provide the Russian bank with a copy of the corporate resolution approving the payment of the dividend in accordance with the applicable administrative formalities.

In addition, Russian legislation imposes certain restrictions with respect to the payment of dividends by Russian companies. A Russian company may not pay a dividend if, as a result of the payment, the net asset value of the Russian company is lower than the amount of its charter capital and the reserve fund, or if the net asset value of the Russian company becomes lower than the amount of its charter capital. Intergeo Russia will be required to comply with these requirements prior to the payment of any dividends to Intergeo Cyprus.

APPENDIX R

CORPORATE GOVERNANCE OF THE RESULTING ISSUER

The following is a description of the Resulting Issuer's proposed corporate governance practices.

Board of Directors

After Closing, the Board will be composed of nine directors, five of whom will be considered independent directors. The independent directors will be Messrs. Bowles, Evans, Garver, Murray and Quin. The quorum required for meetings of the Board will be a majority of directors, and pursuant to the provisions concerning the Special Shares, must include those directors that are nominees of Daselina, if any. In addition, pursuant to the provisions concerning the Special Shares, for so long as the Daselina Group and the Kirkland Group collectively hold at least 33% of the outstanding Resulting Issuer Common Shares, the Resulting Issuer shall not make any decision or take any action with respect to certain corporate matters specified in the Special Share provisions without the approval of a majority of the Board and the nominee director(s) of the Daselina Group Share Holder (if any). The Daselina Group Share Holder's two nominees immediately following Closing will be Messrs. Charlier and Razumov. The Kirkland Group Share Holder nominee immediately following Closing will be Mr. Finskiy. See "Information Concerning the Resulting Issuer – Governance Arrangements with Principal Securityholders" and "Appendix U – Risks Related to the Resulting Issuer – *The Resulting Issuer's ultimate principal shareholder's interests may differ from those of its other shareholders, and adverse events with respect to the Resulting Issuer's beneficial shareholders may adversely affect the Resulting Issuer*".

Messrs. Finskiy and Lill will not be independent members of the Board since Mr. Finskiy will be the Executive Chairman of the Resulting Issuer and Mr. Lill will be the Chief Executive Officer of the Resulting Issuer. Messrs. Charlier and Razumov are considered to not be independent members of the Board by reason that they are executive officers of ONEXIM Group. Following Closing, a lead director of the Board, who will be independent, will be identified and appointed and will enable the Board to function independently of management in fulfilling its mandate.

All proposed Board members and all proposed members of management of the Resulting Issuer are fluent in the English language. Messrs. Finskiy and Razumov are each also fluent in the Russian language. The Resulting Issuer does not have a formal communication plan between Board members and members of management. The original language of material documents relating to the Resulting Issuer and its subsidiaries that will be provided to the Board may be in either English or Russian. Any material documents that are originally drafted in Russian will be translated into English by in-house translators as well as legal and technical personnel employed by the Resulting Issuer who are bilingual in Russian and English. Directors will be given the opportunity to engage third party translators if so requested.

Mandate of the Board

It is anticipated that the Board will adopt a new mandate (to replace the current mandate) in which it assumes responsibility for the stewardship of the Resulting Issuer. The mandate will provide for: (i) the composition of the Board, (ii) the time, place and manner of Board meetings, (iii) the duties and responsibilities of the Board, including creating and maintaining work plans, establishing Board committees, reviewing all material transactions and agreements, and risk management, (iv) the appointment and responsibilities of the Chairman/Executive Chairman and lead director, (v) stakeholder access to independent directors, and (vi) other organizational matters.

Directorships

The following proposed directors of the Resulting Issuer are also presently directors of other reporting issuers (or the equivalent) as set forth below:

Name of Director	Name of Reporting Issuer	Exchange
Maxim Finskiy.....	Red Tiger Mining Inc.	TSX Venture Exchange
John Lill.....	Centerra Gold Inc.	TSX
Dmitry Razumov	OJSC Open Investments	RTS
Richard Evans.....	CGI Group Inc.	TSX, NYSE
	Noranda Aluminum Holding Corporation	NYSE
	Tyhee Gold Corp.	TSXV
	Constellium N.V.	NYSE
Christophe Charlier	OJSC "RBC"	MICEX-RTS
	United Company Rusal PLC	HKEX, Euronext, MICEX-RTS
	OJSC "QUADRA"	MICEX-RTS
	CB "Renaissance Credit" (LLC)	MICEX-RTS
John Bowles	Hecla Mining Company	NYSE
Stephen Quin	Chalice Gold Mines Limited	ASX
	Midas Gold Inc.	TSX

Position Descriptions

It is expected that the Board will develop and implement new written position descriptions for the Chairman/Executive Chairman of the Board, the chairman of each committee of the Board and the lead director. In addition, the Board and the Chief Executive Officer are expected to collectively develop and implement a written position description for the Chief Executive Officer.

Orientation and Continuing Education

The Board will encourage the directors to take relevant training programs offered by different regulatory bodies and will give them the opportunity to expand their knowledge about the nature and operations of the Resulting Issuer. Following Closing, it is expected that the Resulting Issuer will put in place an orientation program for new directors under which a new director will meet separately with members of the executive team. A new director will have the opportunity to meet with the other members of the Board in addition to management to obtain insight into the Resulting Issuer's business and the role of the Board and its committees. It is expected that the Corporate Governance and Nominating Committee of the Board will be responsible for evaluating and making recommendations to the Board as appropriate with respect to the orientation and continuing education of directors.

Ethical Business Conduct

In exercising their powers and discharging their duties, the directors of the Resulting Issuer will be required to act honestly and in good faith with a view to the best interests of the Resulting Issuer, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

It is expected that the Board will adopt a new written code of business conduct and ethics (the "**Ethics Code**"), which is expected to apply to the Resulting Issuer and its subsidiaries, their respective directors, officers and employees, their respective consultants (to the extent they conduct activities for the Resulting Issuer or its subsidiaries) and third parties such as suppliers and contractors (with respect to aspects of the Ethics Code that apply to them). The purpose of the Ethics Code will be to promote compliance with applicable law, provide standards of conduct within the Resulting Issuer, promote fair and honest dealings with those with whom the Resulting Issuer does business, promote an orderly and tolerant workplace, promote the Resulting Issuer's commitment to the environment and to the health and safety of its workplace and to do its work in a socially responsible manner and promote a culture of honesty and accountability. It is anticipated that the Audit Committee will be responsible for compliance issues relating to the Ethics Code. A copy of the Ethics Code, when adopted, will be available under the Resulting Issuer's profile on the SEDAR at www.sedar.com.

Assessments

It is expected that the Corporate Governance and Nominating Committee will, on an annual basis, evaluate and make recommendations to the Board with respect to the size, composition and effectiveness of the Board, the contribution of individual directors to the Board and Board committees, and the effectiveness of the Board and Board committees.

Removal of Directors and Officers

The BCBCA provides that the shareholders of a corporation may remove one or more directors by a special resolution or by any other method specified in the articles. If holders of a class or series of shares have the exclusive right to elect or appoint one or more directors, a director so elected or appointed may only be removed by a separate special resolution of the shareholders of that class or series or by any other method specified in the articles.

The Notice of Articles and Articles provide that:

- the company may remove any director before the expiration of his or her term of office by special resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy;
- the directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy; and
- the directors may appoint such officers as the directors may determine and may terminate such appointment at any time.

The Resulting Issuer's notice of articles and articles will also provide that the holders of Special Shares with certain rights with respect to the nomination, election and/or removal of certain directors and officers. See "Information Concerning the Resulting Issuer – Governance Arrangements with Principal Shareholders" in the Circular.

Intergeo Mining Ltd.

The provisions respecting the Special Shares which will be contained in the Resulting Issuer's notice of articles and articles will provide that the Chairman (which, by definition, includes the Executive Chairman, if there is one) and/or the Chief Executive Officer may be removed from office (i) by a resolution of the Board, or (ii) by written notice to the Board from the two members of the Board who are the nominees of each of Kirkland and Daselina (if any). This provision shall cease to apply after the earlier of the date determined by Kirkland and Daselina prior to the Effective Date, such date to be no earlier than February 1, 2015 and no later than February 1, 2018, and the date on which the Daselina Group and the Kirkland Group cease to collectively hold at least 50% of the outstanding Resulting Issuer Common Shares. All other officers may be removed by a resolution of the Board.

Intergeo MMC Ltd

The BVI Act provides that a director of Intergeo may be removed by a resolution of the shareholders of Intergeo. The BVI Act does not deal with the removal of officers.

Intergeo Cyprus

Upon providing 28-days' prior special notice, a director of Intergeo Cyprus may be removed by an ordinary resolution of the shareholder of Intergeo Cyprus. An officer of Intergeo Cyprus, who is not otherwise a director or the chairman of Intergeo Cyprus, may be removed by the board of directors of Intergeo Cyprus pursuant to its articles of association.

Intergeo Russia and Other Russian Subsidiaries

A director, the General Director, or the internal auditor of Intergeo Russia and/or its subsidiaries may be removed by an ordinary resolution of the shareholders of the relevant company. All officers of Intergeo Russia and its subsidiaries (other than the General Director) may be removed by the General Director of the relevant company.

Audit Committee

Audit Committee Mandate

The Board will reconstitute the Audit Committee. The Board is expected to adopt a new written mandate for the Audit Committee, which will set out the Audit Committee's responsibilities, which will include, among other things, reviewing and recommending to the Board for approval the Resulting Issuer's annual and quarterly financial statements and related management discussion and analysis, reviewing and approving, if appropriate, major changes to the Resulting Issuer's accounting principles and practices and pre-approving all audit and non-audit services to be provided to the Resulting Issuer's or its subsidiaries by the external auditors. A copy of the proposed Mandate of the Audit Committee of the Board is attached to this Circular as Appendix S.

Composition of the Audit Committee and Relevant Education and Experience

It is expected that the Audit Committee will be comprised of three directors, being Messrs. Murray, Bowles and Garver. It is anticipated that Mr. Murray will be chairman of the Audit Committee. Each member of the Audit Committee will be "financially literate" within the meaning of NI 52-110 and "independent" within the meaning of NI 52-110.

It is expected that each of the members of the Audit Committee will possess: (a) an understanding of the accounting principles used by the Resulting Issuer to prepare its financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Resulting Issuer's financial statements, or experience actively supervising one or more individuals engaged in such activities; and (d) an understanding of internal controls and procedures for financial reporting.

Pre-Approval Policies and Procedures for the Engagement of Non-Audit Services

The Audit Committee is expected to adopt specific policies and procedures for the engagement of non-audit services, as described in the proposed Mandate of the Audit Committee of the Board is attached as Appendix S to this Circular.

Nomination of Directors – Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee will be responsible for identifying possible nominees to the Board (and who are likely to meet the criteria of the competencies and skills the Resulting Issuer needs as a whole) and recommending to the Board appropriate qualified individuals as members of the Board, the appointment of directors to Board committees and the selection of chairs of Board committees. The nomination of individuals for election as directors will be subject to the nomination rights of Daselina and Kirkland discussed under the heading "Information Concerning the Resulting Issuer – Governance Arrangements with Principal Shareholders". The Corporate Governance and Nominating Committee will be comprised of at least two directors, a majority of whom will be independent.

Compensation – Human Resources and Compensation Committee

The Human Resources and Compensation Committee will be responsible for establishing and recommending to the Board the Resulting Issuer's compensation philosophy and overseeing the on-going development and

implementation of the Resulting Issuer's compensation philosophy. It is anticipated that the Human Resources and Compensation Committee will, among other things, also recommend to the Board the Resulting Issuer's key compensation objectives and strategies taking into account the Resulting Issuer's strategic business plan; oversee and recommend to the Board the design of the Resulting Issuer's key compensation program and the elements of such program, and oversee the administration of such compensation program by management. The Human Resources and Compensation Committee will be comprised of at least two directors, a majority of whom will be independent.

Health, Safety, Environmental and Corporate Social Responsibility Committee

Following the Closing, the Board expects to reconstitute the Environment, Health and Safety Committee as a Health, Safety, Environmental and Corporate Social Responsibility Committee. It is anticipated that the Health, Safety, Environmental and Corporate Social Responsibility Committee will be responsible for, among other things, reviewing the Resulting Issuer's health, safety and environmental management programs, and recommending significant programs to the Board for approval; reviewing the Resulting Issuer's corporate social responsibility program; and overseeing management's compliance with laws, rules and regulations with respect to health, safety and environmental matters and corporate social responsibility.

**APPENDIX S
INTERGEO MINING LTD.
(THE "COMPANY") –
MANDATE OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS**

(Approved by the Board of Directors on ●, 2014)

1. **Purpose**
2. **Composition and Member Qualification**
3. **Appointment and Term of Office**
4. **Meetings**
5. **Duties and Responsibilities**
6. **Responsibilities of Committee Chair**
7. **Other Organizational Matters**

1. PURPOSE

The Audit Committee (the "**Audit Committee**" or the "**Committee**") is a committee of the board of directors (the "**Board of Directors**" or the "**Board**") of the Company. Its primary function is to assist the Board in fulfilling its oversight responsibilities by evaluating and making recommendations to the Board as appropriate with respect to:

- financial reporting;
- the external auditors, including performance, qualifications, independence and their audit of the Company's financial statements;
- the performance of the Company's internal audit function (if any);
- internal controls and disclosure controls;
- financial risk management;
- estimating and disclosing the Company's mineral reserves;
- the Company's Code of Business Conduct and Ethics; and
- related party transactions.

The Audit Committee will also have authority to review and, in its discretion, approve certain matters, in accordance with and within the limitations prescribed by this Mandate.

The Audit Committee's primary function is to assist the Board of Directors in fulfilling its responsibilities. It is, however, the Company's management which is responsible for preparing the Company's financial statements and it is the Company's external auditors who are responsible for auditing those financial statements.

2. COMPOSITION AND MEMBER QUALIFICATION

The Committee shall be comprised of at least three directors, all of whom shall be independent (as defined below). Pursuant to National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (as implemented by the Canadian Securities Administrators and as amended from time to time), a director is considered to be "**independent**" if he or she has no direct or indirect "**material relationship**" with the Company which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a director's independent

judgment. Notwithstanding the foregoing, a director shall be considered to have a "material relationship" with the Company if he or she falls in one of the categories listed in Schedule A attached hereto.

All members of the Audit Committee must, to the satisfaction of the Board of Directors, be "financially literate" within the meaning of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"). NI 52-110 provides that a director will be considered "**financially literate**" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Each member will have, to the satisfaction of the Board, sufficient skills and/or experience as are relevant and will be of contribution to the carrying out of the mandate of the Committee.

3. APPOINTMENT AND TERM OF OFFICE

Each member of the Committee and the Chair of the Committee shall be appointed by the Board of Directors, on the recommendation of the Corporate Governance and Nominating Committee, at the time of each annual meeting of the shareholders of the Company, and shall hold office until the next annual meeting.

Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee upon ceasing to be a director.

The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains in office.

4. MEETINGS

The Committee is to meet at least four times annually (and more frequently if circumstances require). The Audit Committee is to meet prior to filing the quarterly financial statements in order to review and discuss the unaudited financial results for the preceding quarter and the related management's discussion and analysis ("**MD&A**") and is to meet prior to filing the annual audited financial statements and MD&A in order to review and discuss the audited financial results for the year and related MD&A.

The Audit Committee will meet periodically with management, the internal auditor (if any) and the external auditors in separate sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately. The Audit Committee shall meet with the external auditors in a separate session at each regularly scheduled meeting of the Committee at which the external auditors are present.

A quorum for the transaction of business at any meeting of the Committee is the presence in person or via tele- or video-conference of a simple majority of the total number of members of the Committee. If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, the quorum for the adjourned meeting will consist of the members then present.

Meetings of the Committee shall be held from time to time and at such place as the Committee or the Chair of the Committee may determine, upon not less than 48 hours' prior notice to each of the members. Meetings of the Committee may be held without 48 hours' prior notice if all of the members entitled to vote at such meeting who do not attend, waive notice of the meeting and, for the purpose of such meeting, the presence of a member at such meeting shall constitute waiver on his or her part. Any member of the Committee or the Board Chair shall be entitled to request that the Chair of the Committee call a meeting. A notice of a meeting of the Committee may be given verbally, in writing or by telephone, fax or other means of communication, and need not specify the purpose of the meeting.

The Committee shall keep minutes of its meetings which shall be submitted to the Board of Directors. The Committee may, from time to time, appoint any person who need not be a member, to act as secretary at any meeting.

All decisions of the Committee will require the vote of a majority of its members present at a meeting at which a quorum is present. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose. Such instruments in writing may be signed in counterparts each of which shall be deemed to be an original and all originals together shall be deemed to be one and the same instrument.

The Committee shall meet in camera, without management, at each meeting of the Committee, and otherwise as considered appropriate by the members of the Committee. Any member of the Committee may move the Committee in camera at any time during the course of a meeting, and a record of any decisions made in camera shall be maintained by the Chair of the Committee.

5. DUTIES AND RESPONSIBILITIES

To fulfill its duties and responsibilities, the Audit Committee shall evaluate and make recommendations to the Board, or approve, as appropriate, with respect to the following matters:

5.1 General Responsibilities

- (a) Create and maintain a work plan for the year.
- (b) Review and assess this Mandate at least annually, prepare revisions to its provisions as conditions dictate, and refer its assessment and any proposed revisions to the Corporate Governance and Nominating Committee or the Board.
- (c) Report and make recommendations periodically to the Board on the matters covered by this Mandate.
- (d) Perform any other activities consistent with this Mandate, the Company's Notice of Articles and Articles and governing law, as the Audit Committee or the Board of Directors deems necessary or appropriate.

5.2 Financial Reporting

- (a) Recommend to the Board for approval:
 - (i) the Company's quarterly and annual financial statements and related MD&A;
 - (ii) all other financial statements that require approval by the Board, including financial statements for use in prospectuses or other offering or public disclosure documents and financial statements required by regulatory authorities; and
 - (iii) financial information for use in press releases, including earnings releases;

prior to their publication and/or filing with any governmental body and/or release.
- (b) Before the release of financial statements and related disclosures to the public, obtain confirmation from the CEO and CFO as to the matters addressed in the certifications required by the securities regulatory authorities.

- (c) Review any litigation, claim or other contingency that could have a material effect on the financial statements.
- (d) Review with the external auditors the quality and appropriateness, not just the acceptability, of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting.
- (e) Review the status of significant accounting estimates and judgments (e.g., reserves) and special issues (e.g., major transactions, changes in the selection or application of accounting policies, off-balance sheet items, effect of regulatory and financial initiatives).
- (f) Review and approve, if appropriate, major changes to the Company's accounting principles and practices as suggested by management with the concurrence of the external auditors.

5.3 **External Auditor**

- (a) Recommend to the Board of Directors: (i) the selection of the external auditors, considering independence and effectiveness; and (ii) the fees and other compensation to be paid to the external auditors.
- (b) Require, in accordance with applicable law, that the external auditors report directly to the Audit Committee.
- (c) Pre-approve all audit and non-audit services to be provided to the Company or its subsidiaries by the external auditors.
- (d) Oversee the work and review the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant.
- (e) Monitor the relationship between management and the external auditors, including reviewing any management letters or other reports of the external auditors.
- (f) Discuss with the external auditor any (i) difference of opinion with management on material auditing or accounting issues, and (ii) any audit problems or difficulties experienced by the external audit in performing the audit. Where there are significant unsettled issues, the Audit Committee is to assist in arriving at an agreed course of action for the resolution of such matters.
- (g) Periodically consult with the external auditors without management present about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the completeness and accuracy of the Company's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- (h) Review and discuss, on an annual basis, with the external auditors all significant relationships they have with the Company to determine their independence.
- (i) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the Company's external auditors.
- (j) Consider any matter required to be communicated to the Audit Committee by the external auditors under applicable generally accepted auditing standards, applicable law and listing standards, including the auditor's report to the Audit Committee (and management's response thereto).

5.4 Monitoring Financial Matters, Internal Controls, Management Systems and Disclosure Controls

- (a) Oversee management's review of the adequacy of the Company's accounting and financial reporting systems, including with respect to the integrity and quality of the Company's financial statements and other financial information.
- (b) Oversee management's review of the adequacy of the Company's internal controls and management systems to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records.
- (c) In consultation with the Corporate Governance and Nominating Committee, oversee management's disclosure controls and procedures regarding the Company's financial information to confirm that the Company's financial information that is required to be disclosed under applicable law or stock exchange rules is disclosed.
- (d) Review any special audit steps adopted in light of material control deficiencies.

5.5 Risk Management

- (a) Review management's assessment and management of material financial risk exposures, including insurance coverage, and the steps management has taken to effectively manage or control such risks, including the Corporation's financial risk assessment and financial risk management policies;

5.6 Mineral Reserves

- (a) Oversee policies and processes for estimating and disclosing the Company's mineral reserves.

5.7 Code of Business Conduct and Ethics

- (a) Recommend to the Board any significant changes to the Company's Code of Business Conduct and Ethics, monitor compliance with the Code and ensure that management has established a system to enforce the Code. Review appropriateness of actions taken to ensure compliance with the Code and review the results of confirmations and violations thereof.
- (b) Oversee procedures in the Code of Conduct and Ethics for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- (c) Approve any waiver from compliance with the Code of Business Conduct and Ethics for directors and executive officers, promptly report any such waiver to the Board and ensure appropriate disclosure of any such waiver.

5.8 Policy on Procedures to Handle Complaints Regarding Accounting and Auditing Matters

- (a) Recommend to the Board any significant changes to the Company's Policy on Procedures to Handle Complaints Regarding Accounting and Auditing Matters. Review appropriateness of actions taken with respect to complaints received under such Policy and review the results of violations thereof.

5.9 Related Party Transactions

- (a) Review and pre-approve all proposed related party transactions and situations involving a potential or actual conflict of interest involving a director, member of executive management, or affiliate, that are not required to be dealt with by an "independent committee" pursuant to securities laws, other than routine transactions and situations arising in the ordinary course of business, consistent with past practice.

5.10 Financial Legal Compliance

- (a) Review management's monitoring of the Company's systems in place to ensure that the Company's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
- (b) Review with legal counsel any legal matters that could have a significant effect on the Company's financial statements.
- (c) Review with legal counsel the Company's compliance with applicable law and inquiries received from regulators and governmental agencies to the extent they may have a material impact on the financial position of the Company.

5.11 Expense Accounts and Management Perquisites

- (a) Recommend to the Board policies and procedures with respect to directors' and executive management's expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment.

5.12 Succession Planning

- (a) Consult with the Human Resources and Compensation Committee on succession planning for the CFO.

5.13 Disclosure of Audit Committee Function

- (a) Oversee the preparation of, and recommend to the Board, the disclosure of the Audit Committee's composition, responsibilities and how they were discharged which are required to be published annually in the Company's management information circular or annual information form pursuant to applicable law (including NI 52-110).
- (b) Approve any other significant information relating to matters within this Mandate contained in the Company's disclosure documents.

5.14 Legal Compliance

- (a) Oversee management's compliance with laws with respect to the audit function and recommend to the Board any changes to the Company's practices in these areas.
- (b) Satisfy itself that management monitors significant trends in the area of financial reporting and evaluates their impact on the Company.

The foregoing list is not exhaustive. The Audit Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

6. RESPONSIBILITIES OF COMMITTEE CHAIR

The primary responsibility of the Chair of the Audit Committee is to be responsible for the management and effective performance of the Committee and provide leadership to the Committee in fulfilling this Mandate and any other matters delegated to it by the Board. To that end, the Committee Chair's duties and responsibilities shall include:

- (a) working with the Board Chair, the CEO and the Corporate Secretary to establish the frequency of Committee meetings and the agendas for such meetings;
- (b) providing leadership to the Committee and presiding over Committee meetings;
- (c) facilitating the flow of information to and from the Committee and fostering an environment in which the Committee members may ask questions and express their viewpoints;
- (d) reporting to the Board with respect to the significant activities of the Committee and any recommendations made by the Committee; and
- (e) taking such other steps as are reasonably required to ensure that the Committee carries out this Mandate.

7. OTHER ORGANIZATIONAL MATTERS

- 7.1 The members and the Chair of the Committee shall be entitled to receive remuneration for acting in such capacity as the Board may from time to time determine.
- 7.2 The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to:
 - (a) select, retain, terminate, set and approve the fees and other retention terms of special or independent counsel, accountants or other experts, as it deems appropriate; and
 - (b) obtain appropriate funding to pay, or approve the payment of, such approved fees, at the expense of the Company.
- 7.3 The Committee shall have full access to books, records, facilities and personnel of the Company, as it deems necessary to carry out its duties.
- 7.4 The Committee's performance shall be evaluated annually, in accordance with a process developed by the Corporate Governance and Nominating Committee and approved by the Board, and results of that evaluation shall be reported to the Corporate Governance and Nominating Committee and to the Board.

Last Updated: ●.

APPENDIX T

RISKS RELATED TO INTERGEO

Emerging markets such as Russia are generally subject to greater risks than more developed markets.

Intergo is, and the Resulting Issuer will be, subject to the risks of operating in Russia. The Russian economy continues to display some characteristics of an emerging market. The prospects for future economic stability in Russia are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments. Russia's economy continues to improve as the government continues to foster and promote political stability. However, Russian laws and licencing requirements have been in a state of change and the impact of new laws, or the enforcement thereof, may be detrimental to the Resulting Issuer and its projects, and new laws may be given retroactive effect. Further, ambiguity exists in regard to the interpretation of licences and permits and the application of rules and regulations in regard to prospecting, appraisal, exploration and mining in Russia. This ambiguity could negatively impact or in certain instances lead to the possible suspension, restriction or revocation of subsoil licences or the levying of substantial fines or penalties, which could have a material adverse effect on the Resulting Issuer's production, prospecting, appraisal, exploration or development activities in Russia, and on the Resulting Issuer's business, financial condition and prospects.

Weaknesses relating to the Russian legal system create an uncertain environment for investment and business activity.

Russia is still developing the legal framework required to support a market economy. Risks of the Russian legal system include:

- inconsistencies, contradictions and discrepancies between and among the Constitution, federal laws, presidential decrees and governmental, ministerial and local orders, decisions, resolutions and other acts;
- limited availability of regulations at the regional and local levels which may not be updated or catalogued;
- limited judicial and administrative guidance on interpreting Russian legislation;
- a high degree of discretion on the part of governmental authorities in interpretation, application and enforcement of laws;
- diverse interpretations of the Russian laws by various state bodies (e. g. the MNRE and the Russian Federation General Prosecutors' Office) resulting in damages, for which no Russian government body may in practice be held liable to cover the damages;
- lack of independence in the judicial system;
- judicial precedents not having binding effect on subsequent decisions;
- the relative inexperience of certain judges in interpreting new Russian legislation, particularly business and corporate law;
- inadequacy of bankruptcy procedures;
- severe penalties (including company liquidation) and consequences that could be considered as disproportionate to the violation of certain Russian laws;
- gaps in the regulatory structure due to delay in passing legislation or the absence of implementing legislation;
- relatively frequent alterations to Russian legislation that make it difficult to operate and conduct business;

- recent and expected significant amendments to the Russian system of civil legislation and the relative inexperience of certain judges in interpreting such legislation; and
- use of court claims for political aims.

All of these risks could affect the Resulting Issuer's ability to protect its rights in its Russian subsidiaries and under its licences and contracts, or to defend itself against claims by others. There can be no assurances that regulators, judicial authorities or third parties will not challenge the Resulting Issuer's compliance with applicable laws, decrees and regulations.

Russian legislation relating to property rights is relatively new and, by and large, has not yet been tested in courts. Many Russian laws are structured in a way that provides for significant administrative discretion in interpretation, application and enforcement. Reliable texts of laws and regulations at the regional and local levels may not be available, and are not usually updated or catalogued. Due to these factors, efforts to comply with the laws may not always result in full compliance. Moreover, certain breaches of Russian law may involve severe penalties and consequences that could be considered as disproportionate to the violation committed. The above risks could affect the ability of Intergeo to ascertain its specific rights or to seek or obtain effective redress in Russian courts.

In addition to the above, significant amendments to Russian civil legislation are currently being expected in Russia. It is not clear at this stage what impact they may have on the rights and obligations of the Resulting Issuer. Potentially, such amendments may have a significant impact on the Resulting Issuer's rights, business, financial condition and prospects.

Operating in Russia requires permits, licences and other approvals from various governmental authorities, which exercise considerable discretion in issuing such permits and monitoring their compliance.

The Resulting Issuer's Russian operations, including future development activities and any commencement of production on its properties, will require permits from various federal, regional and local governmental authorities, and such operations are, and will be, governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, work programs, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There can be no assurance, however, that all permits that the Resulting Issuer may require for its Russian operations and prospecting, appraisal and exploration activities will be obtainable on reasonable terms or on a timely basis, or at all, or that such laws and regulations will not have an adverse effect on any mining project which the Resulting Issuer might undertake.

Government authorities in Russia exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and extension of licences, permits, approvals and authorizations and in monitoring licencees' compliance with the terms thereof, which may result in unexpected audits, criminal prosecutions, civil actions and expropriation of property. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including the suspension, amendment or termination of its licences, permits, approvals and authorizations or orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, the installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse effect on the Resulting Issuer and could cause increases in capital expenditures or prospecting, appraisal and exploration costs, require abandonment or delays in development of properties or, if applicable, require a reduction in levels of production at then-producing properties.

Selective or arbitrary governmental action could have a material adverse effect on the Resulting Issuer.

Intergeo operates, and the Resulting Issuer will operate, in uncertain regulatory environments in Russia. Russian authorities have a high degree of discretion and at times appear to act selectively or arbitrarily, without hearing or prior notice, and in a manner that is contrary to law or influenced by political or commercial considerations.

Moreover, the Russian government also has the power in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or terminate contracts. Unlawful, selective or arbitrary governmental actions have reportedly included denial or withdrawal of licences or permits, sudden, unexpected and repeated tax audits, criminal prosecutions and civil actions and the expropriation of property.

The Resulting Issuer's competitors may receive preferential treatment from the Russian government, potentially giving them a competitive advantage. Unlawful, selective or arbitrary government action, if directed at the Resulting Issuer's Russian operations or its major shareholders, could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

Political instability in Russia may materially adversely affect the Resulting Issuer.

Russia has been undergoing a substantial political transformation from a centrally planned economy under communist rule to a pluralist, market-oriented democracy. A significant number of changes have occurred during recent years, but there can be no assurance that the political and economic reforms necessary to complete such a transformation will continue. In its current relatively nascent stage, the Russian political system is vulnerable to the population's dissatisfaction with reforms, social and ethnic unrest and changes in governmental policies. Shifts in governmental policy and regulation in Russia are less predictable than in many Western democracies and could disrupt or reverse political, economic and regulatory reforms. Current and future changes in the Russian government, major policy shifts or lack of consensus among the President of Russia, the Prime Minister of Russia, the Russian government, Russia's parliament and/or powerful economic groups could lead to political instability, which could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

Russian tax legislation is relatively undeveloped and Russian tax authorities' approach to tax law enforcement and interpretation of legislation may be unpredictable and selective.

Russian companies are subject to a range of taxes and other compulsory payments imposed at the federal, regional and local levels, including, but not limited to, the profits tax, export duties, VAT, mineral extraction tax, property tax and social contributions. Tax laws, such as the Russian Tax Code have been in force for a short period relative to tax laws in more developed market economies and there are few precedents regarding such tax laws. The implementation of these tax laws is often unclear or inconsistent. Historically, the system of tax collection has been relatively ineffective, resulting in continual changes to the interpretation of existing laws. Furthermore, the tax environment in Russia has been complicated by the fact that various authorities have often interpreted tax legislation inconsistently. Intergeo management's interpretation of such legislation as applied to the transactions and activity of the Resulting Issuer may be challenged by the relevant authorities. The Russian tax authorities may take a more assertive approach in their interpretation of the legislation and tax examinations, which may include following guidance from the Supreme Court of Arbitration of the Russian Federation for anti-avoidance claims based on reviewing the substance and business purpose of transactions. This fact, combined with a possible increase in tax collection efforts to respond to budget pressures, may lead to an increase in the level and frequency of scrutiny by the tax authorities. Although the quality of Russian tax legislation has generally improved with the introduction of the Russian Tax Code, the possibility exists that Russian authorities may impose arbitrary or onerous taxes (including an increase in tax rates and/or additional requirements for applying reduced withholding tax rates) and penalties in the future or introduce new or expand existing anti-abuse and anti-offshore tax concepts, which could adversely affect the Resulting Issuer's business, financial condition and prospects.

A large number of changes have been made to various chapters of the Russian Tax Code since their introduction. Since Russian laws relating to federal, regional and local taxes are subject to frequent change and some of the sections of the Russian Tax Code are comparatively new, interpretation of these laws is often unclear or non-existent. Taxpayers and the Russian tax authorities often interpret tax laws differently. In some instances, Russian

tax authorities and the courts have applied new interpretations of tax laws retroactively. Differing interpretations of tax laws exist both among and within Russian government ministries and organizations at the federal, regional and local levels, creating uncertainties and inconsistent enforcement. Furthermore, in the absence of binding precedent, court rulings on tax or other related matters by different courts relating to the same or similar circumstances may also be inconsistent or contradictory. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. According to the legal position expressed by the Plenum of the Supreme Court of Arbitration of the Russian Federation in Resolution No. 57, dated 30 July 2013, Russian taxes, which were not withheld on payments to foreign recipients and respective penalties, may be collected from a Russian taxpayer who failed to act as tax agent. Tax audits may result in additional costs to the Resulting Issuer and its Russian affiliates if the relevant tax authorities conclude that the Resulting Issuer and any of its Russian affiliates did not satisfy its tax obligations in any given year. Such audits may also impose additional burdens on the Resulting Issuer and its Russian affiliates by diverting the attention of management resources. The outcome of these audits could have a material adverse effect on the Resulting Issuer and its Russian affiliates business, results of operations, financial condition and prospects, and the trading price of the Resulting Issuer Common Shares.

These circumstances create tax risks in Russia that may be substantially more significant than typically found in countries with more developed tax systems.

Russian transfer pricing legislation is unclear with substantially new rules that came into effect January 1, 2012. The new rules, which are largely based on the OECD transfer pricing guidelines, can apply to a wider number of transactions beyond just related parties and can apply to domestic transactions. This can be expected to result in a greater level of enforcement of transfer pricing rules, new reporting and documentation requirements and penalties.

Currently, the new transfer pricing rules contain many ambiguous rules, which may be subject to arbitrary interpretation by the Russian tax authorities. There are neither official clarifications nor established administrative and court practice of applying the new transfer pricing rules. Adoption of the new transfer pricing rules may expose the Resulting Issuer and its Russian affiliates to significant fines, penalties and enforcement measures and could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects, and the trading price of the Resulting Issuer Common Shares.

Effective January 1, 2012, Russia introduced new tax consolidation rules. Under these rules, a Russian company holding directly or indirectly 90% of the shares of its Russian subsidiaries may consolidate profits for Russian tax purposes if the group meets the following requirements: (1) the joint accrued amount of federal taxes (except for taxes paid in connection with cross-border transfers) for the previous year exceeds RUB10 billion (approximately US\$330 million); (2) combined turnover according to the financial statements of the companies for the previous year exceeds RUB100 billion (approximately US\$3.3 billion); and (3) combined assets on the first day of the year of consolidation according to the financial statement exceed RUB300 billion (approximately US\$9.8 billion). Currently, it is not anticipated that the Resulting Issuer will meet the required thresholds. Consequently, tax losses of any Russian legal entity in the Resulting Issuer group may not be used to reduce the tax liability of any other Russian legal entity of such group.

The further development of a beneficial ownership concept and various anti-offshore rules in Russia may negatively affect the tax position of the Resulting Issuer. The Russian tax authorities may take a more aggressive interpretation of the "beneficial ownership" concept and may deny the application of tax exemptions or reduced withholding tax rates under double tax treaties concluded with Russia for certain business structures. The Russian Ministry of Finance has issued a letter stating that non-Russian special purpose vehicles in Eurobond issuances did not determine the "economic destiny" of interest income and, consequently, should not be recognized as "beneficial owners" of income and should be denied tax treaty benefits, which may negatively impact other business structures using foreign special purpose vehicles and intermediary companies.

Due to an uncertainty in the interpretation of the "beneficial ownership" concept in Russia, a risk exists that Intergeo Cyprus may not be recognized as the "beneficial owner" of income and may be denied benefits under the

Cyprus-Russia Tax Treaty, which may significantly increase the Resulting Issuer's tax burden and adversely affect its results of operations and financial condition.

Russian courts have recently used a "conduit company" concept in the context of the Russian thin-capitalization rules. Accordingly, a risk exists that the Russian tax authorities may seek to assert that Intergeo Cyprus should be considered to be a "conduit company" and be denied benefits under the Cyprus-Russia Tax Treaty, resulting in 15% Russian withholding tax. Treatment of Intergeo Cyprus as a "conduit company" may significantly increase the Issuer's tax burden and adversely affect the Resulting Issuer's results of operations and financial condition.

Following development of Russian tax rules and practice, there may be a risk that Intergeo and Intergeo Cyprus are deemed to have a permanent establishment, tax residency or be otherwise subject to tax in Russia under any anti-offshore, controlled foreign companies or similar rules which may be introduced in the future because most of Intergeo's assets are located in Russia and some senior managers of these foreign companies reside in Russia and are employed by Russian affiliates, which could reduce the tax efficiency of the structure.

There can be no assurance that the Russian Tax Code will not be changed in the future in a manner adverse to the stability and predictability of the tax system. These factors, together with the potential for state budget deficits, raise the risk of the imposition of additional taxes or the introduction of other revenue raising measures affecting the Resulting Issuer. There can be no assurance that the Resulting Issuer would not be required to make substantially larger tax payments in the future, which may adversely affect its financial results. In addition to creating a substantial tax burden, these risks and uncertainties complicate the Resulting Issuer's tax planning and related business decisions, potentially exposing it and its Russian affiliates to significant fines and penalties and enforcement measures, and could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects and the trading price of the Resulting Issuer Common Shares.

Stricter environmental laws and regulations or stricter enforcement of such existing laws and regulations in Russia may materially adversely affect the Resulting Issuer.

The Resulting Issuer's Russian operations may be subject to environmental regulations promulgated by applicable government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas that would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation, including proposals relating to climate change, is evolving in a manner that is leading to standards that are stricter and enforcement fines and penalties for non-compliance that are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Generally, there is a greater awareness in Russia of damage caused to the environment by the mining industry than existed during the Soviet Union era, and recent Russian government initiatives indicate that Russia may introduce new water, air and soil quality standards and increase its monitoring and fines for non-compliance with environmental rules. The Resulting Issuer's Russian subsidiaries may be subject to investigations by FSSNRU, Russia's environmental protection agency, which may make announcements relating to such investigations when they are at a very preliminary stage and in advance of any findings, which could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects. There can be no assurance that the Resulting Issuer will be in full compliance with environmental regulations and it may be required to pay certain fines levied by regulatory authorities in connection with any infractions.

Crime, corruption and social instability could disrupt the Resulting Issuer's ability to conduct business and could materially adversely affect the Resulting Issuer.

The recent political and economic changes in Russia have resulted in increased levels of social unrest. Both the Russian and international press continue to report high levels of official corruption in Russia, including bribery of officials for the purpose of initiating investigations by state agencies. External perceptions of Russia and media

coverage of matters of crime and corruption could affect the Resulting Issuer's ability to raise financing in the longer term and otherwise affect its business.

Social and labour unrest in Russia could lead to increased support for renewed centralized authority, violence or could restrict Intergeo's ability to conduct its business effectively.

There is a growing polarization of wealth in Russian society which could lead to increased support for renewed centralized authority and a rise in nationalism or violence. Social and labour unrest has arisen in the past and may arise in the future. These factors may contribute to other political, social and economic consequences, such as re-nationalization or expropriation of property or further restrictions on foreign involvement in the economy of Russia. Any of these could restrict the Resulting Issuer's Russian operations and could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

In addition, ethnic, religious, historical and other divisions have on occasion given rise to tensions and, in certain cases, military conflict and terrorist attacks in certain regions of Russia. Any spread of violence or terrorism, or political measures taken to counter them (including the imposition of a state of emergency in some parts of, or throughout all of, Russia), could hinder the operation and the expansion of the Resulting Issuer's business. Various recent developments in Russia, including the tightening of state control over the economy, have caused some concern in relation to the investment climate in the country and no assurances can be given that various steps taken or being debated in the Russian government will not affect foreign investment into Russia.

Russian legal entities may be forced into liquidation on the basis of formal non-compliance with certain requirements of Russian law.

Certain provisions of applicable Russian legislation may allow a court to order the liquidation of a Russian legal entity on the basis of its formal non-compliance with certain requirements in the course of its formation, reorganization or operation. There have been cases in the past in which formal deficiencies in the establishment process of a Russian legal entity or formal non-compliance with provisions of Russian law have been used by Russian courts as a basis for liquidation of such Russian legal entity. For example, under Russian corporate law, if a company has a net asset value below the applicable statutory minimum charter capital, including negative net assets calculated on the basis of Russian accounting standards as of the end of the second financial year or any subsequent financial year, a court could order the liquidation of such company upon a claim by Russian governmental authorities. Although none of Intergeo's Russian subsidiaries currently have a non-compliant net asset value, certain of Intergeo's Russian subsidiaries have had a net asset value below the statutory minimum charter capital and/or experienced negative net assets in the past.

If any of the Resulting Issuer's Russian subsidiaries fail to maintain the prescribed net asset value in compliance with Russian law (or, given the uncertainty under Russian law whether a historical violation of these requirements may be retroactively cured, if a governmental authority were to bring a challenge on the basis of alleged prior non-compliance), it may result in such company's involuntary liquidation and termination of, among other things, any subsoil licences held by such company, which could have a material adverse effect on the Resulting Issuer's business, results of operations, financial condition and prospects.

The Resulting Issuer's assets may be nationalized or expropriated.

Intervention by the Russian government in the private sector was observed during the global financial crisis. The Russian government (through its relevant governmental bodies or state owned enterprises) acquired, directly or indirectly, controlling interests in various companies experiencing financial difficulties or facing insolvency. The scope and scale of the Russian government's future intervention in the private sector may not be predicted with certainty.

In the event that the Resulting Issuer's Russian property is expropriated or nationalized, applicable legislation provides for fair compensation to be paid to the Resulting Issuer. However, there can be no certainty that such protections will be enforced. This uncertainty is due to several factors, including the lack of an independent judicial system, insufficient mechanisms to enforce judgments and corruption among Russian authority officials.

The concept of property rights is not well developed in Russia and there is a lack of experience in enforcing legislation enacted to protect private property against nationalization and expropriation. As a result, the Resulting Issuer may not be able to obtain proper redress in the courts and may not receive adequate compensation if, in the future, the Russian government decides to nationalize or expropriate some or all of the Resulting Issuer's Russian assets. The expropriation or nationalization of any of the Resulting Issuer's assets without fair compensation could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

Economic instability in Russia could materially adversely affect the Resulting Issuer.

Russia is still developing from a centrally planned to a market-driven economy. While this process of change is establishing a business environment in Russia that is influenced by the Western-style business environment, there are still substantial differences between the Russian economy and the Western economies. These differences include the development in Russia of a model often described as "state capitalism", business sentiments referred to as "Russian nationalism", a lack of transparency and the apparent use of state power in relation to commercial businesses and relations between such businesses.

Since the dissolution of the Soviet Union, the economic environment in Russia has been subject to abrupt downturns. The Russian economy has experienced, at various times:

- significant declines in gross domestic product;
- hyperinflation;
- an unstable currency;
- high state debt relative to gross domestic product;
- a weak banking system providing limited liquidity to Russian enterprises;
- a large number of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings;
- widespread tax evasion;
- high levels of capital flight; and
- significant increases in unemployment and underemployment.

In 1998, Russia defaulted on its Russian rouble denominated securities and imposed a temporary moratorium on certain hard currency payments. These actions resulted in: the immediate and severe devaluation of the Russian rouble and a sharp increase in the rate of inflation; a dramatic decline in the prices of Russian debt and equity securities; and the inability of Russian groups to raise funds in the international capital markets. In 2004, several Russian banks experienced a sharp reduction in liquidity and the licences of several mid-sized banks were withdrawn. Throughout the second half of 2008, the Russian financial markets were characterized by extreme volatility, in both the debt and equity segments, and reductions in foreign investment. During the global financial crisis, international rating agencies downgraded Russia's sovereign credit rating, which reflected an assessment by such agencies that there was an increased credit risk that the government may default on its obligations. Since then, the Russian stock markets have improved, however, in the long-term, there can be no assurance that future events will not impact the Russian economy.

Fluctuations in the global economy may have an adverse effect on Russia's economy and thus on the Resulting Issuer.

The unprecedented events in global financial markets in the past several years have had a profound impact on the global economy. Many industries, including the mining industry, are impacted by these market conditions.

Furthermore, as Russia produces and exports large quantities of crude oil, gas and other commodities, the Russian economy is particularly vulnerable to fluctuations in the prices of such commodities on the world market.

In addition, the Russian economy and Russian banks were adversely affected by the previous global financial crisis. Throughout 2008 and 2009, the Russian government implemented various emergency financial assistance measures in order to ease taxes, refinance foreign debt and encourage lending. Although the gross domestic product of Russia has improved from 2008 and 2009 levels, there can be no assurance that the Russian economy will be able to maintain this improved performance. Any further disruption of the Russian economy could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects. If a similar financial crisis develops, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, the Resulting Issuer's access to capital or increase its cost of capital could be impeded. The failure to raise capital when needed or on reasonable terms could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

APPENDIX U

RISKS RELATED TO THE RESULTING ISSUER

The Resulting Issuer and the Resulting Issuer's securities will be subject to a number of risks due to the nature of the Resulting Issuer's proposed business and the anticipated stage of its development and should be considered a speculative investment due to the nature of its business. Mercator Shareholders should carefully consider all of the information disclosed in this Circular, including all documents incorporated by reference, and the risks described below, before deciding whether to vote for or against the Arrangement Resolution. The Resulting Issuer's securities will be subject to, among others, the following risks. If any of the risks occur, the Resulting Issuer's business, operating results and financial condition could be materially adversely affected, the trading price of the Resulting Issuer Common Shares could decline and all or part of any investment in the Resulting Issuer's securities may be lost. Additional risks and uncertainties not currently known to Mercator or Intergeo, or that are currently deemed immaterial, may also materially and adversely affect the Resulting Issuer's proposed business operations. The Resulting Issuer's failure to successfully address the risks and uncertainties described below could have a material adverse effect on its business, financial condition and/or results of operations and the trading price of its securities may decline and shareholders may lose all or part of their investment. Neither Mercator nor Intergeo can provide assurance that the Resulting Issuer will successfully address these risks or other unknown risks that may affect its business.

The Resulting Issuer may not realize the benefits currently anticipated due to challenges associated with integrating the operations, technologies and personnel of Mercator and Intergeo.

The success of the Resulting Issuer will depend to some extent on the success of management of the Resulting Issuer in integrating the operations, technologies and personnel of Mercator with those of Intergeo, in a timely and efficient manner, following the Effective Date. The failure of the Resulting Issuer to achieve such integration could result in the failure to realize the anticipated benefits of the Arrangement and could impair the results of operations, profitability and financial results of the Resulting Issuer.

The overall integration of the operations, technologies and personnel of Intergeo and Mercator may also result in unanticipated operational problems, expenses, liabilities and diversion of management's time and attention. The integration process may result in the loss of key employees of Mercator or Intergeo and the disruption of ongoing business, customer and employee relationships, which may adversely affect the ability of the Resulting Issuer to achieve the anticipated benefits of the Arrangement.

The Resulting Issuer may not realize the benefits of its new projects.

The Resulting Issuer will have an expanded portfolio of projects. A number of risks and uncertainties are associated with the development of these types of projects, including political, regulatory, design, construction, labour, operating, technical and technological risks, uncertainties relating to capital and other costs and financing risks. The failure to develop one or more of these projects successfully could have an adverse effect on the financial position and results of operations of the Resulting Issuer.

Potential Dilution of the Resulting Issuer.

It is expected that the Resulting Issuer will focus on its existing material properties which will require additional financing. In addition, other properties in which the Resulting Issuer may have, or may acquire, an interest will also require additional financing. It is likely that, in order to obtain the necessary financing, the Resulting Issuer may issue additional securities including, but not limited to, Resulting Issuer Common Shares or some form of securities convertible into Resulting Issuer Common Shares, the effect of which could result in a substantial dilution of the equity interests of the shareholders of the Resulting Issuer.

Neither Mercator nor Intergeo can predict the size or pricing of future issues of Resulting Issuer Common Shares or the issue of securities convertible into Resulting Issuer Common Shares or the effect, if any, that such future issues will have on the market price of Resulting Issuer Common Shares.

In addition, any sales, or the possibility of sales, by the Resulting Issuer or its ultimate principal shareholder, Mr. Prokhorov (through Daselina), of a substantial number of Resulting Issuer Common Shares in the public markets could have an adverse effect on the trading price of the Resulting Issuer Common Shares or could affect the Resulting Issuer's ability to obtain further equity capital.

Any securities of the Resulting Issuer issued in the future may also have rights, preferences or privileges senior to those of the Resulting Issuer Common Shares.

The Resulting Issuer's share price may be volatile.

The market price of publicly traded shares, especially a resource issuer, is affected by many variables not directly related to a company's exploration or operating results, including the market for resource sector securities, the strength of the economy generally, the availability and attractiveness of alternative investments and the breadth of the public market for the shares.

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, including Mercator, have experienced wide fluctuations in price, which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the price of the Resulting Issuer Common Shares will not occur.

The trading price of the Resulting Issuer Common Shares and any securities convertible into, or exchangeable for, Resulting Issuer Common Shares may increase or decrease in response to a number of events and factors outside the Resulting Issuer's control, including:

- the Resulting Issuer's operating performance and the performance of competitors and other similar companies;
- volatility in metal prices;
- the public's reaction to the Resulting Issuer's press releases, other public announcements and the Resulting Issuer's filings with the various securities regulatory authorities;
- changes in earnings estimates or recommendations by research analysts who track the Resulting Issuer Common Shares or the shares of other companies in the resource sector;
- changes in general economic and/or political conditions;
- the number of Resulting Issuer Common Shares to be publicly traded after any securities offering;
- the arrival or departure of key personnel; and
- acquisitions, strategic alliances or joint ventures involving the Resulting Issuer or its competitors, which, if involving the issue of Resulting Issuer Common Shares, or securities convertible into Resulting Issuer Common Shares, would result in dilution to holders of Resulting Issuer Common Shares.

In recent years, the trading price of Mercator Shares has ranged between approximately C\$0.06 and C\$12.94.

The Resulting Issuer will not have sufficient funds to develop its mineral properties and will require additional financing in the future.

As at February 25, 2014, Intergeo's net cash position was approximately US\$11.8 million, and Mercator's net cash position was approximately US\$4.5 million.

The Resulting Issuer will have limited financial resources. It is expected that the Resulting Issuer will fund its operations from working capital and revenue from production at the Mineral Park Mine, to the extent practical. The Resulting Issuer's ability to conduct future exploration and development activities, if any, will depend in part on its ability to generate material revenues from production at the Mineral Park Mine or to obtain additional external financing. The sources of external financing that the Resulting Issuer could use for these purposes might include public or private offerings of equity and debt. In addition, the Resulting Issuer could enter into one or more strategic alliances or joint ventures, or could decide to sell certain property interests, and it might utilize a combination of these sources. External financing may not be available on acceptable terms or at all.

If the Resulting Issuer is unable to generate sufficient funds from its operations and is also unable to secure external financing to continue the development of its projects, it may have to postpone the development of, or sell, its properties.

Additional financing will be required to fund additional work at Ak-Sug and the Resulting Issuer's other planned activities. The Resulting Issuer's continued operations will be dependent upon its ability to obtain additional financing and to continue to generate operating revenues. There can be no assurance, however, that financing can be obtained on acceptable terms to the Resulting Issuer, or at all, or that such financing or any operating revenues will be sufficient to fund continued operations. The failure to obtain sufficient additional financing on a timely basis, or at all, may result in the delay or indefinite postponement of further prospecting, appraisal, exploration and future development, the ability to take advantage of other opportunities, the forfeiture of rights in some or all of the Resulting Issuer's properties or the ability to otherwise continue operations and may result in the Resulting Issuer selling one or more of its properties. Any unexpected costs, problems or delays could severely impact the Resulting Issuer's ability to achieve its plans within the anticipated timeline or continue its prospecting, appraisal, exploration and development activities. If additional financing is raised by the issuance of Resulting Issuer Common Shares, shareholders, including Mr. Prokhorov, through Daselina, may suffer dilution and, as a result, control of the Resulting Issuer may change. If Mr. Prokhorov, through Daselina, ceases to have de facto control of the Resulting Issuer, the Resulting Issuer may cease to be under "Russian control" and, among other things, the exemptions established by the Strategic Investment Law for companies under "Russian control" will not be available to the Resulting Issuer. In addition, such further equity financings may require strategic approval. See "Appendix Q – Background Information on Russian Legal Framework – Strategic Entities".

In addition, the failure to meet certain prospecting, appraisal, exploration or development targets, or to achieve minimum levels of expenditures and mining over certain time periods, may constitute a violation of the Resulting Issuer's licences. See "Appendix Q – Background Information on Russian Legal Framework – Subsoil Licencing Regime in Russia". The Resulting Issuer's Russian licences, in particular the licence relating to the Ak-Sug Project, are important for the Resulting Issuer's prospects, and the loss or failure to maintain, or the failure on expiry to extend, the Resulting Issuer's licences and other authorizations could materially adversely affect the Resulting Issuer.

There can be no assurance that the Resulting Issuer will reach or maintain commercial production on any of its projects or generate sufficient revenues to meet its obligations as they become due or obtain necessary financing on acceptable terms, if at all. Failure to meet its obligations on a timely basis could result in the loss or substantial dilution of its property interests. In addition, should the Resulting Issuer incur significant losses in future periods, it may be unable to continue as a going concern, and the realization of assets and settlement of liabilities other than the normal course of business may be at amounts significantly different from those included in this document.

The Resulting Issuer will depend on a single property – the Mineral Park Mine.

At the completion of the Arrangement, the Resulting Issuer's only producing project will be the Mineral Park Mine. As a result, unless the Resulting Issuer develops additional properties or projects, the Resulting Issuer will be solely dependent upon the operation of the Mineral Park Mine for its revenue and profits, if any.

Advancing the Resulting Issuer's other projects will be subject to successful exploration, completing positive feasibility studies, completing construction of mines, processing plants, roads and other related works and infrastructure. As a result, the Resulting Issuer is subject to all of the risks associated with establishing new mining operations and business enterprises including those factors listed under "Appendix U – Risk Factors – *The exploration and development of mineral resources is highly speculative*".

The costs, timing and complexities of mine development can increase due to the remote location of some mining properties. It is common in new mining operations to experience unexpected problems and delays in development and mine start-up. In addition, delays in the commencement of mineral production often occur. For example, production at the Mineral Park Mine was significantly affected throughout the start-up year 2009, as modifications to the milling circuit were required for equipment change outs and lower than projected recoveries.

The Resulting Issuer has a Limited History of Operations

Intergeo has not commenced commercial production on any of its mineral properties. If the Resulting Issuer is unable to generate significant revenues from Mineral Park and/or its other mineral properties, it will not be able to earn profits or continue operations. There can be no assurance that the Resulting Issuer will be successful in ever developing a commercially viable mine at any of Intergeo's mineral properties or Mercator's development and exploration properties or ever achieving profitable operations at such mineral properties. Intergeo has a limited operating history from which its business and prospects can be evaluated, and forecasts of any potential growth of the business of Intergeo are difficult to evaluate. The Resulting Issuer's prospects in respect of the Intergeo mineral properties must be considered in light of the risks, expenses and difficulties frequently encountered by comparable companies in the early stages of development, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues.

Conflicts of interest may arise as a result of the Resulting Issuer's officers and/or directors being associated with other mineral resource companies.

Certain proposed officers and directors of the Resulting Issuer are officers and/or directors of, or are associated with, other mineral resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time, including as a result of such directors or officers becoming aware of business opportunities that would be of interest to the Resulting Issuer and also of interest to other companies of which they are directors or officers or with which they are associated. The directors are required by law, however, to act honestly and in good faith with a view to the best interest of the Resulting Issuer and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Resulting Issuer. Such conflicts could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

Discharge by the directors and officers of their obligations to the Resulting Issuer may result in a breach of their obligations to the other companies, and in certain circumstances this could expose the Resulting Issuer to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligations to act in the best interests of the Resulting Issuer. Such conflicting legal obligations may expose the Resulting Issuer to liability to others and impair its ability to achieve its business objectives.

The Resulting Issuer may be negatively affected by a global financial market and economic crisis.

The previous global financial crisis adversely affected the global economy. Such crisis resulted in a severe tightening in credit markets, a low level of liquidity in many financial markets and increased volatility in credit and

equity markets. These conditions caused a loss of confidence in the global credit and financial markets and resulted in the collapse of, and government intervention in, major banks, financial institutions and insurers and created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. In 2007 and into 2008, the U.S. credit markets began to experience serious disruption due to a deterioration in residential property values, defaults and delinquencies in the residential mortgage market (particularly, sub-prime and non-prime mortgages) and a decline in the credit quality of mortgage backed securities. These problems led to a general decline in consumer confidence. These conditions continued and worsened in 2008, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers. In March 2013, the Cyprus government reached an agreement with the Eurogroup to receive a EUR10 billion loan to refinance its public debt and achieve its macroeconomic targets. As a condition of receiving the Eurogroup loan, Cyprus's two major banks, Laiki Bank and Bank of Cyprus, were restructured to restore their capital requirements. The recapitalization involved a conversion of a portion of deposits in excess of EUR100,000 held as at March 26, 2013 to equity in the Bank of Cyprus. While Intergeo was unaffected by the Cyprus bailout, there can be no assurance that the Resulting Issuer or its subsidiaries will not be affected by any future government intervention in any of the countries in which they will operate. If the Resulting Issuer or any of its subsidiaries are affected by future government intervention, the development of a similar financial crisis or the destabilization of financial systems in the future, such events could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

Mineral exploration, development and production entails significant operating hazards and risks beyond the Resulting Issuer's control.

Mineral exploration, development and production, if any, involves significant risks. The Resulting Issuer's operations will be subject to all of the hazards and risks normally incidental to the exploration, development and production of minerals, including:

- environmental and inclement weather hazards and related interruptions;
- power outages and inadequate water supply;
- metallurgical and other processing problems;
- unusual or unexpected geological formations;
- unanticipated variations in grade;
- personal injury, death, natural disasters, flooding, fire, explosions, cave-ins, landslides and rock-bursts;
- mechanical equipment failure;
- the inability to obtain suitable or adequate machinery, equipment, utilities, materials or labour;
- metal losses;
- industrial accidents;
- fluctuations in exploration, development and production costs; and
- labour disputes.

Many of these risks may not be insurable at economically feasible premiums, or at all, and may result in liabilities that exceed any applicable insurance policy limits. Insurance against certain environmental risks, including potential liability for pollution and other hazards associated with mineral exploration and production, is not generally available to companies within the mining industry. Certain insurance products, such as business interruption

insurance, are not available in Russia on economically reasonable terms or at all. The Resulting Issuer may decide not to take out insurance against certain risks. Further, Intergeo does not, and the Resulting Issuer will not, maintain a separate fund or otherwise set aside reserves for these types of events.

The occurrence of any of these hazards could result in work stoppages, delayed mineral extraction, increased production costs, injury to, or death of, the Resulting Issuer's employees, contractors or other persons, damage to mineral properties, production facilities or other properties, environmental destruction, reputational harm, governmental fines or penalties, legal liabilities and other liability to the Resulting Issuer. There can be no assurance that any of these accidents and hazards will not have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

The exploration and development of mineral resources is highly speculative.

Resource exploration and development is a highly speculative and risky business and few properties that are explored are ultimately developed into producing mines. Advancing properties from exploration into the development and production stages requires significant capital and time, and successful commercial production from a property, if any, will be subject to completing feasibility studies, permitting and construction of the mine, processing plants, roads and other related works and infrastructure, including road and rail access. As a result, the Resulting Issuer will be subject to all of the risks associated with developing and establishing new mining operations, including:

- the completion of feasibility studies to verify reserves and commercial viability, including the ability to find sufficient quantities and qualities of mineralization to support a commercial mining operation;
- the timing and cost, which can be considerable, of further exploration, preparing feasibility studies, permitting and construction of infrastructure, mining and processing facilities;
- the availability and cost of drill equipment, exploration personnel, skilled labour and mining and processing equipment, if required;
- the availability and cost of appropriate smelting and/or refining arrangements, if required, and securing a commercially viable sales outlet for the Resulting Issuer's products;
- compliance with environmental and other governmental approval and permit requirements, including the timing of the receipt of those approvals and permits;
- the availability and terms of funds to finance exploration, development and construction activities;
- potential increases in exploration, construction and operating costs due to changes in the cost or availability of fuel, power, water, materials and supplies;
- potential opposition from non-governmental organizations, environmental groups or local groups, which may delay or prevent development activities;
- potential shortages in mineral-processing, construction and other facilities-related supplies; and
- market fluctuations.

The costs, timing and complexities of exploration, development and mine construction activities may be increased by the remote location of the properties and demand by other mineral exploration and mining companies. Cost estimates may increase significantly as more detailed engineering work and studies are completed on a mineral property. It is common in new mining operations to experience unexpected costs, problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, no assurance can be given that minerals will be discovered in sufficient quantity or quality to

justify commercial operations or that the Resulting Issuer's activities in Russia, Mexico or other jurisdictions in which it acquires mineral properties will result in profitable mining operations.

The increased availability of alternative metal sources may adversely affect demand for the Resulting Issuer's products.

Demand for the Resulting Issuer's products, including copper and other metals may be negatively affected by the direct substitution of copper with other materials in current applications. Copper and PGM demand has been strongly linked to emerging economies, particularly China. If the Chinese economy or other emerging economies were to slow or go into recession this could materially affect demand, resulting in surplus copper and PGM supplies that would put downward pressure on pricing, which could also have a material adverse effect on the Resulting Issuer and its prospects.

Increased costs and compliance risks as a result of being a public company.

Legal, accounting and other expenses associated with public company reporting requirements have increased significantly in the past few years. The Resulting Issuer anticipates that costs may continue to increase with corporate governance related requirements, including, without limitation, requirements under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, National Instrument 52-110 and National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

It is also expected that these rules and regulations may make it more difficult and more expensive for the Resulting Issuer to obtain director and officer liability insurance, and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for the Resulting Issuer to attract and retain qualified individuals to serve on its Board or as executive officers.

The Resulting Issuer will face intense competition in the exploration and development of minerals.

The mining industry is increasingly competitive in all its phases. Competition in the mining industry is primarily for mineral rich properties that can be developed and operated economically. Businesses compete for the technical expertise to find, develop and operate mineral properties, for the skilled labour to explore, develop and operate the properties and for capital for the purpose of financing development of such properties. The Resulting Issuer will compete with a number of companies, inside and outside Russia, the United States, Mexico or other jurisdictions in which it acquires mineral properties that may have greater financial resources, operational experience and technical capabilities, greater diversification, greater control over, or access to, low cost raw material bases, greater access to low cost credit, closer access to major suppliers or consumers, stronger market reputations and long standing relationships with global market participants or are further advanced in their development of mineral properties. The Resulting Issuer's competitors may be able to respond more quickly to new laws or regulations or emerging technologies or devote greater resources to the expansion or efficiency of their operations. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties. Accordingly, it is possible that new competitors or alliances among current or new competitors may emerge to the Resulting Issuer's detriment. Such competition could adversely affect the Resulting Issuer's ability to acquire suitable producing properties or prospects for mineral exploration, recruit or retain qualified employees, find strategic partners or acquire the capital necessary to fund its operations and develop its properties and as such could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

Adverse fluctuations in currency exchange rates could materially adversely affect the Resulting Issuer's financial position and results of operations.

The Resulting Issuer intends to maintain most of its working capital in United States dollars and most of its operating and capital costs will be incurred in Russian roubles, Mexican pesos, United States dollars and Canadian dollars. Accordingly, the Resulting Issuer will be subject to the fluctuations and volatility in the rates of currency exchange between the Canadian dollar, the United States dollar, the Mexican peso and the Russian rouble, and these

fluctuations could materially adversely affect the Resulting Issuer's financial position and results of operations, as costs of goods and services may be higher than anticipated due to changes in the value of the Canadian dollar, the United States dollar, the Mexican peso, or the Russian rouble. Consequently, exploration, development and operation of the Resulting Issuer's properties could become more costly than initially anticipated. There can be no assurance that foreign exchange fluctuations will not have a material adverse effect on the Resulting Issuer's financial position or results of operations.

There are risks inherent in acquisitions of new properties.

The Resulting Issuer may actively pursue the acquisition of prospecting, appraisal, exploration, development and production assets consistent with the Resulting Issuer's acquisition and growth strategy. From time to time, the Resulting Issuer may also acquire securities of, or other interests in, companies with respect to which the Resulting Issuer may enter into acquisitions or other transactions. Acquisition transactions involve inherent risks, including but not limited to:

- accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates;
- ability to achieve identified and anticipated operating and financial synergies;
- unanticipated costs;
- diversion of management attention from existing business;
- potential loss of the Resulting Issuer's key employees or key employees of any business acquired;
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition;
- decline in the value of acquired properties, companies or securities;
- assimilating the operations of an acquired business or property in a timely and efficient manner;
- maintaining the Resulting Issuer's financial and strategic focus while integrating the acquired business or property;
- implementing uniform standards, controls, procedures and policies at the acquired business, as appropriate; and
- to the extent that the Resulting Issuer makes an acquisition outside of markets in which it has previously operated, conducting and managing operations in a new operating environment.

Acquiring additional businesses or properties could place increased pressure on the Resulting Issuer's cash flow if such acquisitions involve a cash consideration. The integration of the Resulting Issuer's operations with any acquired business will require significant expenditures of time, attention and funds. Achievement of the benefits expected from consolidation would require the Resulting Issuer to incur significant costs in connection with, among other things, implementing financial and planning systems. The Resulting Issuer may not be able to integrate the operations of a recently acquired business or restructure the Resulting Issuer's previous business operations without encountering difficulties and delays. In addition, this integration may require significant attention from the Resulting Issuer's management team, which may detract attention from the Resulting Issuer's day-to-day operations. Over the short-term, difficulties associated with integration could have a material adverse effect on the Resulting Issuer's business, operating results, financial condition and the price of the Resulting Issuer Common Shares. In addition, the acquisition of mineral properties may subject the Resulting Issuer to unforeseen liabilities, including environmental liabilities, which could have a material adverse effect on the Resulting Issuer. There can be no assurance that any future acquisitions will be successfully integrated into the Resulting Issuer's existing operations.

In addition, the Resulting Issuer will be viewed as a Foreign Investor under the Strategic Investment Law which may limit its ability to acquire Strategic Entities, including those operating Strategic Plots. See "Appendix Q – Background Information on Russian Legal Framework – Strategic Entities".

Any one or more of the above factors or other risks could cause the Resulting Issuer not to realize the anticipated benefits of an acquisition of properties or companies and could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

Land reclamation requirements for the Resulting Issuer's exploration and mining properties may be burdensome.

Land reclamation requirements are generally imposed on mineral exploration and mining companies in order to minimize the long term effects of land disturbance. In order to carry out the reclamation obligations imposed on the Resulting Issuer in connection with exploration, potential development and production activities, the Resulting Issuer must allocate financial resources that might otherwise be spent on further exploration and development programs. In addition, regulatory changes could increase the Resulting Issuer's obligations to perform reclamation and mine closing activities. If the Resulting Issuer is required to carry out unanticipated reclamation work, the Resulting Issuer's financial position could be adversely affected.

Global climate change is an international concern and could impact the Resulting Issuer's ability to conduct future operations.

Global climate change is an international issue and receives an enormous amount of publicity. The imposition of international treaties or applicable laws or regulations pertaining to mandatory reductions in energy consumption or emissions of greenhouse gasses could affect the feasibility of the Resulting Issuer's mining projects and increase its operating costs.

Incomplete, unreliable or inaccurate official data and statistics could create uncertainty.

Intergeo and Mercator have sourced certain information contained in this Circular from independent third parties, including private companies, government agencies and other publicly available sources. Intergeo and Mercator believe these sources of information are reliable and that the information fairly and reasonably characterizes the industry where the Resulting Issuer intends to operate. However, although Intergeo and Mercator take responsibility for compiling and extracting the data, Intergeo and Mercator have not independently verified this information.

In addition, official statistics and other data published by Russian federal, regional and local governments and federal agencies are substantially less complete or reliable than those of Western countries, and there can be no assurance that the official sources from which certain of the information described herein has been drawn are reliable or complete. Official statistics may also be produced on different bases than those used in Western countries. Any discussion of matters relating to Russia herein may therefore be subject to uncertainty due to concerns about the completeness or reliability of the available official and public information.

The Resulting Issuer's prospecting, appraisal, exploration and mining activities could subject it to litigation risks.

While Intergeo and its subsidiaries currently have no material outstanding litigation, there can be no guarantee that their past, current or future actions will not result in litigation, arbitration or governmental or regulatory proceedings. Furthermore, due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal, regulatory or other proceedings will not have a material adverse effect, either individually or in the aggregate, on the Resulting Issuer's business, financial condition and prospects.

Mineral Reserves and Mineral Resources

Actual mineral production is difficult to predict and may differ significantly from the resource estimates contained in this Circular.

The estimates concerning Intergeo's and Mercator's mineral reserves and mineral resources contained in the Ak-Sug Technical Report and in this Circular, and filed with the applicable securities commissions, are subject to considerable uncertainties. These estimates are based on interpretations by geologists of geological data obtained from sampling techniques and projected rates of production in the future. Until mineral resources are actually mined and processed, the quantity of metal and grades must be considered as estimates only, and no assurances can be given that the indicated levels of metals will be produced. In making determinations about whether to advance any of its projects to development, the Resulting Issuer will need to rely upon estimated calculations as to mineral resources and grades of mineralization on its properties. In addition, it may take many years from the initial phase of drilling before production is possible. During that time, the economic feasibility of exploiting a discovery may change as a result of, among other things, market price fluctuations of metals, as well as increased production costs (including costs of power) or reduced recovery rates, may render mineral resources containing relatively low grades of mineralization uneconomic. Short-term factors relating to mineral reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may impair the profitability of a mine in any particular accounting period.

The estimation of mineral resources is a subjective process that relies on the judgment of the persons preparing the estimates. These persons rely on the quantity and quality of available data and the estimation process is based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. Further studies are required as well.

Estimated mineral resources may have to be recalculated based on changes in metal prices, further exploration or development activity or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence mineral resource estimates. The extent to which mineral resources may ultimately be reclassified as mineral reserves is dependent upon the demonstration of their profitable recovery. Any material changes in mineral resource estimates and grades of mineralization will affect the economic viability of placing a property into production and a property's return on capital. There can be no assurance that mineralization can be mined or processed profitably.

The Ak-Sug PEA relies significantly on the use of resources, including resources in the inferred category. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The Ak-Sug Technical Report does not estimate any mineral reserves for the Ak-Sug Project. There can be no assurance that any resource estimates for Ak-Sug will ultimately be reclassified as mineral reserves. The failure to establish proven and probable mineral reserves could restrict the Resulting Issuer's ability to successfully implement the proposed strategies for long-term growth and could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

To date, there has been no independent sampling conducted by SRK Russia on the Ak-Sug Project. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There can be no assurance that the mineral exploration programs at the Ak-Sug Project, or at any other of Intergeo's mineral properties, will establish the presence of any proven or probable mineral reserves for the purposes of NI 43-101. The failure to establish proven or probable reserves at any of Intergeo's mineral properties would severely restrict the Resulting Issuer's ability to implement its proposed strategies for long-term growth. In addition, the costs, timing and complexities of upgrading the mineralized material at the Ak-Sug Project to proven or probable reserves, and ultimately to develop those reserves, may be greater than Intergeo or Mercator currently anticipates.

By their nature, mineral reserve and resource estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance that:

- actual results will meet the estimates contained in studies;
- the estimates will be accurate;
- reserve, resource or other mineralization estimates will be accurate; or
- any mineralization can be mined or processed profitably.

Any material change in quantity of mineral reserves, mineral resources, grade or stripping ratio may affect the economic viability of the Resulting Issuer's operations and exploration and development. In addition, there can be no assurance that copper recoveries or other metal recoveries or the grades of concentrates produced in small scale laboratory tests will be duplicated in a larger scale test under on-site conditions or during production. There can be no assurance that anticipated recoveries will be realized.

Fluctuation in copper and other base or precious metals prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. The volume and grade of reserves mined and processed, recovery rates and concentrate quality may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of the Resulting Issuer's ability to extract these mineral reserves at a marketable quality, or at all, could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

The mineral reserve and resource estimates contained in public filings in respect of the Mineral Park Mine and the Ak-Sug Project have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for gold and silver may render portions of the mineralization, reserve and resource estimates uneconomic and result in reduced reported mineralization or adversely affect the commercial viability of the Resulting Issuer's projects. Any material reductions in estimates of mineralization, or of the Resulting Issuer's ability to extract this mineralization, could have a material adverse effect on its results of operations or financial condition.

Differences in U.S. and Canadian reporting of reserves and resources.

The mineral reserve and mineral resource estimates disclosed in this Circular and the Ak-Sug Technical Report, and any future mineral reserve and mineral resource estimates that may be reported by the Resulting Issuer in the future will not be directly comparable to those made in filings subject to SEC reporting and disclosure requirements, as the Resulting Issuer will report reserves and resources in accordance with Canadian practices. These practices are different from those used to report reserve and resource estimates in reports and other materials filed with the SEC. It is Canadian practice to report measured, indicated and inferred resources, which are not permitted in disclosure filed with the SEC by United States issuers. In the United States, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. It cannot be assumed that all or any part of measured or indicated resources will ever be converted into reserves. Further, "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Disclosure of "contained pounds" or "contained ounces" is permitted disclosure under Canadian Securities Law; however, the SEC permits issuers to report "resources" only as in-place tonnage and grade without reference to unit of metal measures.

Accordingly, information concerning descriptions of mineralization, reserves and resources contained in this Circular, or in the documents incorporated herein by reference, may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

Metal and mineral prices are highly volatile and changes to the market price of metals could adversely affect the financial condition of the Resulting Issuer.

The Resulting Issuer's future revenues, if any, will be derived from mining and subsequent sale of copper, molybdenum and other metals. The value and price of the Resulting Issuer's securities, the Resulting Issuer's financial results and the Resulting Issuer's exploration, development and mining activities may be significantly adversely affected by further declines in the price of copper, molybdenum and other metals. The price of these metals has fluctuated widely in recent years and is affected by numerous factors that will be beyond the Resulting

Issuer's control, including international economic and political trends, expectations of inflation, currency exchange fluctuations (especially the Russian rouble, US dollar and Mexican peso relative to other currencies), interest rates, global and regional consumption patterns, speculative activities, market fluctuations in pricing and demand, the proximity and capacity of natural resource markets and processing equipment, governmental regulations, land tenure, land use, regulation concerning the importing and exporting of minerals, environmental protection regulations, increased production due to new mine developments, improved mining and production methods and the political and economic conditions of copper-producing countries throughout the world. The effect of these factors on the price of metals that may be produced from the Resulting Issuer's properties, and, ultimately, the economic viability of the Resulting Issuer's properties, cannot be predicted accurately.

Any future significant price declines in the price of copper, molybdenum and other metals has fluctuated widely in recent years, could cause continued development of, and commercial production from the Resulting Issuer's properties to be impracticable. Depending on the price of copper, molybdenum and other metals, cash flow from mining operations may not be sufficient and the Resulting Issuer could be forced to discontinue operations and may lose its interest in, or may be forced to sell, some or all of its properties. Future operations from the Resulting Issuer's mining properties will be dependent on applicable mineral prices being sufficient to make operations from these properties economic.

Mineral reserve calculations and LOM plans using significantly lower copper, molybdenum and other metal prices could result in material write-downs of the Resulting Issuer's investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting the Resulting Issuer's reserve estimates and its financial condition, declining metal prices could impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

The effect of these factors, individually or in the aggregate, on metal and mineral prices cannot be predicted. If mineral prices decline significantly, it could affect the Resulting Issuer's decision or ability to proceed with further exploration, development of or production at its mineral properties, which would have a material adverse effect on its business, financial condition and prospects. There can be no assurance that a profitable market may exist or continue to exist.

Potential profitability depends upon factors beyond the control of the Resulting Issuer.

The potential profitability of mineral properties is dependent upon many factors that will be beyond the Resulting Issuer's control. For instance, world prices of and markets for non-precious and precious metals and minerals are unpredictable, highly volatile, potentially subject to governmental fixing, pegging and/or controls and respond to changes in domestic, international, political, social and economic environments. Another factor is that rates of recovery of metals from mined ore may vary from the rate experienced in tests and a reduction in the recovery rate will adversely affect profitability and, possibly, the economic viability of a mineral property. Profitability also depends on the costs of operations, including costs of labour, equipment, electricity, environmental compliance or other production inputs. Such costs will fluctuate in ways which cannot be predicted and will be beyond the Resulting Issuer's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Additionally, due to worldwide economic uncertainty, the availability and funding costs for development and other costs have become increasingly difficult, if not impossible, to project. These changes and events may materially affect the financial performance of the Resulting Issuer.

The Resulting Issuer will be subject to significant governmental regulation.

The Resulting Issuer's activities will be subject to extensive federal, regional and local laws and regulations governing various matters, including:

- environmental protection;

- the management and use of toxic substances and explosives;
- the management of natural resources;
- the prospecting, appraisal, exploration and development of mineral properties, including reclamation;
- exports;
- taxation;
- labour standards and occupational health and safety, including mine safety;
- anti-monopoly;
- corporate; and
- investments in Strategic Plots or companies holding licences for Strategic Plots.

Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties or enforcement actions, including orders issued by regulatory or judicial authorities enjoining, curtailing or closing operations or requiring corrective measures, installation of additional equipment or remedial actions, any of which could result in significant expenditures. The Resulting Issuer may also be required to compensate private parties suffering loss or damage by reason of a breach of such laws, regulations or permitting requirements. It is also possible that future laws and regulations, or more stringent enforcement of current laws and regulations by governmental authorities, could cause the Resulting Issuer to incur additional expense or capital expenditure restrictions, suspensions or closing of the Resulting Issuer's activities and delays in the prospecting, appraisal, exploration, development of and production at the Resulting Issuer's properties.

The Resulting Issuer's ultimate principal shareholder's interests may differ from those of its other shareholders, and adverse events with respect to the Resulting Issuer's beneficial shareholders may adversely affect the Resulting Issuer.

Mr. Prokhorov will beneficially own approximately 84.38% of the issued and outstanding Resulting Issuer Common Shares, indirectly through Daselina. The Resulting Issuer's Executive Chairman, Mr. Finskiy, indirectly through Kirkland, will beneficially own 0.45% of the issued and outstanding Resulting Issuer Common Shares, with an option to purchase Resulting Issuer Common Shares held by Daselina that would increase Mr. Finskiy's interest to approximately 15.66% of the issued and outstanding the Resulting Issuer Common Shares, assuming the acquisition by Kirkland from Daselina of the maximum number of Kirkland Option Shares under the Daselina-Kirkland Option Agreement. See "Information Concerning Intergeo – Principal Securityholders" and "Information Concerning the Resulting Issuer – Daselina-Kirkland Option Agreement". The Resulting Issuer's notice of articles and articles will provide that resolutions at a shareholders' meeting are adopted by the affirmative vote of a majority of the votes of the Resulting Issuer Common Shares entitled to vote that are present and were voted at a shareholders' meeting. In addition, the provisions respecting the Special Shares will provide that for so long as the Daselina Group and the Kirkland Group collectively hold at least 33% of the outstanding Resulting Issuer Common Shares, the prior approval of a majority of the directors of the Resulting Issuer, which shall include Daselina's nominee (if any), is required for certain corporate actions. In addition, Mr. Prokhorov, as the Resulting Issuer's ultimate principal shareholder, will (through Daselina) have the power to control the outcome of most matters to be decided at a meeting of the Resulting Issuer's shareholders. The effect of such influence may impact the trading price of the Resulting Issuer Common Shares. See "Information Concerning the Resulting Issuer – Governance Arrangements with Principal Shareholders".

While the personal and business connections of Mr. Prokhorov and Mr. Finskiy may assist the Resulting Issuer to further its business plan, each of Messrs. Prokhorov's and Finskiy's other activities may subject them to conflicts of interest. Any adverse personal, business or political developments with respect to either of Mr. Prokhorov or Mr. Finskiy could have an adverse effect on the Resulting Issuer.

Mr. Prokhorov holds a 0.5% equity interest in Intergeo Russia. There are no agreements or other arrangements between Mr. Prokhorov and Intergeo concerning the future equity or debt financing of Intergeo Russia, as a result of which Mr. Prokhorov has no obligation to finance Intergeo Russia. Furthermore, Intergeo Russia may be unable to undertake any equity financings without the approval of both of its shareholders. If Mr. Prokhorov does not approve an equity financing, the only internal source of future funding for Intergeo Russia will be intra-group loans. In addition, the notice of articles and articles will provide, that so long as the Daselina Group and the Kirkland Group collectively hold at least 33% of the outstanding Resulting Issuer Common Shares, the prior approval of a majority of the directors of the Resulting Issuer, which shall include Daselina's nominee (if any), is required with respect to any equity financings of Intergeo Russia. As a result, if Mr. Prokhorov and/or Daselina's nominee (if any) fail to approve any such equity financing, Intergeo Russia will not be entitled to undertake such financing and Mr. Prokhorov's interest in Intergeo Russia will not be diluted. This structure could effectively give Mr. Prokhorov a "carried interest" in Intergeo Russia (i.e. the ability to maintain his 0.5% equity interest without providing any ongoing equity and/or debt funding to Intergeo Russia and without any liability to Intergeo Russia). The proposed management of the Resulting Issuer expects that Intergeo Russia will be funded by way of intra-group loans if such equity financings are not approved. Certain decisions of Intergeo Russia require unanimity of its participants under Russian LLC Law. As a result, Mr. Prokhorov's approval will be required (irrespective of the size of his interest in Intergeo Russia) for certain matters, including with respect to a reorganization of Intergeo Russia, amendments of certain provisions of its charter and increase of its charter capital in certain ways (such as by way of conversion of debt to equity).

While through its controlling share position, Daselina will have the voting power to control the outcome of most matters to be decided at future meetings of the Resulting Issuer's shareholders, it will be a passive investor in the Resulting Issuer. Mr. Prokhorov, the shareholder of Daselina, will not be a director or officer of the Resulting Issuer and will not otherwise participate in the management of the business of the Resulting Issuer.

Shortages and increases in the cost of commodities and necessary equipment could have a material adverse effect on the Resulting Issuer's ability to conduct its operations.

The Resulting Issuer will be dependent on various commodities (such as diesel fuel, electricity, steel, concrete and reagents) and equipment to conduct its mining operations. A shortage of such commodities, equipment and parts or a significant increase in their cost could have a material adverse effect on the Resulting Issuer's ability to carry out its operations and therefore limit or increase the cost of exploration. An increase in the cost, or decrease in the availability, of input commodities, equipment or parts may affect the timely conduct and cost of the Resulting Issuer's operations and future development projects. Market prices of commodities can be subject to volatile price movements which can be material, occur over short periods of time and are affected by factors beyond the control of the Resulting Issuer. If the costs of certain commodities consumed or otherwise used in connection with the Resulting Issuer's operations and future development projects were to increase significantly, and remain at such levels for a substantial period, the Resulting Issuer may determine that it is not economically feasible to continue commercial production at some or all of its operations or the future development of some or all of its current projects, which could have a material adverse effect on the Resulting Issuer's business, financial condition or prospects.

The Resulting Issuer will depend on skilled contractors that participate in, or are responsible for, its exploration and mining operations.

The Resulting Issuer's success may be dependent on the efforts and expertise of third parties with whom the Resulting Issuer may contract. Intergeo has limited operational personnel and has relied principally on third-party contractors to conduct drilling and exploration work on its properties. If it is not possible to find appropriately qualified contractors within a given deadline, or if the contractors engaged by Intergeo or the Resulting Issuer are not reliable or improperly perform their contractual obligations or do not complete such obligations in a timely fashion, there is a risk of suspending works or incurring additional costs of exploration and mining operations. Such circumstances could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

The Resulting Issuer's operations could be adversely affected if it fails to comply with applicable health and safety laws, regulations, rules or instructions from the relevant health and safety authorities.

Certain of the Resulting Issuer's operations will be carried out under potentially hazardous conditions and the Resulting Issuer will be susceptible to the possibility that liabilities might arise as a result of accidents, fatalities or other workforce-related misfortunes, some of which may be beyond the Resulting Issuer's control. The occurrence of any accidents could delay prospecting, appraisal, exploration and mining, increase costs relating thereto and/or result in liability for the Resulting Issuer. Moreover, violations of health and safety laws, regulations or rules, or failures to comply with the instructions of the relevant health and safety authorities, could lead to, among other things, a court order or order from the relevant regulatory authorities to shut down part of, or all of, the operations at a Resulting Issuer facility. Any such shutdown could have a material adverse effect on the Resulting Issuer's business, financial condition or prospects.

Increased operating and capital costs may adversely affect the viability of existing and proposed mining projects.

Increases in the prices of labour and materials, to some extent caused by an increase in commodity prices, including the prices of the metals being mined by the industry have led to significantly increased capital and operating costs for mining projects. Increasing costs are a factor to be considered in the economic model for any mining project. Increasing operating costs are expected to reduce profit margins for some mining projects. Such increases in both operating and capital costs need to be considered in economic assessments of existing and proposed mining projects and may increase the financing requirements for such projects or render such projects uneconomic.

The Ak-Sug PEA is an early stage study that is preliminary in nature. The capital costs to take Ak-Sug into production may be significantly higher than anticipated by the Ak-Sug PEA. Ak-Sug does not have an operating history upon which Intergeo or the Resulting Issuer can base estimates of future operating costs. Decisions about the development of this and other mineral properties owned by the Resulting Issuer will ultimately be based upon feasibility studies. Feasibility studies derive estimates of cash operating costs based upon, among other things:

- anticipated tonnage, grades and metallurgical characteristics of the ore to be mined and processed;
- anticipated recovery rates of metals from the ore;
- cash operating costs of comparable facilities and equipment; and
- anticipated climatic conditions.

Mercator has estimated the operating and sustaining capital costs for the Mineral Park Mine and its other development properties based on information available, and believes that these estimates are accurate. Costs and expenditures, production schedules, economic returns and other projections from any of the mining projects which are contained in this Circular and in any technical reports, scoping studies, pre-feasibility studies and feasibility studies prepared for or by Mercator or Intergeo (as applicable) are based on assumed or estimated future metals prices, cut-off grades, operating costs, capital costs, and expenditures and other factors that each may prove to be inaccurate. Therefore, technical reports, scoping studies, pre-feasibility studies and feasibility studies and reports may prove to be unreliable if the assumptions or estimates do not reflect actual facts and events.

Increases in the costs for labour, regulatory compliance, energy, mine and plant equipment and materials needed for mine operations and development could exceed the estimates.

Capital and operating costs, production and economic returns, and other estimates contained in studies or production and cost forecasts prepared for or by Mercator or Intergeo (as applicable) may differ significantly from actual costs, and there can be no assurance that actual capital and operating costs will not be higher than currently anticipated or disclosed or that its production and economic returns will not be lower than currently anticipated.

In addition, calculations of cash costs and cash cost per pound may differ from similarly titled measures of other companies and are not intended to be an indicator of projected operating profit.

The anticipated timeline relating to the Resulting Issuer's projects is subject to many uncertainties and may prove to be inaccurate.

The anticipated timelines for the Resulting Issuer's projects may prove to be inaccurate. The timelines are based on the current expectations of each of Mercator's and Intergeo's management and may be affected by a number of factors, including the progress of ongoing prospecting, appraisal, exploration and development, the results of consultants' analyses and recommendations, the rate at which expenditures are incurred, unexpected costs, delays in construction schedules, availability of major equipment and personnel, the Resulting Issuer's ability to obtain requisite funding, permits and licences and the Resulting Issuer's ability to execute agreements with strategic partners, some of which are beyond the Resulting Issuer's control, and which could cause the timelines to not be realized. It is common for mining projects to experience unexpected costs, problems and delays. A change in any of these factors could affect anticipated timelines.

The development of the Resulting Issuer's development projects would subject the Resulting Issuer to certain additional risks, including:

- the availability and terms of funds to finance any development and construction activities at the Ak-Sug Project and the El Pilar Project and the potential diversion of available funds from the exploration or development of other properties of the Resulting Issuer;
- the availability and cost of adequate qualified personnel, skilled labour and mining and processing equipment sufficient to support any development, especially during mine construction and production ramp-up at the Ak-Sug Project and the El Pilar, which may require a significant increase in employees and contractors during a relatively short time period;
- the availability and cost of securing adequate fuel, power, water, materials and other supplies in quantities sufficient to meet the needs of a project;
- the ability of management of the Resulting Issuer to adequately supervise and develop one or more projects and the potential diversion of management of the Resulting Issuer's attention from other matters, including the production, exploration or development of other Resulting Issuer properties; and
- the ability to secure all necessary permits and licences for the Ak-Sug Project.

The Resulting Issuer may have difficulty attracting and retaining qualified senior management, directors and certain highly skilled personnel, which could materially adversely affect it.

The Resulting Issuer will be dependent on the services of its directors, key executives and certain other highly skilled and experienced individuals. The Resulting Issuer will also be dependent on its management's mining knowledge and expertise, business and governmental connections and their ability to secure the necessary financing to fund the exploration, development and production of the Resulting Issuer's mineral properties. Competition internationally for personnel with relevant expertise is intense due to the relatively small number of qualified individuals. There can be no assurance that the Resulting Issuer will have the ability to retain existing proposed senior management and attract additional qualified senior management to sufficiently staff its development and operating teams, the failure of which could have a material adverse effect on the Resulting Issuer's business, financial condition or prospects.

Risks Associated with Operations in Mexico.

The El Pilar project is located in Mexico. As with many foreign projects, projects in Mexico may experience difficulties with changes in political conditions and regulations, currency exchange, obtaining financing, finding and hiring qualified people or obtaining all necessary services.

Mexico has in the past been subject to political instability, changes and uncertainties, which, if they were to arise again, could cause changes to existing governmental regulations affecting mineral exploration and mining activities.

The Resulting Issuer's mineral exploration and mining activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to the Resulting Issuer's activities or maintaining its properties. In addition, recent increases in kidnapping and violent drug related criminal activity in Mexico, and in particular Mexican states bordering the United States, may adversely affect the Resulting Issuer's ability to carry on business safely.

It may be difficult for the Resulting Issuer to obtain necessary financing for its planned exploration or development activities because of their location in Mexico. Also, it may be difficult to find and hire qualified people in the mining industry who are situated in Mexico or to obtain all of the necessary services or expertise in Mexico or to conduct operations on its projects at reasonable rates. If qualified people and services or expertise cannot be obtained in Mexico, the Resulting Issuer may need to seek and obtain those services from people located outside of Mexico, which will require work permits and compliance with applicable laws and could result in delays and higher costs to the Resulting Issuer to conduct its operations in Mexico.

Risks Associated with Operations in Russia

The Resulting Issuer may be unable to obtain, maintain or comply with the terms of required Russian permits and licences.

Generally, prospecting, appraisal, exploration and mining activities will require a company to obtain permits issued by governmental agencies, both to implement new developments or projects or on the basis of periodic renewal or review for ongoing activities or operations. Intergeo's business depends, and the Resulting Issuer's Russian business will depend, on the continuing validity of its subsoil licences and the issuance of new and extension of existing subsoil licences and its compliance with the terms thereof. Intergeo's subsoil licences are granted for a defined period as specified in the terms of the relevant licence. Currently, the applicable legislation in Russia does not provide for an automatic extension of a subsoil licence or the conversion of a prospecting and appraisal licence to a mining licence or exploration and mining licence to its current holder. However, it allows the holder to apply to the respective licencing authority for the extension of the existing licence or conversion of the prospecting and appraisal licence to a mining licence or exploration and mining licence, provided that the holder has complied with the terms and conditions of the licence. Regulatory authorities exercise considerable discretion in the timing of licence issuance, extension of licences and monitoring licencees' compliance with licence terms. Subsoil licences and related agreements typically contain certain environmental, safety and production commitments. If automatic termination and/or other "significant" or "material" terms and conditions of the licences are not met or regulatory authorities consider them not to be met, the subsoil licences may be suspended, restricted or terminated. No assurances can be given that Intergeo's licences will be extended or converted. The Resulting Issuer would be adversely affected if any extension or conversion applied for is not granted and any such event may cause the prospecting, appraisal, exploration, development or mining operations of the Resulting Issuer to be discontinued. Further, any imposition of additional compliance conditions may cause the Resulting Issuer to incur additional costs, any of which could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

The Resulting Issuer may not be able to, or may voluntarily decide not to, comply, or may not have complied in all respects, with the licence requirements for some or all of its Russian licences. If the Resulting Issuer fails to fulfill the specific terms of any of its licences or if a subsidiary operates in licence areas in a manner that violates Russian law, regulators may impose fines. Regulators may also suspend, restrict operations under, withdraw or refuse to extend licences, any of which could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

There is a shortage of qualified skilled workers in the Russian labour market.

Currently, the Russian labour market suffers from a general shortage of skilled and trained workers including professional engineers, and Intergeo competes, and the Resulting Issuer will compete, with other companies operating in Russia to hire and retain such workers. In Russia, the working age population has declined due to a relatively low birth rate at the end of the 1980's and through the early 1990's. According to the NHDR produced by the United Nations Development Program in 2008, it was estimated that Russia's working age population will decline by 14 million between 2009 and 2025. According to the NHDR, the biggest decline of working-age population will be between 2011 and 2017, when the average annual loss will exceed one million and labour will be one of the most deficient resources in Russia in the near future. A shortage of skilled Russian labour combined with restrictive immigration policies could materially adversely affect the Resulting Issuer's business, financial condition and prospects.

Russian Subsoil Laws are in some cases internally inconsistent and vague, which reduces certainty and may result in inconsistent and selective governmental claims or actions.

Russian legislation on subsoil rights is internally inconsistent and vague, and the regulators' acts and instructions are often arguably inconsistent. Subsoil licence holders often face the situation where both failing to comply with the regulator's acts and instructions and choosing to comply with them places them at risk of being subject to selective or arbitrary governmental claims and actions, whether by the regulator or the Russian Federation General Prosecutors' Office. Thus, it is possible that licences applied for and/or issued in reliance on the MNRE's acts and instructions could be challenged by the Russian Federation General Prosecutors' Office as being invalid. The licencing process may also be influenced by outside commentary, political pressure and other extra-legal factors. In the case of subsoil licences, unsuccessful applicants may bring direct claims against the issuing authorities that the subsoil licence was issued in violation of applicable law or regulation, such as the failure of a licence to properly reflect auction terms or the absence of a competitive auction, if appropriate. A competitor may also demand termination of the licence or challenge an extension based on non-compliance. If successful, such proceedings and claims may result in the revocation or invalidation of the licences. Accordingly, licences that the Resulting Issuer will require may be revoked, invalidated or may not be extended or converted. Licences may not be issued, extended or converted in a timely fashion and may involve conditions that restrict the Resulting Issuer's ability to conduct its operations or to do so profitably.

In addition, there can be no assurance that new local, regional or federal licence requirements will not be introduced nor can the Resulting Issuer be certain that it will be able to obtain, extend or convert, in a timely fashion, or at all, the necessary licences.

Licensing authorities may refuse to convert a licence or may terminate an existing mining licence if the subsoil plot is a Strategic Plot, and the ability to enter into transactions relating to such Strategic Plots may be limited.

Pursuant to the Subsoil Law, certain subsoil plots are considered to be Strategic Plots. Among these are subsoil plots or deposits containing, among other things, any amount of nickel, cobalt or platinum group metals, or hard-rock gold reserves or copper reserves (in accordance with Russian standards) in excess of certain quantities. The Ak-Sug Project and the Kingash Project are on the list of Strategic Plots, and the Greater Ak-Sug property and Arbinsk property may be considered Strategic Plots. Pursuant to the Strategic Investment Law, licencees or operators of Strategic Plots are considered Strategic Entities and are subject to various restrictions. Due to their status as licencees of the foregoing Strategic Plots, Golevskaya, Kingash LLC and LLC East-Sayan Nickel Company are Strategic Entities, and LLC Amurmed and Tyvamed may be considered Strategic Entities.

Based on the Subsoil Law, the holder of a prospecting, appraisal, exploration and mining licence to a Strategic Plot must finish prospecting and appraisal of the whole licenced plot before the commencement of exploration and mining operations at the Strategic Plot. The law further requires the preliminary consent of the Russian government, issued under an established procedure, before conducting such exploration and mining at a Strategic Plot.

If in the course of prospecting and appraisal under a prospecting and appraisal licence a discovery is made and the discovered deposit meets the Strategic Plot criteria, the Russian government may veto the issuance of a mining

licence or exploration and mining licence to the discoverer if (i) the discoverer is under direct or indirect control of a non-Russian investor or has a non-Russian shareholder and (ii) the Russian government determines that there is a threat to the national defence and security of Russia. If the relevant discovery is made under a prospecting, appraisal, exploration and mining licence and the discoverer is under direct or indirect control of a non-Russian investor or has a non-Russian shareholder, the Russian government has the right to prematurely terminate the licence if it determines that there is a threat to the national defence and security of Russia. Intergeo's Russian subsidiary, Kingash LLC, is currently in the process of seeking to convert its prospecting and appraisal licence relating to the Upper Kingash and Kuyo deposits of the Kingash Project, which expires in December 2014, to an exploration and mining licence. However, because a Strategic Plot has been discovered by Kingash LLC, which may be viewed for the purposes of the Subsoil Law as being controlled by a non-Russian investor, there can be no assurances that such an exploration and mining licence will be granted. The previously discovered Upper Kingash and Kuyo deposits and all new Strategic Plots that may be discovered by the Resulting Issuer under prospecting and appraisal licences (including the licence for the Arbinsk property) and prospecting, appraisal, exploration and mining licences (including the Greater Ak-Sug Licence) will be subject to the aforementioned provisions of the Subsoil Law.

The Resulting Issuer's licences, in particular the license relating to the Ak-Sug Project will be important for the Resulting Issuer's prospects and the loss or failure to maintain, or the failure on expiry to extend, the Resulting Issuer's licences and other authorizations could materially adversely affect the Resulting Issuer.

The Resulting Issuer's business will significantly depend on the continuing validity and compliance with the Resulting Issuer's licences, permits, certificates and other authorizations. Intergeo's exploration and mining licences were granted for defined periods as specified in the terms of the relevant licence. In particular, Intergeo holds, and the Resulting Issuer will hold an exploration and mining licence relating to the Ak-Sug Project that was granted in February 2007 and expires in February 2027.

The licences, together with the relevant parts of applicable Russian legislation, contain various requirements that must be complied with in order to keep the licences valid. For example, Intergeo is, and the Resulting Issuer will be required under its various licences to comply with certain environmental, safety, work-program, prospecting, appraisal, exploration and production commitments, maintain all appropriate filings and, upon request, submit appropriate information to the licencing authorities, which may result in higher costs. Furthermore, certain milestones are required to be completed by specified dates as part of the licence conditions. If the Resulting Issuer is unable to meet any of the major deadlines or obligations, it will be required to obtain an amendment to the respective license.

A subsoil licence may be suspended, restricted or terminated if the procedure for the grant of a licence was not complied with (including by the authorities) or the licensee does not comply with the "significant" or "material" terms of the licence. However, the MNRE has not issued any interpretive guidance on the meaning of "significant" or "material" terms of licences. The law is silent as to what terms and conditions of the licence should be deemed to be "material". Court decisions on the meaning of these terms have been inconsistent and, under Russia's civil law system, do not have significant value as precedents for future judicial proceedings. These deficiencies result in the regulatory authorities, prosecutors and courts having significant discretion over enforcement and interpretation of the law, which may be used arbitrarily to challenge the rights to licences. Intergeo is currently in breach of its drilling and trenching obligations under the Greater Ak-Sug Licence which are viewed as "significant" or "material" terms of the licence. If these violations are not rectified within three months after notice from the authorities or the authorities determine that there has been violations of other "significant" or "material" terms of its licences, or that the procedure for the grant of licences to Intergeo was not complied with, it could lead to the suspension, restriction or termination of its subsoil licences and to administrative and civil liability and such non-compliance could also result in rejection of a licence extension in the future. Any requirements imposed on the Resulting Issuer by the authorities may be costly and time consuming to fulfill and may result in delays in the commencement or continuation of exploration activities.

Intergeo's subsoil licences also contain certain automatic termination provisions that terminate the affected licence upon breach of a listed obligation, with no notice from governmental authorities. Intergeo has, in the past, breached some of these automatic termination provisions under the Ak-Sug Licence and the Upper Kingash/Kuyo Licence.

Although the foregoing breaches are of automatic termination provisions, in practice, in such cases the licencing authorities normally adopt special resolutions terminating mineral rights if a licence is to be terminated and until such resolution is adopted treat the respective licence as valid. Intergeo is not aware of any such resolution being adopted with respect to the licences of Intergeo by the authorities. Moreover, the authorities continue to request that Intergeo perform its obligations under these licences. The authorities have at times in the past confirmed that they treat the Upper Kingash/Kuyo Licence, and the Ak-Sug Licence as valid. In particular, the authorities provided such confirmation by (i) granting amendments to these licences after the occurrence of respective automatic termination events (that is, after a licence may have been viewed as terminated); and (ii) issuing comfort letters in August 2011 and again in August 2013 and September 2013, evidencing that the Ak-Sug Licence and the Upper Kingash/Kuyo Licence respectively, are still effective. Therefore, Intergeo views such licences as effective. However, there can be no assurance that the licencing authorities will not treat such licences as terminated or declare them terminated at any moment in the future on the basis of past or current breaches of automatic termination provisions, nor can there be any assurance that the Resulting Issuer will be able to avoid future breaches of automatic termination provisions or other "significant" or "material" provisions of its licences.

Russian legislation does not currently provide for an automatic extension of a subsoil licence or for an automatic conversion of a prospecting and appraisal licence to a mining licence or exploration and mining licence for its current holder. It permits the current holder to apply to the licencing authority for such an extension of an existing licence so long as the holder has complied with the terms and conditions of such licence and for a conversion of a prospecting and appraisal licence to a mining or exploration and mining licence, if a deposit was discovered under such prospecting and appraisal licence and the respective works were not financed by Russia. However, regulatory authorities exercise considerable discretion in the granting and the timing of such extensions and the issuances of mining or exploration and mining licences as well as the monitoring of licencees' compliance with licence terms. Therefore, there can be no assurance that if a licence extension is required the Resulting Issuer will receive such extension at or prior to the relevant expiration date, or at all.

Intergeo is currently in the process of seeking such a conversion of the Upper Kingash/Kuyo Licence of the Kingash Project, which expires in December 2014. The initial application to convert the existing prospecting and appraisal licence relating to the Upper Kingash and Kuyo deposits began in December 2008, and in accordance with the existing procedure, the application for the conversion should have been considered by the authorities and submitted to the Russian government for review and final decision in 2009. However, the conversion application has not yet been reviewed by the Russian government due to a gap in the regulatory regime in Russia. Specifically, as part of the conversion procedure, the Resulting Issuer will be required to make a payment (the "**conversion payment**") to be calculated by the authorities. A new procedure for calculation of the conversion payment has recently been established by the authorities. This new procedure eliminated the gap that made the calculation of the conversion impossible in practice, which was the reason for the delay described above. However, the timing for the conversion remains uncertain. Moreover, there can be no assurance that the Resulting Issuer will be able to convert the Upper Kingash/Kuyo Licence into an exploration and mining licence before the expiration of the exploration licence in December 2014, or at all, nor can there be any assurance that exploration and mining licence will be free of newly introduced material commitments. If the Resulting Issuer is unable to convert the Upper Kingash/Kuyo Licence prior to its expiration, the scope of the Kingash Project will have to be reassessed.

In addition, the licencing authorities also have the ability to terminate a prospecting, appraisal, exploration and mining licence in the event a Strategic Plot is discovered and (i) the discoverer is under direct or indirect control of a non-Russian investor or has a non-Russian shareholder and (ii) and the Russian government determines that there is a threat to the national defence and security of Russia. The previously discovered Upper Kingash and Kuyo deposits and all new Strategic Plots that may be discovered by the Resulting Issuer under the various prospecting and appraisal licences (including the licence for the Arbinsk property and the Upper Kingash/Kuyo Licence) will be subject to the aforementioned provisions of the Subsoil Law. In addition, the prospecting, appraisal, exploration and mining licences of Intergeo under which Strategic Plots may be discovered (including the Greater Ak-Sug Licence) will be subject to these restrictions as well.

If the conversion of a prospecting and appraisal licence (issuance of an exploration and mining licence) is denied, or a prospecting, appraisal, exploration and mining licence is terminated as a threat to the national defence and security of Russia, the affected subsoil licence holder is entitled to be reimbursed for the costs (which in case of termination

of prospecting, appraisal, exploration and mining licence include the one-time payment made under the terms of such licence) it incurred during the prospecting and appraisal of the discovered deposit, and is entitled to an additional payment. Such reimbursement and payment is payable from the Russian federal budget pursuant to a procedure established by the Russian government. However, such payment is not based on the market value of the discovered property but rather represents a percentage of incurred costs and expenses. Furthermore, the reimbursement procedure has not yet been tested in practice, and there is no guarantee that the compensation and the payment will actually be paid or that all of the prospecting and appraisal costs will be compensated. Consequently, there can be no assurance that the Resulting Issuer will be compensated in case of refusal in conversion of its prospecting and appraisal licences or termination of its prospecting, appraisal, exploration and mining licences by the Russian government on the above grounds or that such compensation will be adequate.

The failure to obtain a necessary amendment to a subsoil licence could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

Applicable Russian law expressly allows amendments to subsoil licences at the request of the licence holder only in case of a significant change in the circumstances under which the licence was issued, or a significant change in consumption of the relevant mined minerals for reasons beyond the control of the licence holder, which may result in a licence work-program obligation becoming onerous and no longer commercially feasible. In the past, for example, Intergeo has successfully obtained amendments to six of its licences permitting, among other things, the modification or extension of certain work-program obligations. In the event that the terms and conditions of the licences become onerous and no longer feasible, the Resulting Issuer may need to have the terms of the relevant licence amended to update the licences and prevent potential non-compliance.

Even if the Resulting Issuer is able to justify required amendments, there can be no assurance that the licensing authorities would grant such amendments on a timely basis, or at all. Refusal by the authorities to grant necessary amendments to a licence may result in a licence violation, which may, in turn, lead to restriction, suspension or premature termination of the affected licence. Any restriction, suspension or premature termination of subsoil licences held by the Resulting Issuer could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

Applicable Russian law may limit the Resulting Issuer's ability to effect a change of control or enter into other business transactions.

Under the Strategic Investment Law, a number of transactions of Foreign Investors (the Resulting Issuer and its Russian subsidiaries may be viewed as Foreign Investors for the purposes of the Strategic Investment Law) with respect to Strategic Entities require prior strategic approval or, in certain circumstances, post-transaction strategic approval. Such transactions, with respect to Strategic Entities that operate Strategic Plots, include:

- the acquisition of the right to: (i) directly or indirectly dispose of 25% or more of the aggregate number of votes in the Strategic Entity; and/or (ii) appoint its sole person executive body and/or 25% or more of the members of the collegial executive body and/or unconditionally elect 25% or more of the members of the board of directors (supervisory board) or another collegial management body of such Strategic Entity;
- the acquisition of participating interests (shares) in the charter capital of a Strategic Entity in the event such Foreign Investor already has a right to directly or indirectly dispose of 25% or more of the aggregate number of votes in such Strategic Entity, except where such acquisition does not lead to an increase of overall shareholding level of such Foreign Investor;
- the acquisition of the right to fulfill the functions of the manager (management company) in relation to the Strategic Entity; and
- other transactions aimed at the acquisition of a right to determine the decisions of the management bodies of the Strategic Entity, including the right to establish the terms of conducting commercial activities by the Strategic Entity.

There are some exemptions from these general rules that are described in more detail under "Appendix Q – Background Information on Russian Legal Framework – Strategic Entities" that may be applicable to the Resulting Issuer because it will be under the "Russian control". However, there can be no assurance that the Resulting Issuer will always be under "Russian control".

The strategic approval is subject to the determination by the Russian authorities that the acquisition of control does not threaten the national defence or security of the state. Additionally, the approval may be subject to the fulfillment of certain conditions including, processing of mined minerals in Russia and securing the employment of a certain number of personnel. As a result, the Resulting Issuer's ability to transfer or dispose of, or enter into business combinations or reorganizations involving its subsidiaries that are Strategic Entities or their assets may be limited without strategic approval.

In addition, applicable Russian foreign investment legislation requires that any direct or indirect acquisition by a Foreign Investor that is a non-Russian state, an international organization (except for international financial organizations included in a special list of international financial organizations maintained by the Russian government) or an organization under its control of more than 25% of the votes in any Russian company or acquisition of veto rights with respect to matters falling within the competence of a company's governing bodies and requiring a special majority of votes is subject to strategic approval by the Russian Government Commission. Similar approval is also required for the direct or indirect acquisition by any such organizations of 5% or more of the votes in Strategic Entities operating Strategic Plots. These restrictions will apply to the acquisition of Resulting Issuer Common Shares by one such Foreign Investor rather than to acquisitions by several independent and non-affiliated Foreign Investors. Accordingly, several independent and non-affiliated Foreign Investors may acquire more Resulting Issuer Common Shares than specified above without the need to obtain strategic approval to the extent that neither of them individually (or jointly with their affiliates) acquires Resulting Issuer Common Shares in excess of the respective thresholds.

Moreover, it is possible that this requirement could be interpreted as requiring Foreign Investors that are non-Russian states, certain international organizations and organizations under their control to obtain prior strategic approval to acquire more than 5% of the Resulting Issuer Common Shares and as prohibiting them from acquiring 25% or more of the Resulting Issuer Common Shares. While FAS currently takes a de-facto position that such indirect acquisitions, to the extent that they do not lead to a change of de facto control at the holding company level, do not trigger the strategic approval requirements, there can be no assurance that FAS will not take a different position if a 5% or larger interest in the Resulting Issuer is acquired by a non-Russian state or an international organization (other than international financial organizations included in a special list of international financial organizations maintained by the Russian government) or a 25% or more interest is acquired by Foreign Investors of another type. Accordingly, this may limit the ability of Foreign Investors to acquire Resulting Issuer Common Shares and such acquisitions may potentially require Russian strategic approval under the Strategic Investment Law. In addition, the Strategic Investment Law and the Subsoil Law may have the effect of hindering the ability of investors to transfer Resulting Issuer Common Shares and the Resulting Issuer's ability to issue new Resulting Issuer Common Shares, whether in a subsequent financing or in connection with a merger or other business reorganization, partnership or joint venture, and thus potentially impede a change of control or other transaction of the Resulting Issuer, even if such change of control or other transaction would be advantageous to the Resulting Issuer's shareholders. Violation of the above restrictions may result in invalidity of the transaction as a matter of Russian law, as well as other adverse consequences for the Resulting Issuer.

Intergeo's acquisitions of, or title to, entities or properties in which it has a material interest may be challenged on the basis of formal non-compliance with applicable law or undetected title defects.

Intergeo, or its predecessors-in-interest at different times, has taken a variety of actions relating to the organization or incorporation of entities, participation or share issuances, share disposals and acquisitions, acquisitions of property and other corporate matters that have been subject to various Russian legal requirements. In some cases, certain technical requirements, such as the requirement to fund initial capital of a company by a certain date, have not been complied with, which could create a risk of liquidation of the respective subsidiary and/or invalidity of transactions with its participatory interests. If the Resulting Issuer's subsidiaries are liquidated or transactions are successfully challenged on the basis of formal non-compliance with applicable legal requirements by competent

state authorities, counterparties in such transactions or shareholders of Intergeo or its predecessors-in-interest and/or third parties, such actions, transactions and corporate decisions could be invalidated and the respective subsidiary liquidated. In the event that there is a claim for liquidation of the Resulting Issuer's subsidiary or Intergeo's past acquisitions are challenged and the Resulting Issuer is unable to defeat such claims, the Resulting Issuer may lose its subsidiary and/or ownership interest in the relevant entity or assets or become subject to significant liabilities.

In addition, under applicable Russian law, transactions in participation interests may be invalidated on many grounds, including a sale of participation interests by a person without the right to dispose of such participation interests, breach of interested party or major transaction rules or the terms of transaction approvals issued by government authorities, a failure to obtain such approval in instances where the authorities could view it as necessary or the failure to duly register the participation transfer. As a result, defects in earlier transactions with participation interests of Intergeo's subsidiaries (especially where such participation interests were acquired by Intergeo from unrelated third parties) may cause the Resulting Issuer's title to such participation interests to be subject to challenge.

There can be no assurance that a third party or governmental authority will not seek to review or challenge any of the past or future corporate actions or transactions of the Resulting Issuer's Russian subsidiaries. Defending against these challenges may require significant expenses and the diversion of management's time from managing the Resulting Issuer's business activities. Any of the foregoing challenges could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

The failure to obtain or maintain land use rights in respect of lands relating to subsoil licence areas may prevent the Resulting Issuer from being able to explore or mine deposits for which it has a valid subsoil licence.

Intergeo has entered into various land leases with the applicable governmental authorities in order to obtain land use rights to the areas covered by its subsoil licences; however, these leases do not cover all of the licenced areas, nor do they cover all of the lands Intergeo anticipates being required to enter into use. In accordance with applicable Russian legislation and terms commonly included in subsoil licences, including Intergeo's existing subsoil licences, a licence holder is obliged to obtain land rights to the part of the licenced area where respective prospecting, appraisal, exploration or mining work is carried out. This requires the licence holder in most cases to enter into lease agreements in respect of those areas to ensure it has all of the required land use rights. Lease agreements made for a term of one year or longer must also be registered with the Russian real estate rights registration authorities in order to be enforceable. If the proper land rights are not obtained, or lost (including based on some defects), licence holders may be unable to conduct prospecting, appraisal, exploration or mining activities within those licence areas with respect to which the land rights were not properly obtained. If such activities are nonetheless conducted, it may constitute a breach of the respective licence and lead to suspension, restriction or termination of the licence, as well as fines imposed on the licence holders. If the Resulting Issuer is unable to obtain, or maintain, any such land use rights, it could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

The infrastructure in Russia is inadequate, which could increase costs or result in losses and disrupt normal business activities.

Infrastructure in Russia has not been adequately funded or maintained over past years. Particularly affected are the rail and road networks, power generation and transmission systems, communication systems and building stock. As a result, infrastructure is not always dependable and may fail temporarily or completely at any time. Further deterioration of Russia's physical infrastructure may harm the national economy, disrupt the transportation of goods and supplies and add costs to doing business in Russia and interrupt business operations. Any of these events could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

Adequate infrastructure is not in place for the implementation by the Resulting Issuer of the project in the Tyva Republic where the Ak-Sug Project is located. While Intergeo is in discussions and negotiations with the regional government with respect to the construction of infrastructure necessary for developing the Ak-Sug Project, and while Intergeo anticipates that the regional government will share in the costs of some of the key components, there can be no assurance that the infrastructure will be completed on a timely basis, if at all, or that the required government financial support or costs will be as anticipated by Intergeo. In particular, Intergeo anticipates, and the

Ak-Sug Technical Report assumed, that Intergeo would contribute approximately US\$250 million to the cost of the necessary road infrastructure, with the government funding the balance of such costs. If the Resulting Issuer is unable to obtain such financial support from the government or the financial support is less than that anticipated, the Resulting Issuer may need to fund a majority, or all, of the road construction, which would require the Resulting Issuer to contribute up to an additional estimated US\$200 million. Any increase in such anticipated and assumed capital expenditure by the Resulting Issuer could have a material adverse effect on the economic assessment of the Ak-Sug Project and/or on the Resulting Issuer's business, financial condition and prospects.

It is anticipated that the Resulting Issuer will ship a portion of its mined minerals through the Russian railway network. Accordingly, its ability to transport minerals by rail will depend on the cost and availability of railway cars, which are typically provided by OAO Russian Railways, a state controlled monopoly, or private rolling stock operators, as well as on the capacity of the railway network. There is no assurance that the Resulting Issuer will be able to obtain access to a sufficient number of railway cars in the future or that the price of leasing such cars and/or rail tariffs will be satisfactory for the Resulting Issuer or that the railway network will have the required capacity to transport the Resulting Issuer's mined minerals.

The remote location of Intergeo's mineral properties and the weather conditions associated with these locations may materially adversely affect the Resulting Issuer's ability to explore and develop these properties.

Intergeo's mineral properties are located in relatively remote areas of southern Siberia and the Russian Far East and are subject to severe weather conditions. Given the remote location of these mineral properties, the costs, timing and complexities of exploration and future development at these mineral properties may increase. In addition, the Ak-Sug Project will be operated as a drive-in/drive-out camp operation, which may impact the Resulting Issuer's ability to attract and retain personnel or contractors. Successful development of the Resulting Issuer's mineral properties will require the development of the necessary infrastructure including road and rail access, as well as electricity interconnection. There can be no assurance that any such infrastructure will be built, that it will be built in a timely manner, that the cost will be reasonable or that such infrastructure will satisfy the requirements of the Resulting Issuer's various projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that:

- the development of the Resulting Issuer's mineral properties will be commenced or completed on a timely basis, if at all;
- the resulting operations will achieve the anticipated production volume; or
- the construction costs and operating costs associated with the development of the Resulting Issuer's mineral properties will not be higher than anticipated.

Moreover, severe weather conditions and natural disasters (including earthquakes and floods) at the Resulting Issuer's projects may disrupt or halt its operations as well as deliveries of raw materials and its products, if any. Disruptions or suspensions of the Resulting Issuer's operations, including due to the shortage of raw materials as a result of adverse weather conditions and natural disasters (including earthquakes and floods), may result in decreases in the Resulting Issuer's revenues and profits, if any. In addition, the Resulting Issuer's capital expenditure projects may be subject to delays in operations, disruptions in delivery of supplies, equipment and fuel and cost overruns due to adverse weather conditions. Any of these risks, alone or in combination, could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

The Ak-Sug Project is located in a remote area, which lacks certain basic infrastructure, including roads and powerlines. In order to develop any of its projects the Resulting Issuer will need to establish the facilities and material necessary to support operations in the remote locations in which they are situated. The Resulting Issuer is currently in discussions with the regional government with respect to its support in the construction of the necessary infrastructure.

The Resulting Issuer may face negative legal consequences as a result of past violations of Russian corporate and anti-monopoly laws or regulations.

The Resulting Issuer could face negative legal consequences if it is determined that certain actions by Intergeo or its subsidiaries in the past violated Russian corporate and anti-monopoly laws or regulations, including the Strategic Investment Law. Depending on the nature of such violations, the Resulting Issuer could face various negative legal consequences, including invalidation of transactions with participatory interests, invalidation of corporate resolutions, inability to increase charter capital and/or requests for mandatory winding-up proceedings. To date, Intergeo's Russian subsidiaries have not received any notice of violation from any third-party or governmental authority seeking to review or challenge any of the corporate actions/transactions of Intergeo's Russian subsidiaries; however, there can be no assurance that this will not occur. A successful challenge of certain corporate actions/transactions could materially adversely affect the Resulting Issuer's business, financial condition and prospects.

Regulatory and other legal restrictions may limit the Resulting Issuer's ability to transfer funds or other assets freely.

Regulatory and other legal restrictions may limit the Resulting Issuer's ability to transfer funds or other assets freely, either to or from its subsidiaries. Transfers of funds may be constrained by the following factors: (i) the cash flows generated by operations, investment activities and financing activities; (ii) the level of taxation, particularly corporate profits and withholding taxes in the jurisdiction in which the Resulting Issuer's subsidiaries operate; and (iii) the introduction of exchange controls and repatriation restrictions or the availability of hard currency to be repatriated. These laws, regulations and rules may hinder the Resulting Issuer's ability to access funds that it may need to make payments on its obligations. Any such limitations, or the perception that such limitations may exist in the future, could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects.

Moreover, applicable Russian law provides that the shareholders in a Russian company are not liable for the obligations of the company and bear only the risk of loss of their investment. This may not be the case, however, when one company (the parent) is capable of determining decisions made by another company (the subsidiary). The entity capable of determining such decisions is deemed an "effective parent". An entity whose decisions are capable of being so determined is deemed an "effective subsidiary." Under Russian law, such an effective parent bears joint and several responsibilities for transactions concluded by the effective subsidiary in accordance with mandatory instructions of an effective parent if such effective parent has the right to give such instructions under a contract with the subsidiary or otherwise.

In addition, an effective parent is secondarily liable for an effective subsidiary's debts if an effective subsidiary becomes insolvent or bankrupt as a result of the willful action or inaction of an effective parent. This is the case no matter how the effective parent's ability to determine decisions of the effective subsidiary arises. For example, this liability could arise through ownership of voting securities or by contract. Accordingly, the Resulting Issuer could be liable in some cases for the debts of its Russian subsidiaries. This liability, which is secondary in the case of the Russian subsidiary's insolvency or bankruptcy and several with the liability of the Russian subsidiary in the case of responsibility for transactions concluded by the Russian subsidiary in accordance with the Resulting Issuer's mandatory instructions, could have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

Sales of gold, silver, platinum and other precious metals are subject to certain regulations granting Russia a pre-emptive right to purchase such metals.

The sales of gold, silver, platinum, and other precious metals are governed by Russian Federal Law No. 41-FZ dated March 26, 1998, "On Precious Metals and Gemstones", as amended, and certain regulations. Russia has the pre-emptive right to purchase precious metals from licencees and producers, and may exercise its right at the federal or regional level. The right is subject to the prior conclusion of a sale and purchase agreement and advance payment of the purchase price (based on prices on the world market and market fluctuations on the purchase date). If Russia does not exercise its rights to purchase, the licensee or producer of such metals can sell them to third parties. If the

Resulting Issuer produces precious metals at its properties, the sales of such metals will be subject to this pre-emptive right.

APPENDIX V
INTERGEO RUSSIA AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2011 AND 2010

LLC Intergeo Managing Company

Consolidated Financial Statements

For the years ended
December 31, 2011 and 2010



Deloitte LLP
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Independent Auditor's Report

To the Board of Directors of
LLC Intergeo Managing Company

We have audited the accompanying consolidated financial statements of LLC Intergeo Managing Company, which comprise the consolidated statements of financial position as at December 31, 2011 and December 31, 2010, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity (deficit) and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of LLC Intergeo Managing Company as at December 31, 2011 and December 31, 2010, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
January 24, 2014

LLC Intergeo Managing Company

Consolidated Statements of Financial Position

(in US\$ 000's)

As at December 31,	Note	2011	2010
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	6	9,792	7,656
Other receivables	7	3,853	2,099
Other financial assets	8	1,760	1,327
Inventories		299	183
		15,704	11,265
Non-current assets			
Exploration and evaluation assets	9	170,507	114,326
Property, plant and equipment	10	5,280	1,385
Other financial assets	8	–	396
Other assets		288	53
		176,075	116,160
Total assets		191,779	127,425
Liabilities			
Current Liabilities			
Borrowings	11	200,482	106,824
Other payables and accrued liabilities	12	4,448	2,567
Current income tax payable		–	5
		204,930	109,396
Non-current liabilities			
Borrowings	11	–	5,072
Deferred tax liabilities	13	12,828	9,888
Provisions	14	255	129
		13,083	15,089
Total liabilities		218,013	124,485
Equity (Deficit)			
Charter capital	15	7	7
Additional paid-in capital	16	46,766	40,315
Deficit		(76,880)	(37,438)
Foreign currency translation reserve		2,653	(633)
(Deficit) equity attributable to owners of the Company		(27,454)	2,251
Non-controlling interest		1,220	689
Total (deficit) equity		(26,234)	2,940
Total liabilities and equity (deficit)		191,779	127,425

Contingencies and commitments (Note 21)

Subsequent events (Note 23)

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

APPROVED ON BEHALF OF MANAGEMENT ON JANUARY 24, 2014:

"Andrey Shchetinin"

General Director

"Svetlana Luzinga"

Finance Director

LLC Intergeo Managing Company

Consolidated Statements of Comprehensive Loss

(in US\$ 000's)

For the years ended December 31,	Note	2011	2010
		\$	\$
General and administrative expenses	17	(12,538)	(8,538)
Impairment of exploration and evaluation assets	9	(25,770)	(11,338)
Other income	18	153	-
Other expenses	18	(413)	(36)
Finance income	19	309	1,589
Finance costs	19	(1,216)	(624)
Change in fair value of derivative financial instruments		33	38
Loss before income tax		(39,442)	(18,909)
Income tax expense	13	(207)	(54)
Loss for the year		(39,649)	(18,963)
Other comprehensive income (loss)			
Foreign currency translation adjustments		3,423	(76)
Total comprehensive loss for the year		(36,226)	(19,039)
(Loss) income attributable to:			
Owners of the Company		(39,442)	(19,131)
Non-controlling interest		(207)	168
		(39,649)	(18,963)
Total comprehensive loss attributable to:			
Owners of the Company		(36,156)	(18,774)
Non-controlling interest		(70)	(265)
		(36,226)	(19,039)

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

LLC Intergeo Managing Company

Consolidated Statements of Changes in Equity (Deficit)

(in US\$ 000's)

	Note	Charter capital	Additional paid-in capital	Deficit	Foreign currency translation reserve	Total equity (deficit) attributable to owners of the Company	Non- controlling interest	Total Equity (Deficit)
		\$	\$	\$	\$	\$	\$	\$
Balance, January 1, 2010		7	34,897	(18,308)	(990)	15,606	954	16,560
(Loss) profit for the year		–	–	(19,131)	–	(19,131)	168	(18,963)
Foreign currency translation adjustments		–	–	–	357	357	(433)	(76)
Total comprehensive (loss) income for the year		–	–	(19,131)	357	(18,774)	(265)	(19,039)
Fair value adjustment of related parties loans and receivables on issue, (net of tax of \$1,356)	16	–	5,418	1	–	5,419	–	5,419
Balance, December 31, 2010		7	40,315	(37,438)	(633)	2,251	689	2,940
(Loss) profit for the year		–	–	(39,442)	–	(39,442)	(207)	(39,649)
Foreign currency translation adjustments		–	–	–	3,286	3,286	137	3,423
Total comprehensive (loss) income for the year		–	–	(39,442)	3,286	(36,156)	(70)	(36,226)
Fair value adjustment of related parties loans and receivables on issue, (net of tax of \$1,543)	16	–	6,451	–	–	6,451	–	6,451
Contribution of charter capital by non-controlling interests		–	–	–	–	–	601	601
Balance, December 31, 2011		7	46,766	(76,880)	2,653	(27,454)	1,220	(26,234)

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

LLC Intergeo Managing Company

Consolidated Statements of Cash Flows

(in US\$ 000's)

For the years ended December 31,	Note	2011	2010
		\$	\$
Operating activities			
Loss for the year		(39,649)	(18,963)
Adjustments for:			
Income tax expense	13	207	54
Finance income	19	(309)	(1,589)
Finance costs	19	1,216	624
Change in fair value of derivative financial instruments		(33)	(38)
Loss on impairment of exploration and evaluation assets	9	25,770	11,338
Depreciation		221	100
Other		41	–
		(12,536)	(8,474)
Movements in working capital			
(Increase) decrease in other receivables		(2,247)	1,298
Increase in inventories		(138)	(179)
Increase in other payables and accrued liabilities		555	1,123
Increase in provisions		39	97
Cash flows from operations before income taxes and interest paid		(14,327)	(6,135)
Interest paid		(892)	(382)
Income tax paid		(15)	–
		(15,234)	(6,517)
Investing activities			
Loans provided		–	(333)
Interest received		87	166
Proceeds from disposal of investment		3	–
Acquisition of property, plant and equipment		(1,303)	(278)
Acquisition of exploration and evaluation assets		(18,587)	(17,738)
Acquisition of LLC Kingashskaya mining company	20	(68,119)	–
		(87,919)	(18,183)
Financing activities			
Contribution to charter capital of subsidiary by non-controlling interests		601	–
Proceeds from borrowings		194,824	34,943
Repayments of borrowings		(89,483)	(7,073)
		105,942	27,870
Effect of foreign exchange rate changes on cash and cash equivalents		(653)	(38)
Net increase in cash and cash equivalents		2,136	3,132
Cash and cash equivalents, beginning of year		7,656	4,524
Cash and cash equivalents, end of year		9,792	7,656

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

LLC Intergeo Managing Company

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010
(in US\$ 000's)

1. General Information

LLC Intergeo Managing Company ("Intergeo" or the "Company") was established on February 19, 2007 as a limited liability company under the laws of the Russian Federation.

The Company's registered office is Tverskaya str. 22, Moscow, 125009, Russia. The Company has the following controlled entities, all of which were incorporated in the Russian Federation:

Subsidiary	Project	Ownership	
		December 31, 2011	December 31, 2010
LLC Asian Copper Company	—	100%	100%
Limited Liability Company Zabaikalpolymetal	Uronays	100%	100%
Limited Liability Company Amurmed	Arbinsk	100%	100%
Limited Liability Company Orekitkanskaya GRK	Orekitkan	100%	100%
LLC Ingeovostok	—	—	100%
Limited Liability Company East Sayan nickel company	East Sayan	100%	100%
Uralmining, Ltd.	Bolshoy Seyim	51%	51%
Limited Liability Company Tyvamed	Greater Ak-Sug	100%	100%
Limited Liability Company Golevskaya GRK	Ak-Sug	100%	100%
Kingashskaya mining company LLC	Kingash	100%	—

Intergeo is a mineral resource company with immediate focus on developing its two key open pit projects located in Russia: the Ak-Sug copper porphyry deposit and the Kingash nickel sulphide property. The Company defines its operations as a single operating segment. At December 31, 2011 the Company held exploration and mining licences covering two development and three exploration properties. The Company's current projects are located in Siberia and the Far East regions of the Russian Federation.

Although the Company has taken steps to verify title to properties in which it has an interest, these procedures do not guarantee the Company's title. Property title may be subject to, among other things, a failure to obtain governmental approvals in instances where the authorities could view it as necessary.

The Company is also subject to certain additional restrictions regarding properties designated by the Russian authorities as "Strategic Plots". These restrictions include certain restrictions on transfers and acquisitions of subsoil rights to Strategic Plots. In addition, certain legal restrictions apply to direct and indirect acquisitions of corporate control over the Strategic Plots through corporate transactions involving direct or indirect transfers of control over companies holding subsoil rights to Strategic Plots. The list of Strategic Plots has been prepared and published and is regularly updated. The list of Strategic Plots is not exhaustive and any properties which meet the criteria may be deemed strategic irrespective of whether it is included in the list. The Ak-Sug Project, the Kingash Project and the East Sayan property are on the list of Strategic Plots. The Arbinsk area and the Greater Ak-Sug property may also be considered Strategic Plots.

During the year ended December 31, 2010, the Company was owned by four entities: Onexim Holding Limited and Benise Investments Limited (both incorporated in the Republic of Cyprus) and LLC Sports Complex named after E.A. Streltsov and LLC "Kvarto" (both incorporated in the Russian Federation). On April 28, 2011, ownership of 99.9995% of the Company was transferred to Mr. Mikhail Prokhorov.

LLC Intergeo Managing Company

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010
(in US\$ 000's)

2. Adoption of new or revised standards and interpretations

The International Accounting Standards Board ("IASB") has issued a number of new and revised International Financial Reporting Standards ("IFRS") that were first effective for the years ended December 31, 2011 and 2010. For the purpose of preparing these consolidated financial statements, the Company has adopted all new and revised IFRSs where relevant. The Company has not applied any new standards or interpretations that are effective for the accounting periods beginning after December 31, 2011.

(a) Standards effective for annual periods beginning on or after January 1, 2010.

The application of the following new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years.

- IFRIC 17 "Distributions of Non-Cash Assets to Owners" (effective for annual periods beginning on or after July 1, 2009).
- IFRIC 18 "Transfers of Assets from Customers" (effective for annual periods beginning on or after July 1, 2009).
- IAS 27 "Consolidated and Separate Financial Statements" (revised January 2008; effective for annual periods beginning on or after July 1, 2009).
- IFRS 3 "Business Combinations" (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009).
- Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after January 1, 2010).
- Eligible Hedged Items - Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" (effective with retrospective application for annual periods beginning on or after July 1, 2009).
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after July 1, 2009).
- Additional Exemptions for First-time Adopters - Amendments to IFRS 1 "First-time Adoption of IFRS" (effective for annual periods beginning on or after January 1, 2010).
- Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after July 1, 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after January 1, 2010).

(b) Standards, amendments and interpretations to existing standards and new standards that are not yet effective and have not been early adopted by the Company.

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after January 1, 2012 or later and which the Company has not early adopted.

LLC Intergeo Managing Company
Notes to the Consolidated Financial Statements
For the years ended December 31, 2011 and 2010
(in US\$ 000's)

IAS 27 (2011) - Separate Financial Statements

IAS 27 (2011) - Separate Financial Statements will become effective for annual periods beginning on or after January 1, 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The amended standard will become effective for annual periods beginning on or after January 1, 2013. This amendment will not have an impact on the Company's consolidated financial statements.

IAS 28 (2011) – Investments in associates and joint ventures

IAS 28 (2011), "Investments in associates and joint ventures" (IAS 28) was re-issued by the IASB in May 2011. IAS 28 continues to prescribe the accounting for investments in associates but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

Amendments to IAS 32 – Financial Instruments: Presentation

On December 16, 2011 the IASB published amendments to IAS 32 Financial Instruments: Presentation to clarify the application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Amendments to IFRS 7 – Financial Instruments

On December 16, 2011 the IASB published new disclosures requirements jointly with the Financial Accounting Standards Board ("FASB") that enable users of the financial statements to better compare financial statements prepared in accordance with IFRS and US GAAP. The new requirements are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Amendments to IFRS 9 – Financial instruments

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB in November 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In December 2011, the IASB issued amendments to IFRS 9 that defer the mandatory effective date to annual periods beginning on or after January 1, 2015. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9 which was originally limited to companies that chose to apply IFRS 9 prior to 2012. Alternatively, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments. The Company is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

LLC Intergeo Managing Company

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010
(in US\$ 000's)

Amendments to IAS 1 – Presentation of financial statements

The amendment requires separate presentation for items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met, from those that would never be reclassified to profit or loss. The effective date is for annual periods beginning on or after July 1, 2012 and earlier adoption is permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

IFRS 10 - Consolidated Financial Statements

IFRS 10 - Consolidated Financial Statements will be effective for annual periods beginning on or after January 1, 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result in a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results in a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

IFRS 11 – Joint arrangements

IFRS 11, “Joint arrangements” (IFRS 11) was issued by the IASB in May 2011 and will supersede IAS 31, “Interest in joint ventures” and SIC 13, “Jointly controlled entities – non-monetary contributions by venturers” by removing the option to account for joint ventures using proportionate consolidation and requiring equity accounting. Venturers will transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item on their financial statements. In addition, IFRS 11 will require joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement will no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 12 – Disclosure of interests in other entities

IFRS 12, “Disclosure of interests in other entities” (IFRS 12) was issued by the IASB in May 2011. IFRS 12 requires enhanced disclosure of information about involvement with consolidated and unconsolidated entities, including structured entities commonly referred to as special purpose vehicles or variable interest entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

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IFRS 13 - Fair Value Measurement

IFRS 13 - Fair Value Measurement will be effective for annual periods beginning on or after January 1, 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 is effective for annual periods beginning on or after January 1, 2013 and provides guidance for entities with post-development phase surface mining activities. Under the interpretation, production stripping costs that provide access to ore to be mined in the future are capitalized as non-current assets if the component of the ore body for which access has been improved can be identified, future benefits arising from the improved access are probable and the costs related to the stripping activity associated with the component of the ore body are reliably measurable. The interpretation also addresses how capitalized stripping costs should be depreciated and how capitalized amounts should be allocated between inventory and the stripping activity asset. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

3. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRSs as issued by the IASB.

(b) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the functional currency of the Company and its subsidiaries. These consolidated financial statements are presented in United States dollars and have been rounded to the nearest thousand, except as otherwise stated herein. Unless otherwise indicated, references to "US\$" and "\$" are to United States dollars.

The Company has chosen to present its consolidated financial statements in the US\$, as management believes it is a more convenient presentation currency for international users of the consolidated financial statements of the Company as it is a common presentation currency in the mining industry. The translation of the financial statements of the Company's entities from their functional currency to the presentation currency is performed as follows:

- all assets, liabilities, both monetary and non-monetary, are translated at closing exchange rates at each reporting period end date;
- all income and expenses in each reporting period end date are translated at the average exchange rates for the periods presented, except for significant transactions that are translated at rates on the date of such transactions;
- resulting exchange differences are included in equity and presented as foreign currency translation differences within the foreign currency translation reserve; and

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- in the statement of cash flows, cash balances at beginning and end of each reporting period presented are translated at exchange rates at the respective dates. All cash flows are translated at the average exchange rates for the years presented, except for significant transactions that are translated at rates on the date of transaction.

Exchange rates used in the preparation of the consolidated financial statements were as follows:

RUB/US\$	As at December 31,	Average for the year ended December 31,
2010	0.03276	0.03295
2011	0.03108	0.03410

(c) Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue its activities for the foreseeable future and that all its obligations will be settled in the normal course of business.

To date, the Company has been reliant on borrowings and equity provided by related parties. To continue its planned exploration and development activities, the Company will continue to be reliant on funding provided by related parties and/or successful raising of alternative sources of equity or debt financing. In the absence of a letter of financial support, there would be material uncertainties regarding the Company's ability to continue as a going concern.

On March 15, 2013 the Company' indirect parent company (Intergeo MMC Ltd) received a letter of financial support from Onexim Holdings Limited under which an undertaking has been given to provide sufficient funding to ensure that the Intergeo MMC Ltd (including its subsidiaries) has the ability to meet its obligations and liabilities as and when they fall due during the period of one year subsequent to the date of signing of the Intergeo MMC Ltd consolidated financial statements for the year ended December 31, 2012.

Onexim Holdings Limited has provided the letter of support because as of December 31, 2012 the share capital of Intergeo MMC Ltd is 99.5% indirectly owned by Mr. Mikhail Prokhorov. Mr. Mikhail Prokhorov also controls and is the ultimate beneficial shareholder of Onexim Holdings Limited.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are deconsolidated from the date that control ceases.

Intercompany transactions, balances and revenues and expenses between the Company and its subsidiaries are eliminated. The Company and all of its subsidiaries use uniform accounting policies consistent with the Company's policies and in accordance with IFRS.

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Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the owners of the parent. Non-controlling interests form a separate component of the Company's equity on the consolidated statement of financial position.

(b) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable the acquisition or issue of financial assets or financial liabilities, except for those that are designated as fair value through profit and loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. For those financial assets and liabilities that are classified as fair value through profit and loss, transaction costs are taken directly to profit and loss.

(i) Financial assets

Cash and cash equivalents

Cash and cash equivalents are designated as loans and receivables and are measured at amortized cost, which approximates fair value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other receivables are classified as loans and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as loans and receivables; held-to-maturity investments; or financial assets at fair value through profit or loss. The Company's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive loss and presented within equity in an unrealized gain on financial asset reserve. When an investment is derecognized or impaired, the cumulative gain or loss in other comprehensive loss is transferred to profit or loss.

(ii) Financial liabilities

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

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Other financial liabilities

On initial recognition, the fair value of other financial liabilities is determined by reference to estimated market interest rates. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The effect of discounting other financial liabilities from related parties is credited to additional paid-in capital, as it is considered to be a capital contribution. The effect of discounting other financial liabilities from third parties is charged to profit or loss for the period.

Borrowings and accounts payable and accrued liabilities are classified as other financial liabilities.

(iii) Derivative financial instruments

Derivatives are recognized initially at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized immediately in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

(c) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(d) Mineral exploration and evaluation expenditures

Mineral exploration and evaluation expenditures are capitalized as exploration and evaluation assets when it is expected that the expenditure related to an area of interest will be recouped by future exploitation and/or sale, or at the reporting date the exploration and evaluation activities have not reached a stage that permits a reasonable assessment of the existence of commercially recoverable ore reserves.

The capitalized expenditure includes the cost of acquiring the legal rights to explore and costs that are directly attributable to exploration and evaluation activities such as exploratory drilling, trenching and analysis. Borrowing costs related to exploration and evaluation assets are recognized as part of the cost of such assets.

Capitalized exploration and evaluation expenditures are stated at cost less impairment losses. As the asset is not available for use, it is not depreciated. Capitalized exploration and evaluation expenditure are monitored for indications of impairment. Where there are indicators of potential impairment, an assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash-generating unit) to which the exploration is attributed. Exploration areas at which reserves have been discovered but require major capital expenditures before production can begin are evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway or planned. To the extent that capitalized expenditures are not expected to be recovered, costs are charged to profit or loss.

Exploration and evaluation assets are transferred to mine properties once the work completed supports the future development of the property and such development receives appropriate approvals. In addition,

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capitalized exploration and evaluation costs are assessed for impairment at the point the assets are reclassified in the financial statements.

(e) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in profit or loss as incurred.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit and loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its estimated residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Plant, machinery and equipment	3-10 years
Other	3-5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end, with the effect of any changes in estimates accounted for on a prospective basis. Construction in progress is not depreciated.

(f) Accounting for borrowing costs on qualifying assets

In respect of borrowing costs relating to qualifying assets, the Company capitalizes borrowing costs directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that asset.

Borrowing costs incurred on loans and borrowings obtained by the Company to finance exploration and evaluation activities are capitalized to the cost of exploration and evaluation assets.

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(g) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property. The Company's operations to date are limited to exploration and evaluation activities.

Under its licence agreements, the Company is not responsible for any material restoration, rehabilitation and environmental expenditures that may be incurred subsequent to the cessation of exploration and evaluation operations at each land site, apart from the obligation to perform re-cultivation of certain disturbed lands and tailing pits in the areas of its operating activity.

Costs arising from the site restoration work, discounted using a risk-free rate to their estimated present value, are provided for and capitalized within exploration and evaluation assets. These provisions do not include any additional obligations, which are expected to arise from future damage and are estimated on the basis of a closure plan. These costs are charged against income over the life of the operation, through the depreciation of the asset as an operating cost and the unwinding of the discount on the provision as a finance cost.

Changes in the measurement of a provision relating to the site restoration work that result from changes in the estimated timing or amount of the cash flow, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the current period.

(h) General and administrative expenses

General and administrative expenses are defined as supporting main activities and not linked to exploration and evaluation assets directly. Such expenses include payroll and other expenses of administrative personnel and related taxes, rent of head office, and depreciation of office equipment. General and administrative expenses are included in comprehensive loss when incurred.

(i) Employee benefits

Salaries, annual bonuses, paid annual leave and cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(j) Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in comprehensive loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of exploration and evaluation asset may exceed the recoverable amounts. The factors that are considered include:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and
- the receipt of information after the reporting period indicating that an asset was impaired at the end of the reporting period, or that the amount of a previously recognized impairment loss for that asset needs to be adjusted.

Exploration and evaluation assets are also assessed for impairment at the point the assets are reclassified to mine properties in the financial statements.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an impairment loss is recognized.

(k) Finance income

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and foreign currency gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the dividend is declared.

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(l) Finance costs

Finance costs comprise interest expense on borrowings, foreign currency losses and impairment losses recognized on financial assets.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Seasonality of operations

The Company's exploration operations are subject to seasonal fluctuations as a result of weather conditions. In particular, exploration activities in Siberia and the Far East regions of the Russian Federation are reduced by winter weather conditions, which occur primarily from November to April

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results can differ from those estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage, which permits a reasonable assessment of the existence of reserves. The determination of reserves is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available

(b) Initial recognition of related party receivables and borrowings

In the normal course of business the Company enters into transactions with its related parties. Judgement is applied in determining if such transactions are conducted at market or non-market interest rates. The basis for judgement includes pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

(c) Investment in LLC ALS Chita-Laboratoria ("ALS Chita")

During the year ended December 31, 2008 the Company sold a 75% interest in ALS Chita, an entity involved in ore testing activities, to an unrelated party. Judgement was applied in determining that as a result of the sale the Company did not have significant influence, with its remaining 25% interest, and consequently should not account for its remaining investment under the equity method of accounting.

(d) Acquisition of Kingashskaya mining company LLC ("Kingash")

During the current year the Company acquired a 100% interest in Kingash from related parties. Judgement was applied in determining that this transaction should be accounted for as an asset acquisition. Management concluded that the transaction does not qualify as a business combination under IFRS 3R Business Combinations, as the significant inputs and processes that constitute a business were not identified. Therefore the transaction was treated as an asset acquisition. The purchase consideration has been allocated to the fair value of the assets acquired and liabilities assumed based upon management's best estimate and available information at the time of acquisition.

(e) Uralmining, Ltd. (Bolshoy Seyim)

On April 9, 2012, the Company's parent company (as a result of the restructuring described below in Note 23), Intergeo Management Limited, who was the owner of 49% of the Bolshoy Seyim property through its 49% interest in Uralmining, Ltd., entered into a Subscription Agreement with IRC Limited,. Under the terms of this agreement Intergeo Management Limited received IRC Limited shares, valued at \$11.5 million, in exchange for the Company's 51% interest in Uralmining, Ltd. IRC Limited shares are publicly-traded on the Hong Kong Stock Exchange.

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Judgement was applied in determining that the Company's investment in Uralmining should not be classified as a "held for sale" asset at December 31, 2011. Management concluded that as discussions surrounding the sale of the interest in Uralmining, Ltd. only commenced in the first quarter of 2012, the sale was not highly probable as at December 31, 2011 and therefore the Company did not classify its interest in Uralmining, Ltd. as a "held for sale" asset at year end. In addition, judgement was applied in the determination of the appropriate carrying amount for the exploration and evaluation assets of Bolshoy Seyim. Management determined the carrying value at December 31, 2011 using expected sale proceeds of \$11.5 million in its estimate of recoverable amount. Based upon this estimated recoverable amount, management did not record an impairment loss related to Bolshoy Seyim's exploration and evaluation assets for the year ended December 31, 2011.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) *Ore reserve and resource estimates*

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, property, plant and equipment, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortization charges.

(b) *Fair value determination*

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the use of financial models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(c) *Impairment of tangible and intangible assets other than goodwill*

The Company assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash-

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generating units as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets.

(d) Tax losses carried forward

Tax losses are recognized as a deferred tax asset to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilized. As the Company's operations are at the exploration and evaluation stage, management concluded that estimates of future taxable income are not sufficiently reliable to allow a deferred tax asset to be recognized.

(e) Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

(f) Environmental rehabilitation provision

The Company assesses its environmental rehabilitation provision at each reporting date. Significant estimates and assumptions are made in determining the provision for rehabilitation, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

6. Cash and cash equivalents

As at December 31,	2011	2010
	\$	\$
Cash in bank	4,294	1,422
Deposits with original maturities of 3 months or less	5,498	6,234
	9,792	7,656

7. Other receivables

As at December 31,	2011	2010
	\$	\$
VAT recoverable	3,231	1,833
Prepayments	472	155
Other receivables	150	111
	3,853	2,099

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8. Other financial assets

As at December 31,	2011	2010
	\$	\$
Current assets		
Loans receivable	1,102	1,141
Derivative financial asset	405	–
Interest receivable	253	186
	1,760	1,327
Non-current assets		
Derivative financial asset	–	396

Loans receivable

Loans receivable are denominated in US\$. The loan agreements were signed and loans were issued when the counterparty was a related party. The counterparty ceased to be a related party in December 2008. The major portion, of these loans matured in November and December 2011 and bore interest of 9.6% per annum. Upon initial recognition, the loans were discounted using a market interest rate of 16% to arrive at their fair value. The effect of discounting was debited directly to additional paid-in capital in equity in the amount of \$141, net of tax, at the dates when the loans were issued in 2008. The loans and accrued interest were collected in February of 2012.

Derivative financial asset - LLC ALS Chita-Laboratoria

As at December 31, 2011 and 2010, the Company had a 25% interest in ALS Chita Laboratory LLC, an entity involved in ore testing activities. The Company classified this investment as an available-for-sale investment. During the year ended December 31, 2009, management concluded that the carrying value of this investment was impaired and accordingly, the Company recorded a loss of \$354 which reduced the carrying value of its investment to \$nil as at December 31, 2011 and 2010. During the first quarter of 2012, the Company disposed of its remaining 25% interest in ALS Chita Laboratory LLC as a result of the exercise of the call option, which is discussed below.

During 2008, the Company entered into put and call option agreements with the holder of the 75% interest in ALS Chita Laboratory LLC. According to the put option agreement, the Company could put the remaining 25% interest it owns in ALS Chita Laboratory LLC, during the two years following November 28, 2011, at a price equal to the higher of \$416 and the net asset value of the option interest calculated on the basis of financial statements prepared in accordance with IFRS. According to the call option agreement, the buyer could purchase the remaining 25% interest in ALS Chita Laboratory LLC for the same price as under the put option agreement.

The put and call options were derivative financial instruments. The Company determined the fair value of the derivatives as at the date of the transaction in the amount of \$1 (being the contract price) and at the reporting dates using an option-pricing model (Black-Scholes). Management determined that the fair value of the call option held by the buyer was nominal and, accordingly, a derivative financial liability was not recognized. For the put option, a derivative financial asset was recognized. The fair value of this derivative as at December 31, 2011 amounted to \$405 (December 31, 2010 - \$396). The main input to the option-pricing model was management's estimation of the market value of the underlying asset, which was assessed by the Company at December 31, 2011 as \$nil (December 31, 2010 - \$nil) and its expected volatility, which was estimated by the Company at the level of 36% as at December 31, 2011 (December 31, 2010 – 24%) using historical data for comparable companies.

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During the first quarter of 2012, the holder of the call option exercised its rights, and purchased from the Company its remaining 25% interest. The total cash proceeds received by the Company amounted to \$431.

9. Exploration and evaluation assets

Exploration and evaluation assets by project are as follows:

Project	December 31, 2011	December 31, 2010
	\$	\$
Ak-Sug	30,878	21,051
Kingash	64,572	–
Greater Ak-Sug	4,680	2,556
East Sayan (Note 23)	41,234	39,015
Arbinsk	12,656	12,842
Bolshoy Seyim	16,487	16,658
Orekitkan	–	22,204
	170,507	114,326
		Exploration and evaluation assets
		\$
Balance at January 1, 2010		107,735
Additions		18,680
Impairment of exploration and evaluation assets		(11,338)
Change in estimate		89
Foreign currency translation		(840)
Balance as at December 31, 2010		114,326
Additions		27,560
Acquisition of Kingash (Note 20)		68,117
Reclassifications from property, plant and equipment		241
Impairment of exploration and evaluation assets		(25,770)
Change in estimate		45
Foreign currency translation		(14,012)
Balance at December 31, 2011		170,507

The balance of exploration and evaluation assets at December 31, 2011 and 2010 represents capitalized costs in relation to exploration and evaluation activities carried out by the Company in the Russian Federation. Additions to exploration and evaluation assets include capitalized borrowing costs arising on financing directly attributable to these activities amounting to \$7,822 for the year ended December 31, 2011 (year ended December 31, 2010 - \$9,303). The capitalization rate, based upon market interest rates was 13% (year ended December 31, 2010 - 13%).

During the year ended December 31, 2011, management decided to indefinitely suspend exploration and evaluation activities at the Orekitkansкая field resulting in the Company recognizing an impairment loss totalling \$25,171. Additional impairment losses were also recognized during the year ended December 31, 2011 with respect to the East Sayan (\$445) and Arbinsk properties (\$154). These impairment losses were the result of management's decision to reduce the size of the respective properties under exploration licences.

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During the year ended December 31, 2010, the Company ceased work and planned no future work on the Uronays property. Management determined that the property's potential mineral resources were not commercially viable at that time. As a result of this determination, the Company recorded an impairment loss for the year ended December 31, 2010 totalling \$11,338, which adjusted the carrying value of the related exploration and evaluation asset to \$nil as at December 31, 2010.

Acquisition of Kingash (Note 20)

On July 12, 2011 in a related party transaction, the Company acquired a 100% interest in Kingashskaya mining company LLC ("Kingash") for net cash consideration of approximately \$68,119, net of cash acquired of approximately \$1,874. The acquisition of Kingash has been accounted for as an asset acquisition. The purchase price of \$69,993 has been allocated as follows:

Asset acquired / Liabilities assumed	Amount
	\$
Assets	
Exploration and evaluation assets	68,117
Property, plant and equipment (Note 10)	4,393
Cash	1,874
Other receivables	62
	74,446
Liabilities	
Deferred income taxes	2,161
Loans and borrowings	1,882
Other payables	344
Provisions	66
	4,453
Net assets acquired	69,993
Net cash outflow on acquisition	68,119

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10. Property, plant and equipment

	Land and buildings	Plant, machinery and equipment	Other	Construction in progress	Total
	\$	\$	\$	\$	\$
Cost					
January 1, 2010	–	1,472	348	20	1,840
Additions	–	21	71	214	306
Disposals	–	–	(29)	–	(29)
Foreign currency translation	–	(10)	(2)	(1)	(13)
December 31, 2010	–	1,483	388	233	2,104
Additions	714	259	171	159	1,303
Acquisition of Kingash (Note 9 and 20)	2,880	1,492	21	–	4,393
Reclassifications to exploration and evaluation assets	–	–	–	(241)	(241)
Disposals	–	–	(6)	–	(6)
Foreign currency translation	(431)	(293)	(38)	(5)	(767)
December 31, 2011	3,163	2,941	536	146	6,786
Accumulated depreciation					
January 1, 2010	–	(292)	(98)	–	(390)
Depreciation charge	–	(235)	(97)	–	(332)
Disposals	–	–	1	–	1
Foreign currency translation	–	2	–	–	2
December 31, 2010	–	(525)	(194)	–	(719)
Depreciation charge	(299)	(499)	(112)	–	(910)
Disposals	–	–	5	–	5
Foreign currency translation	26	72	20	–	118
December 31, 2011	(273)	(952)	(281)	–	(1,506)
Carrying amounts					
December 31, 2010	–	958	194	233	1,385
December 31, 2011	2,890	1,989	255	146	5,280

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11. Borrowings

	Currency	Maturity	Nominal interest rate	Effective interest rate	December 31, 2011	December 31, 2010
					\$	\$
Current borrowings						
Loans from:						
unrelated parties	RUB	2011-2012	6.5% -8.8%	13%, 20%	6,032	991
related parties	RUB	2011	0.0%	13%	–	117
					6,032	1,108
Promissory notes issued to:						
unrelated parties	RUB	2011	1.5%	13%	–	5,234
related parties ⁽ⁱ⁾	RUB	2011-2012	0.0 - 5.5%	13%	194,450	100,482
					194,450	105,716
					200,482	106,824
Non-current borrowings						
Loans from unrelated parties	RUB	2012	6.5% - 8.8%	13%	–	5,072
Total borrowings					200,482	111,896

Total Borrowings

All borrowings are unsecured.

The majority of the promissory notes were issued with a discount to the nominal value of the notes. The promissory notes can be transferred by the holder to another party without notification to the issuer of the promissory notes. The loans received by the Company bear fixed interest rates.

The nominal interest rates attached to loans and promissory notes from related parties were below market rates. The promissory notes and loans were discounted at market rates prevailing at the dates of issue for the maturity period of the debt. The effect of discounting of debt payable to related parties was credited to additional paid-in capital as it was considered to be a contribution to capital.

- (i) Promissory notes issued to related parties include interest-free notes issued to North Financial Overseas Corp., which mature in 2012. Notes issued to Onexim Group Management Limited and to other related parties bear interest at 5.5% and nil % per annum, respectively. These notes are payable upon demand.

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12. Other payables and accrued liabilities

As at December 31,	2011	2010
	\$	\$
Interest payable	2,137	1,793
Accrued professional services	940	328
Accrued vacation pay	484	329
Taxes payable	85	35
Accrued payroll	105	–
Other payables	697	82
	4,448	2,567

The fair value of other payables and accrued liabilities at December 31, 2011 and 2010 approximates their carrying value.

13. Income tax

(a) Income tax benefit (expense)

Income tax benefit (expense) recorded in the statement of comprehensive loss is as follows:

For the years ended December 31,	2011	2010
	\$	\$
Current income taxes	(12)	(22)
Deferred income taxes	(195)	(32)
Income tax expense	(207)	(54)

(b) Reconciliation of income tax (expense) recovery

The statutory income tax rate is 20% for 2011 and 2010.

For the years ended December 31,	2011	2010
	\$	\$
Loss before income taxes	(39,442)	(18,909)
Income tax benefit at statutory rates	7,888	3,782
Tax effect of items which are not deductible for taxation purposes:	(409)	(675)
Tax losses not recognized	(7,686)	(3,161)
Income tax expense	(207)	(54)

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(c) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

As at December 31,	2011		
	Assets	Liabilities	Net
	\$	\$	\$
Property, plant and equipment	257	(39)	218
Exploration and evaluation assets	44	(12,582)	(12,538)
Other receivables	33	–	33
Other payables and accrued liabilities	409	–	409
Other financial assets	–	(46)	(46)
Borrowings	2	(906)	(904)
Net assets / (liabilities)	745	(13,573)	(12,828)

As at December 31,	2010		
	Assets	Liabilities	Net
	\$	\$	\$
Exploration and evaluation assets	2,020	(11,238)	(9,218)
Other payables and accrued liabilities	153	–	153
Other financial assets	66	(87)	(21)
Borrowings	–	(802)	(802)
Net assets / (liabilities)	2,239	(12,127)	(9,888)

(d) Movement in temporary differences during the year

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the statutory rate.

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	January 1, 2011	Recognized in profit or loss	Acquired on Kingash acquisition	Recognized directly in equity	Recognized in other comprehensive income (loss)	December 31, 2011
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	–	(58)	309	–	(33)	218
Exploration and evaluation assets	(9,218)	(1,736)	(2,526)	–	942	(12,538)
Other receivables	–	36	–	–	(3)	33
Other payables and accrued liabilities	153	207	56	–	(7)	409
Other financial assets	(21)	(29)	–	–	4	(46)
Borrowings	(802)	1,385	–	(1,543)	56	(904)
	(9,888)	(195)	(2,161)	(1,543)	959	(12,828)

	January 1, 2010	Recognized in profit or loss	Recognized directly in equity	Recognized in other comprehensive income (loss)	December 31, 2010
	\$	\$	\$	\$	\$
Property, plant and equipment	(1)	2	–	(1)	–
Exploration and evaluation assets	(7,696)	(1,590)	–	68	(9,218)
Other payables and accrued liabilities	26	128	–	(1)	153
Other financial assets	10	(29)	–	(2)	(21)
Borrowings	(909)	1,457	(1,356)	6	(802)
	(8,570)	(32)	(1,356)	70	(9,888)

(e) Unrecognized tax losses

Deferred tax assets have not been recognized in respect of the following items:

As at December 31,	2011	2010
	\$	\$
Unrecognized tax losses	18,080	9,431

Deferred tax assets have not been recognized for tax loss carry-forwards as it is not probable that the related tax benefit can be realized through future taxable profits.

Tax loss carry-forwards at December 31, 2011 expire during the years ending December 31, 2016 through 2021 (December 31, 2010 – years ending December 31, 2016 through 2020).

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14. Provisions

(a) Site restoration

Under its licence agreements, the Company is not responsible for any significant restoration, rehabilitation and environmental expenditures that may be incurred subsequent to the cessation of exploration and evaluation operations at each land site, apart from the obligation to perform re-cultivation of certain disturbed lands and tailing pits in the areas of its operating activity. The amount of the restoration obligation is determined using the nominal prices effective at the reporting dates by applying the forecasted rate of inflation for the expected period of the life of the mines and discounted at the risk free rate. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives and the level of risk free and inflation rates.

No actual expenses were incurred for the reporting periods ended December 31, 2011 and 2010.

The timing of decommissioning activity is subject to reassessment at the same time as the revision of the Company's proved and probable reserves. Movements in provisions are as follows:

For the years ended December 31,	2011	2010
	\$	\$
Carrying amount at January 1	129	32
Change in estimate	35	89
Acquisition of Kingash (Notes 9 and 20)	66	–
Unwinding of the discount (Note 19)	27	8
Foreign currency translation	(2)	–
Carrying amount at December 31	255	129

Principal assumptions made in calculations of the provision are presented below:

As at December 31,	2011	2010
Expected year in which costs will be incurred (average)	2029	2029
Discount rate	15.67%	16.74%
Inflation rate	4.54%	4.67%

The asset recognized corresponding to the site restoration provision is recorded as a component of exploration and evaluation assets and amounted to \$190 at December 31, 2011 (December 31, 2010 - \$112).

15. Charter capital

Charter capital is fully paid in cash. Voting rights are allocated to participants based on the proportion of their contributions in total charter capital of the Company. Charter capital as at December 31, 2011 amounted to \$7 (December 31, 2010 - \$7). There were no movements in the charter capital of the Company in the current or prior reporting period.

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16. Additional paid-in capital

Additional paid-in capital results from the effects of discounting at market interest rates loans receivable and payable with related parties in the amount of \$6,451, net of applicable income tax of \$1,567 (December 31, 2010 - \$5,418 net of applicable income tax of \$1,354) (Notes 3 and 20).

17. General and administrative expenses

For the years ended December 31,	2011	2010
	\$	\$
Salaries	5,761	4,084
Rent	2,018	1,102
Professional services	1,909	1,337
Repairs and maintenance	590	406
Unified social tax	560	191
Travel	522	374
Information, printing, communication	293	222
Depreciation	221	100
Taxes and duties	90	331
Other	574	391
	12,538	8,538

18. Other income and other expenses

For the years ended December 31,	2011	2010
	\$	\$
Other income		
Gain on write-off of loan payable	83	–
Other	70	–
	153	–
Other expenses		
Taxes	154	26
Other	259	10
	413	36

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19. Finance income and finance costs

For the years ended December 31,	2011	2010
	\$	\$
Finance income		
Interest received / receivable	218	1,572
Foreign exchange gain	91	17
	309	1,589
Finance costs		
Interest paid / payable	9,011	9,919
Less capitalized interest (Note 9)	(7,822)	(9,303)
	1,189	616
Unwinding of discount (Note 14)	27	8
	1,216	624

20. Related party transactions

Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties to Intergeo and its subsidiaries include:

Related Party	Relationship	Period Related
Onexim Holdings Limited	Shareholder	From March 2008 to April 2011
LLC Kvarto	Shareholder	From March 2008 to April 2011
LLC Sports Complex named after E.A. Streltsov	Shareholder	From March 2008 to April 2011
Mr. Mikhail D. Prokhorov	Shareholder	From April 2011
Onexim Group Management Limited	Other related party ⁽ⁱ⁾	See below
Coverico Holdings Co. Limited	Other related party ⁽ⁱ⁾	See below
North Financial Overseas Corp.	Other related party ⁽ⁱ⁾	See below
Daselina Investments Ltd.	Other related party ⁽ⁱⁱⁱ⁾	See below
LLC Chernogorskaya GRK	Other related party ⁽ⁱⁱⁱ⁾	See below
LLC Kamenskaya GRK	Other related party ⁽ⁱⁱⁱ⁾	See below
Travallation Holdings Ltd	Other related party ⁽ⁱⁱⁱ⁾	See below
Kingashskaya mining company LLC	Other related party ^(iv)	From November 2010 to July 2011

(i) Subsidiary of ONEXIM Holdings Limited (Mr. Mikhail Prokhorov ultimate beneficial owner)

(ii) Mr. Mikhail Prokhorov ultimate beneficial owner

(iii) Subsidiary of Kvarto LLC

(iv) See "Acquisition of Kingashskaya mining company LLC"

Unless otherwise noted the parties were related during the entire period covered by the consolidated financial statements.

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Balances and transactions between the Company and its subsidiaries, which are related parties have been eliminated on consolidation and are not disclosed in this note.

Borrowings

Borrowings from related parties

As at December 31,	2011	2010
	\$	\$
Principal		
Onexim Holdings Limited	188,226	346
Daselina Investments Ltd.	6,224	–
Onexim Group Management Limited	–	38,096
Coverico Holdings Co. Limited	–	56,981
LLC Kwarto	–	5,059
LLC Kamenskaya GRK	–	117
	194,450	100,599
Interest payable		
Coverico Holdings Co. Limited	–	525
LLC Kwarto	–	215
Onexim Holdings Limited	721	–
LLC Kamenskaya GRK	–	17
	721	757
	195,171	101,356

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Proceeds from borrowings

For the years ended December 31,	2011	2010
	\$	\$
Principal		
Onexim Holdings Limited	104,533	–
Onexim Group Management Limited	13,564	17,319
Coverico Holdings Co. Limited	–	1,930
LLC Kvarto	–	5,076
LLC Kamenskaya GRK	–	15
North Financial Overseas Corp.	69,909	–
Daselina Investments Ltd.	6,818	–
LLC Chernogorskaya GRK	–	1,324
	194,824	25,664
Interest accrued		
Onexim Holdings Limited	676	173
Coverico Holdings Co. Limited	15	705
LLC Kvarto	302	216
LLC Kamenskaya GRK	6	–
LLC Chernogorskaya GRK	–	28
	999	1,122
	195,823	26,786

Borrowings repaid

For the years ended December 31,	2011	2010
	\$	\$
Principal		
Onexim Holdings Limited	56,500	4,846
Onexim Group Management Limited	32,857	–
LLC Kamenskaya GRK	126	–
LLC Chernogorskaya GRK	–	1,333
	89,483	6,179
Interest		
Onexim Holdings Limited	225	355
LLC Kamenskaya GRK	24	–
Coverico Holdings Co. Limited	643	–
LLC Chernogorskaya GRK	–	18
	892	373
	90,375	6,552

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(a) Cash in bank

As at December 31,	2011	2010
	\$	\$
OJSC AKB International Finance Club	1	–

(b) Key management remuneration

Key management of Intergeo consists of general directors and deputies of the Company and its subsidiaries. Key management received the following remuneration during the periods, which was included in general and administrative expenses (Note 17).

For the years ended December 31,	2011	2010
	\$	\$
Salaries and bonuses	3,015	2,105
Unified social tax	324	146
	3,339	2,251

(c) Acquisition of Kingashskaya mining company LLC ("Kingash")

On November 15, 2010, four companies purchased all of the charter capital of Kingash from Norilsk Nickel ("Norilsk") in an arm's length transaction for a total price of approximately \$58,102. The purchasers and interest purchased were Travallation Holdings Ltd. – 9.5% ("Travallation", a Cyprus company); LLC Regiomax – 30.5% ("Regiomax", a Russian company); LLC Kvarto – 30.0% ("Kvarto", a Russian company and at November 15, 2010 a 33.25% shareholder in Intergeo); and LLC Technoexim – 30.0% ("Technoexim", a Russian company).

On December 27, 2010, Mr. Grigory Potapov and Mr. Sergey Lyamin (both officers of Intergeo and members of its Board of Directors) were appointed members of the Board of Directors of Kingash.

On March 28, 2011, Technoexim sold its 30.0% interest in Kingash to LLC Sports Complex named after E.A. Streltsov ("Sportscomplex", a Russian company and a 33.25% shareholder in Intergeo).

On April 28, 2011, Mr. Mikhail Prokhorov acquired a 99.9995% interest in Intergeo.

On May 23, 2011, Kingash issued a promissory note to Onexim Holdings Limited ("Onexim Holdings", a Cyprus company) in the amount of \$1,890. Mr. Mikhail Prokhorov is the ultimate beneficial owner of Onexim Holdings, LLC Onexim Group ("Onexim Group", a Russian company) Travallation and Technoexim (since April, 2011).

On July 12, 2011, Intergeo completed the purchase of all of the charter capital of Kingash from Travallation, Regiomax, Kvarto and Sportscomplex for net cash consideration of approximately \$68,119, net of cash acquired of approximately \$1,874. The purchase price does not represent fair value as the transaction was between related parties.

The two shareholders of Kvarto are both senior officers of Onexim Group and one of these individuals (a 30% shareholder of Kvarto) is also the sole shareholder of Sportscomplex.

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(d) Ownership of the Company

On April 28, 2011, ownership of the Company was transferred to Mr. Mikhail Prokhorov.

21. Contingencies and commitments

(a) Tax legislation

Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities.

The Russian tax authorities take a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. This approach includes following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

(b) Legal proceedings

The Company is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material adverse effect on the results of operations or financial position of the Company as at December 31, 2011.

(c) Capital commitments

At December 31, 2011, the Company has contractual capital expenditure commitments in respect of exploration and evaluation assets in amount of \$2,497 (December 31, 2010 - \$78).

(d) Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material.

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(e) Operating leases

The Company leases land under non-cancellable operating lease agreements. The lease terms are between 10 and 18 years, and the majority of lease agreements are renewable at the end of the lease period. The expected amount of lease rentals payable is shown below as at December 31, 2011 and 2010:

As at December 31,	2011
	\$
Less than one year	41
Between one and five years	164
More than five years	352
	557

22. Financial instruments and risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- Interest rate risk
- currency risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable. The credit risk on liquid funds is limited because the Company does not hold significant cash balances and its counterparties are banks with acceptable credit ratings. The credit risk on accounts receivable is primarily concentrated on loans receivable, which are due from both related and unrelated parties. The Company's exposure to these counterparties is continually monitored.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

As at December 31,	2011	2010
	\$	\$
Cash and cash equivalents	9,792	7,656
VAT recoverable	3,231	1,833
Other receivables	150	111
Loans receivable	1,102	1,141
Interest receivable	253	186
	14,528	10,927

The Company's management reviews ageing analysis of outstanding receivables and follows up on past due balances. The Company has not recognized an allowance for doubtful debts as all balances are considered recoverable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. To date, the major part of the Company's funding has been provided by its related parties (Note 20).

The following tables show the remaining contractual maturities as of the reporting dates of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates). The Company did not have any derivative financial liabilities as at December 31, 2011 or 2010.

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Financial liabilities	Carrying amount	Contractual cash flows	0-6 months	6-12 months	Over 1 year
	\$	\$	\$	\$	\$
December 31, 2011					
Borrowings	200,482	204,709	138,211	66,498	–
Other payables and accrued liabilities	4,448	4,448	4,031	417	–
	204,930	209,157	142,242	66,915	–
December 31, 2010					
Borrowings	111,896	115,849	77,500	32,595	5,754
Other payables and accrued liabilities	2,567	2,567	1,708	859	–
	114,463	118,416	79,208	33,454	5,754

Interest rate risk

The Company's operations expose it primarily to the financial risks of changes in interest rates. To date the majority of borrowings have been at fixed rates from related parties (Note 20).

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was as follows:

As at December 31,	2011	2010
	\$	\$
Fixed rate instruments		
Financial assets	1,102	1,141
Financial liabilities	(200,482)	(111,896)
	(199,380)	(110,755)

Currency risk

The Company has a derivative financial asset (Note 8) and certain loans issued to related parties (Note 20), which are denominated in US\$.

At December 31, 2011, if the RUB had weakened/strengthened by 10 percent against the US\$ with all other variables held constant, after-tax loss for the year would have changed by \$140 (December 31, 2010 - \$143).

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(a) *Fair values versus carrying amounts*

As at December 31,	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	9,792	9,792	7,656	7,656
VAT recoverable	3,231	3,231	1,833	1,833
Other receivables	150	150	111	111
Loans receivable	1,102	1,102	1,141	1,141
Interest receivable	253	253	186	186
	14,528	14,528	10,927	10,927
Liabilities				
Borrowings	200,482	200,482	111,896	112,520
Other payables and accrued liabilities	4,448	4,448	2,567	2,567
	204,930	204,930	114,463	115,087

(b) *Fair value hierarchy*

The different levels have been defined as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Other financial assets consist of a put option that is a derivative financial instrument and has a carrying value of \$405 at December 31, 2011. The derivative has been classified within level 3 of the fair value hierarchy. A movement of plus or minus 10% would have no material effect on its fair value.

(c) *Capital risk management*

The Company manages its capital to ensure that it will continue as a going concern in order to complete its planned exploration and evaluation activities.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents), charter capital and additional paid-in capital of the Company.

The Company is not subject to any externally imposed capital requirements.

To date, the majority of the Company's capital has been sourced from debt and equity provided by related parties.

LLC Intergeo Managing Company **Notes to the Consolidated Financial Statements** **For the years ended December 31, 2011 and 2010** **(in US\$ 000's)** ---

23. Subsequent events

Reorganization Transaction

During the period from January 19 to February 9, 2012, Intergeo MMC Ltd, Intergeo Management Limited and LLC Intergeo Managing Company completed a series of corporate reorganization transactions (the "Reorganization Transaction") for the purposes of:

- (i) eliminating the existing related party borrowings owed by LLC Intergeo Managing Company and Intergeo Management Limited by a debt to equity conversion; and
- (ii) establishing the ownership structure whereby Intergeo MMC Ltd has a 99.5% indirect interest in LLC Intergeo Managing Company through Intergeo Management Limited.

Prior to the date of the Reorganization Transaction and at December 31, 2011:

- (i) Intergeo MMC Ltd was 100% beneficially owned by Mr. Mikhail Prokhorov through Daselina Investments Ltd.;
- (ii) Intergeo MMC Ltd owned 100% of Intergeo Management Limited; and
- (iii) Mr. Mikhail Prokhorov owned a 99.9995% interest in LLC Intergeo Managing Company with the remaining 0.0005% interest being indirectly owned by Intergeo MMC Ltd through Intergeo Management Limited.

The Reorganization Transaction was completed through the following steps:

On January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 and Intergeo Management Limited totalling \$5,083 were assigned to Daselina Investments Ltd. The loans and promissory notes receivable aggregating \$208,246 and cash of \$7,262 were transferred by Daselina Investments Ltd. to Intergeo MMC Ltd in exchange for 100,000,000 common shares of Intergeo MMC Ltd. As a result of this step, Intergeo MMC Ltd continued to be 100% owned by Daselina Investments Ltd., which is 100% owned by Mr. Mikhail Prokhorov.

Immediately following the above step, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 and Intergeo Management Limited totalling \$5,083 were owed to Intergeo MMC Ltd.

On January 19, 2012, the loans and promissory notes receivable (including accrued interest) aggregating \$208,246 and cash of \$6,762 were transferred by Intergeo MMC Ltd to Intergeo Management Limited in exchange for 10,000 common shares of Intergeo Management Limited. Loans and promissory notes receivable (including accrued interest) in the amount of \$5,083 were eliminated against existing loans and promissory notes of Intergeo Management Limited. As a result of this step, Intergeo Management Limited continued to be 100% owned by Intergeo MMC Ltd.

Immediately following the above step on January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 were owed to Intergeo Management Limited.

On January 23, 2012 and February 1, 2012, promissory notes receivable (including accrued interest) aggregating \$204,603 and cash of \$6,989 were transferred by Intergeo Management Limited to LLC Intergeo Managing Company in exchange for additional charter capital and additional paid-in capital of LLC Intergeo Managing Company. The increase in charter capital was registered with the Russian tax authorities and became effective on February 9, 2012. The promissory notes (including accrued interest) aggregating \$204,603 were eliminated against existing promissory notes of LLC Intergeo Managing Company.

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As a result of this Reorganization Transaction and the related adjustment to net assets of LLC Intergeo Managing Company, Intergeo MMC Ltd increased its indirect ownership interest in LLC Intergeo Managing Company from 0.0005% to 99.5% and diluted Mr. Mikhail Prokhorov's direct ownership interest in LLC Intergeo Managing Company from 99.9995% to 0.5%. In addition, the Company recorded non-controlling interest in the amount of \$907 as a result of the 0.5% direct ownership. Mr. Prokhorov continued to beneficially own Intergeo MMC Ltd through Daselina Investments Ltd.

Loss on disposal of Uralmining, Ltd. (Bolshoy Seyim property)

On April 9, 2012, Intergeo MMC Ltd's subsidiary and the Company's shareholder Intergeo Management Limited entered into the Subscription Agreement with IRC Limited, who (through its subsidiary Brasenose Services Limited) is the owner of 49% of the Bolshoy Seyim property through its 49% interest in Uralmining, Ltd. Uralmining, Ltd. holds the licence for exploration and extraction of mineral resources at the Bolshoy Seyim deposit in the Amur region of the Russian Federation. The Subscription Agreement provided for Intergeo Management Limited to receive 74,681,360 shares of IRC Limited, in exchange for the Company's 51% interest in Uralmining, Ltd.

The sale was structured as an agreement between between the Company, Intergeo Management Limited and IRC Limited's subsidiary Brasenose Services Limited. On July 24, 2012, the Company sold its 51% interest in Uralmining, Ltd. to Brasenose Services Limited in exchange for a promissory note from Brasenose Services Limited in the amount of \$571 and recorded a loss on disposal of Uralmining, Ltd. in the amount of \$604.

Capital contribution

On February 5, 2013, loans receivable (including accrued interest) aggregating \$13,036 and cash of \$26,902 were transferred by Intergeo Management Limited to LLC Intergeo Managing Company in exchange for additional charter capital and additional paid-in capital of LLC Intergeo Managing Company. The increase in charter capital was registered with the Russian tax authorities and became effective on March 22, 2013. The loans receivable (including accrued interest) aggregating \$13,036 were eliminated against existing loans payable of LLC Intergeo Managing Company.

East Sayan

In May 2013, the Company's management determined that it did not have the funds required to continue the exploration work to evaluate the potential mineral resources of its East Sayan property. As a result of this determination during the second quarter of 2012, the Company decided to indefinitely suspend exploration and evaluation activities at the East Sayan property. Consequently, the Company recorded an impairment loss in the amount of \$42,179 during the six months ended June 30, 2013 that reduced the carrying value of the related exploration and evaluation asset to \$nil at June 30, 2013.

APPENDIX W
INTERGEO RUSSIA MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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Certain terms used in this management's discussion and analysis ("MD&A") are defined in this MD&A. The following MD&A of the operating results and financial condition of LLC Intergeo Managing Company ("Intergeo" or the "Company") for the years ended December 31, 2011 and 2010 should be read in conjunction with the audited consolidated financial statements of the Company and the accompanying notes thereto and which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts in this MD&A are stated in thousands of United States dollars or US\$. The following additional abbreviations have also been used in this MD&A: International Accounting Standards Board ("IASB"); International Accounting Standards ("IAS"); and International Financial Reporting Interpretations Committee ("IFRIC").

The Company's accounting policies and estimates used in the preparation of its financial statements are considered appropriate in the circumstances, but are subject to judgements and uncertainties inherent in the financial reporting process. This analysis contains forward-looking information about the Company's business and future prospects that involve certain risks and uncertainties. The Company provides no assurances that actual results will meet management's expectations.

The information in this MD&A is provided as of January 24, 2014.

Formation of the Company

The Company was established on February 19, 2007 as a limited liability company under the laws of the Russian Federation as "LLC Intergeo Managing Company".

Prior to the acquisition of Kingashskaya mining company LLC ("Kingash"), most of Intergeo's principal subsidiaries that hold its properties were acquired during 2007 and 2008. The mining and explorations rights were primarily obtained through auction processes. On July 12, 2011, Intergeo completed the purchase of all of the charter capital of Kingash. As of this date, Kingash became a wholly-owned subsidiary of Intergeo. As at December 31, 2011, the Company held ten Russian limited liability companies.

Since April 2011, and as at December 31, 2011, Intergeo was 99.9995% owned by Mikhail Prokhorov.

On February 9, 2012, the Company and its parent companies completed a series of corporate restructuring transactions. The transactions had the effect of converting approximately \$195.2 million of the Company's current borrowings to charter capital of the Company. In addition, as a result of the transactions the Company became an indirect wholly-owned subsidiary of Intergeo MMC Ltd (a company incorporated under the laws of the British Virgin Islands). Mr. Prokhorov remained the ultimate beneficial owner of the Company. (See "Subsequent Events").

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OVERALL PERFORMANCE

Intergeo is a diversified mineral resource company primarily focused on developing, exploring and acquiring base metal properties in Russia, with immediate focus on developing its two key open pit projects: the Ak-Sug copper porphyry deposit and the Kingash nickel sulphide property. The Company has no operating properties and therefore no revenue and negative cashflow from operations.

The Company defines its operations as a single operating segment.

Historically the Company has relied on its shareholders for funding of its expenditures through borrowings from the shareholder and related entities. As at December 31, 2011, these borrowings totalled \$195,171 (including accrued interest of \$721), however, as a result of the corporate restructuring that was completed in February 2012, all shareholder and related party borrowings were converted to equity (See "Subsequent Events"). Future funding of the Company will include further shareholder advances and short term bridge financing.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table sets out selected financial information for the Company as at and for the years ended December 31, 2011 and 2010:

For the year ended December 31,	2011	2010
	\$	\$
Loss for the year	(39,649)	(18,963)
Total comprehensive loss for the year	(36,226)	(19,039)
Net cash used in operating activities	(15,234)	(6,517)
Net cash used in investing activities	(87,919)	(18,183)
Net cash from financing activities	105,942	27,870
Effect of foreign exchange rate changes on cash and cash equivalents	(653)	(38)
As at December 31,	2011	2010
(in US\$ 000's)	\$	\$
Assets		
Current assets	15,704	11,265
Exploration and evaluation assets	170,507	114,326
Total assets	191,779	127,425
Liabilities		
Current liabilities	204,930	109,396
Total non-current financial liabilities	13,083	15,089
Total liabilities	218,013	124,485
Current assets less current liabilities	(189,226)	(98,131)
Equity (Deficit)		
Charter capital	7	7
Additional paid-in capital	46,766	40,315
Deficit	(76,880)	(37,438)
Foreign currency translation reserve	2,653	(633)
Equity (deficit) attributable to owners of the company	(27,454)	2,251
Non-controlling interest	1,220	689
Total equity (deficit)	(26,234)	2,940

The Company is in the mineral exploration and development business and has not commenced mining operations or generated operating revenues to date. There is, therefore, no expectation of revenues from development and production until development of any of the Company's properties is completed.

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Net cash used in operating activities and in investing activities increased significantly in each of 2010 and 2011 as the Company's exploration activities increased and exploration properties were acquired, in particular, the acquisition of Kingash, which took place in July 2011.

Results of Operations

The Company has no history of production and no operating revenues and may not generate operating revenues from its mineral properties or ever achieve profitable operations. There are a number of risks or uncertainties that could materially affect the Company's future performance which include, but are not limited to: the Company's limited operating history and lack of operating revenue; obtaining funds to develop mineral properties; the absence of proven or probably reserves; actual costs exceeding anticipated costs; volatility of metal and mineral prices; obtaining permits and licences in Russia and the loss or failure to maintain such licences; the remote location of the Company's mineral properties; operating in Russia; significant governmental regulation and weaknesses in the Russian legal system; and generally, the speculative nature of exploration and development of mineral resources.

Results for the years ended December 31, 2011 and 2010

The Company recorded a loss for the year ended December 31, 2011 of \$39,649, an increase of \$20,686 from the \$18,963 loss recorded for the year ended December 31, 2010. The increased loss is primarily due to an increase in general and administrative expenses on a year-over-year basis and the impairment losses taken in 2011 relating to exploration and evaluation assets.

General and administrative expense

General and administrative expense for the year ended December 31, 2011 was \$12,538, an increase of \$4,000 from \$8,538 for the year ended December 31, 2010. The increase in the general and administrative expense in 2011 over the prior year relates primarily to higher payroll amounts due to increase in project development, higher professional services fees as a result of an increase in the number of contracted personnel in support of expanding exploration work and higher office rent costs in Moscow.

Impairment of exploration and evaluation assets

The impairment losses relating to exploration and evaluation assets for the year ended December 31, 2011 amounted to \$25,770, an increase of \$14,432 from the impairment loss of \$11,338 recognized during the year ended December 31, 2010.

During the year ended December 31, 2011, management decided to indefinitely suspend exploration and evaluation activities at Orekitkan as a result of management's assessment of the current economics of this project. Accordingly, a impairment loss in the amount of \$25,171 was recognized. Additional impairment losses were also recognized during the year ended December 31, 2011 with respect to the East Sayan property in the amount of \$445 and Arbinsk property in the amount of \$154. These impairment losses were the result of management's decision to reduce the size of the respective properties under exploration licences.

During the year ended December 31, 2010, the Company ceased work and planned no future work on the Uronays property. Management determined that the property's potential mineral resources were not commercially viable at that time. As a result of this determination, the Company recorded an impairment loss for the year ended December 31, 2010 totalling \$11,338.

Income tax expense

Income tax expense for the year ended December 31, 2011 was \$207, an increase of \$153 from the expense of \$54 for the year ended December 31, 2010. This change is primarily the result of an increase in impairment losses on

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exploration and evaluation assets and the related tax losses, which were not recognized in the financial statements as it is not probable that the related tax benefit can be realized through future taxable profits.

Financial position

Cash and cash equivalents

At December 31, 2011, cash and cash equivalents of \$9,792 include cash deposits of \$4,294 and short-term interest bearing deposits of \$5,498. This compares with cash and cash equivalents at December 31, 2010 of \$7,656 (cash deposits of \$1,422 and short-term interest bearing deposits of \$6,234). The increase in cash and cash equivalents balances from \$7,656 at December 31, 2010 to \$9,792 at December 31, 2011, reflects the overall increase in the Company's exploration activities and general and administrative costs, which has been financed by increased borrowings from related parties over the same period.

The Company's cash and cash equivalents at December 31, 2011 and 2010 are denominated in Russian Roubles.

Other receivables

At December 31, 2011, other receivables totalled \$3,853 (December 31, 2010 - \$2,099) and are primarily Value Added Tax ("VAT") recoverable of \$3,231 (December 31, 2010 - \$1,833).

Exploration and evaluation assets

Exploration and evaluation assets represent the acquisition costs and deferred exploration and evaluation costs pertaining to the Company's exploration and evaluation activities carried out in the Russian Federation. The capitalized expenditures include the cost of acquiring the legal rights to explore and costs that are directly attributable to exploration and evaluation activities such as exploratory drilling, trenching and analysis. Borrowing costs arising on financing directly attributable to these activities are also recognized as part of the cost of such assets. Capitalized borrowing costs amounted to \$7,822 for the year ended December 31, 2011 (year ended December 31, 2010 - \$9,303).

Exploration and evaluation assets by project are as follows:

Project	December 31, 2011	December 31, 2010
	\$	\$
Ak-Sug	30,878	21,051
Kingash	64,572	–
Greater Ak-Sug	4,680	2,556
East Sayan	41,234	39,015
Arbinsk	12,656	12,842
Bolshoy Seyim	16,487	16,658
Orekitkan	–	22,204
	170,507	114,326

Ak-Sug is a copper porphyry deposit in the early development stage and has a completed preliminary economic assessment. Further studies that demonstrate the economic viability of the project are planned to be completed in 2012 and 2013.

Kingash was acquired by the Company in July 2011. Kingash is a nickel sulphide property consisting of three identified deposits. A preliminary economic assessment has been completed on the project and further studies will be required to demonstrate economic viability.

If economic viability of these projects is determined, a production decision for each will be made followed by financing, construction and mine development in order to place each project into production.

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In addition, the Company's earlier stage exploration assets include the Greater Ak-Sug copper porphyry property ("Greater Ak-Sug") and East Sayan nickel property ("East Sayan"), both of which are located in southern Siberia. The Company also holds a licence covering the Arbinsk copper deposit ("Arbinsk"), which is located in the Far East Federal District of Russia. Management believes these regions to be among the world's most highly prospective mineral districts.

Subsequent to the year ended December 31, 2011, the Company became party to an agreement to dispose of its Bolshoy Seyim property, which it held through its 51% interest in Uralmining, Ltd. (See "Subsequent Events").

Property, plant and equipment

At December 31, 2011, the carrying amount of property, plant and equipment was \$5,280, an increase of \$3,895 from \$1,385 at December 31, 2010. This increase is primarily the result of the acquisition of Kingash, which resulted in the addition of \$4,393 in property, plant and equipment and other additions amounting to \$1,303, partially offset by depreciation charged during the year.

Borrowings

At December 31, 2011 the carrying value of total current and non-current borrowings of \$200,482 was comprised of \$194,450 in promissory notes issued to related parties and \$6,032 in loans to the Bolshoy Seyim project from unrelated parties. See "Transactions with Related Parties". This represents a net increase in total borrowings of \$88,586 from \$111,896 at December 31, 2010. As at December 31, 2010 the Company had \$5,072 in non-current loans from unrelated parties, \$6,225 in current loans and promissory notes from unrelated parties and \$100,599 in current loans and promissory notes from related parties. The net increase in borrowings during 2011 was primarily used to finance the acquisition of Kingash, fund exploration and evaluation activities related to the projects and to provide funds for general and administrative purposes.

Additional paid-in capital

The increase in additional paid-in capital during the year ended December 31, 2011 was caused by from the effects of discounting at market interest rates related party loans and receivables in the amount of \$6,451, net of applicable tax of \$1,543 (December 31, 2010 - \$5,418 net of applicable tax of \$1,356).

Charter capital

Charter capital is fully paid in cash. Voting rights are allocated to participants based on the proportion of their contributions in the total charter capital of the Company. Charter capital as at December 31, 2011 amounted to \$7 (December 31, 2010 - \$7). There were no movements in the charter capital of the Company in the years ended December 31, 2011 or 2010.

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SUMMARY OF QUARTERLY RESULTS

For the year ended December 31, 2011	December 31, Qtr 4	September 30, Qtr 3	June 30, Qtr 2	March 31, Qtr 1
	\$	\$	\$	\$
Loss for the period	(4,474)	(4,786)	(27,497)	(2,892)
Total comprehensive loss for the period	(4,091)	(1,925)	(27,078)	(3,132)
Net cash from (used in) operating activities	1,405	(11,415)	(3,455)	(1,769)
Net cash used in investing activities	(6,563)	(75,875)	(4,482)	(999)
Net cash from financing activities	15,320	75,745	14,877	–
For the year ended December 31, 2010	December 31, Qtr 4	September 30, Qtr 3	June 30, Qtr 2	March 31, Qtr 1
	\$	\$	\$	\$
Loss for the period	(12,279)	(2,687)	(1,519)	(2,478)
Total comprehensive loss for the period	(12,273)	(2,310)	(2,388)	(2,068)
Net cash used in operating activities	(2,068)	(1,489)	(969)	(1,991)
Net cash used in investing activities	(12,048)	(1,980)	(2,078)	(2,077)
Net cash from financing activities	9,352	4,146	6,379	7,993

The most significant items that have affected the Company's losses for the eight quarters ended December 31, 2011 were impairment charges relating to exploration and evaluation assets.

During the three months ended September 30, 2011 the Company used cash in the amount of \$68,119 to purchase LLC Kingashskaya mining company.

During the three month period ended June 30, 2011 the Company's loss for the period was impacted as a result of an impairment charge related to its Orekitkan project in the amount of \$25,171.

During the three months ended December 31, 2010 the Company's loss for the period was increased as a result of an impairment charge related to Uronays in the amount of \$11,338.

Since April 2011, and as at December 31, 2011, Intergeo was 99.9995% owned by Mikhail Prokhorov. Mr. Prokhorov remained the ultimate beneficial owner of the Company upon completion of the restructuring transactions which were completed in February 2012.

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Contractual obligations	Payments Due by Period				
	Total \$	Less than 1 year \$	1 - 3 years \$	4 - 5 years \$	After 5 years \$
Debt	200,482	200,482	–	–	–
Finance lease obligations	–	–	–	–	–
Operating leases	557	41	98	66	352
Purchase obligations ⁽ⁱ⁾	2,497	2,497	–	–	–
Other obligations ⁽ⁱⁱ⁾	4,448	4,448	–	–	–
Total contractual obligations	207,984	207,468	98	66	352

- (i) "Purchase obligations" means an agreement to purchase goods or services that is enforceable and legally binding on the company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.
- (ii) "Other obligations" means other financial liabilities reflected on the company's statement of financial position.

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated financial statements have been prepared on a going concern basis, which assumes that it will continue its activities for the foreseeable future and that all its obligations will be settled in the normal course of business.

The Company is at the exploration and evaluation stage of its activities and has not generated revenue or cash flow from its exploration projects. The attainment of profitable operations is dependent upon future events, including the successful exploration and development of the Company's projects. To date, the Company has been reliant on borrowings and equity provided by related parties. See "Transactions with Related Parties". To continue its planned exploration and development activities, the Company will continue to be reliant on funding provided by related parties and/or successful equity or debt financings. In the absence of a letter of financial support, there would be significant uncertainty regarding the Company's ability to continue as a going concern.

On March 15, 2013 the Company's indirect parent company (Intergeo MMC Ltd) received a letter of financial support from Onexim Holdings Limited under which an undertaking has been given to provide sufficient funding to ensure that the Intergeo MMC Ltd (including its subsidiaries) has the ability to meet its obligations and liabilities as and when they fall due during the period of one year subsequent to the date of signing of the Intergeo MMC Ltd consolidated financial statements for the year ended December 31, 2012.

Onexim Holdings Limited has provided the letter of support because as of December 31, 2012 the share capital of Intergeo MMC Ltd is 99.5% indirectly owned by Mr. Mikhail Prokhorov. Mr. Mikhail Prokhorov also controls and is the ultimate beneficial shareholder of Onexim Holdings Limited.

On February 9, 2012 the Company and its parent companies completed a series of corporate restructuring transactions. The transactions had the effect of converting approximately US\$195.2 million of the Company's current borrowings to charter capital of the Company. In addition, as a result of the transactions the Company became an indirect wholly-owned subsidiary of Intergeo MMC Ltd (a company incorporated under the laws of the British Virgin Islands). Mr. Prokhorov remained the ultimate beneficial owner of the Company.

During the year ended December 31, 2011, the Company received proceeds from borrowings totalling \$194,824 (year ended December 31, 2010 – \$34,943) and repaid borrowings during the year ended December 31, 2011 of \$89,483 and (year ended December 31, 2010 - \$7,073).

The Company had a working capital deficiency (current assets of \$15,704 less current liabilities of \$204,930) of \$189,226 as at December 31, 2011, which represents an increase of \$91,095 from \$98,131 at December 31, 2010. The increase in the working capital deficiency as at December 31, 2011 compared with December 31, 2010 is primarily a result of the net

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increase in current borrowings of \$93,658 that was used to finance the acquisition of Kingash, exploration and evaluation activities, and general and administrative expenses during the year.

Subsequent to 2011, the Company completed a corporate restructuring in February 2012 which converted all shareholder and related entity borrowings to equity, thereby eliminating the working capital deficiency. (See "Subsequent Events") As the Company's projects are all in the exploration or economic assessment stage, no funds from operations are expected to be generated prior to the commencement of production. The Company will rely on further shareholder funding and short term bridge financing to fund activities for the next 18 months.

Contingencies and commitments

Tax legislation

Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities.

The Russian tax authorities take a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. This approach includes following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Legal proceedings

The Company is a party to certain legal proceedings arising in the ordinary course of business. However, there are no legal proceedings that the Company is or was a party to, or that any of the Company's property is or was the subject of, since incorporation of the Company, that were or are material to the Company, and there are no such material legal proceedings that the Company knows to be contemplated as at December 31, 2011.

Capital commitments

At December 31, 2011 the Company has contractual capital expenditure commitments in respect of exploration and evaluation assets in the amount of \$2,497 (December 31, 2010 - \$78).

Additional expenditures are planned in 2012 in order to advance exploration activities on the properties and progress economic studies required for the Ak-Sug and Kingash projects. The amount of these additional expenditures will be dependent upon funding sources available to the Company during the year. Contractual capital commitments will be funded through cash reserves.

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material.

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Operating leases

The Company leases land under non-cancellable operating lease agreements. The leases are for a specified period, and the majority of lease agreements are renewable at the end of the lease period. The expected amount of lease rentals payable is shown below as at December 31, 2011 and 2010:

As at December 31,	2011	2010
	\$	\$
Less than one year	41	42
Between one and five years	164	169
More than five years	352	415
	557	626

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet transactions.

TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties to Intergeo and its subsidiaries include:

Related Party	Relationship	Period Related
Onexim Holdings Limited	Shareholder	From March 2008 to April 2011
LLC Kvarto	Shareholder	From March 2008 to April 2011
LLC Sports Complex named after E.A. Streltsov	Shareholder	From March 2008 to April 2011
Mr. Mikhail D. Prokhorov	Shareholder	From April 2011
Onexim Group Management Limited	Other related party ⁽ⁱⁱⁱ⁾	See below
Coverico Holdings Co. Limited	Other related party ⁽ⁱ⁾	See below
North Financial Overseas Corp.	Other related party ⁽ⁱ⁾	See below
Daselina Investments Ltd.	Other related party ⁽ⁱⁱⁱ⁾	See below
LLC Chernogorskaya GRK	Other related party ⁽ⁱⁱⁱ⁾	See below
LLC Kamenskaya GRK	Other related party ⁽ⁱⁱⁱ⁾	See below
Travallation Holdings Ltd	Other related party ⁽ⁱⁱ⁾	See below
Kingashskaya mining company LLC	Other related party ^(iv)	From November 2010 to July 2011

(i) Subsidiary of ONEXIM Holdings Limited (Mr. Mikhail Prokhorov ultimate beneficial owner)

(ii) Mr. Mikhail Prokhorov ultimate beneficial owner

(iii) Subsidiary of Kvarto LLC

(iv) See "Acquisition of Kingashskaya mining company LLC"

Unless otherwise noted the parties were related during the entire period covered by the financial statements.

Balances and transactions between the Company and its subsidiaries, which are related parties have been eliminated on consolidation and are not disclosed in the following tables.

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Borrowings from related parties

All borrowings from related parties are unsecured.

The majority of the promissory notes were issued with a discount to the nominal value of the notes. The promissory notes can be transferred by the holder to another party without notification to the issuer of the promissory notes. The loans received by the Company bear fixed interest rates.

The nominal interest rates attached to loans and promissory notes from related parties were below market rates. The promissory notes and loans were discounted at market rates prevailing at the dates of issue for the maturity period of the debt. The effect of discounting of debt payable to related parties was credited to additional paid-in capital as it was considered to be a contribution to capital.

Promissory notes issued to related parties include interest-free notes issued to North Financial Overseas Corp., which mature in 2012. Notes issued to Onexim Group Management Limited and to other related parties bear interest at 5.5% and nil % per annum, respectively. These notes are payable upon demand.

As at December 31,	2011	2010
	\$	\$
Principal		
Onexim Holdings Limited	188,226	346
Daselina Investments Ltd.	6,224	—
Onexim Group Management Limited	—	38,096
Coverico Holdings Co. Limited	—	56,981
LLC Kvarto	—	5,059
LLC Kamenskaya GRK	—	117
	194,450	100,599
Interest payable		
Coverico Holdings Co. Limited	—	525
LLC Kvarto	—	215
Onexim Holdings Limited	721	—
LLC Kamenskaya GRK	—	17
	721	757
	195,171	101,356

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Proceeds from borrowings

For the years ended	2011	2010
	\$	\$
Principal		
Onexim Holdings Limited	104,533	—
Onexim Group Management Limited	13,564	17,319
Coverico Holdings Co. Limited	—	1,930
LLC Kvarto	—	5,076
North Financial Overseas Corp.	69,909	—
Daselina Investments Ltd.	6,818	—
LLC Kamenskaya GRK	—	15
LLC Chernogorskaya GRK	—	1,324
	194,824	25,664
Interest accrued		
Onexim Holdings Limited	676	173
Coverico Holdings Co. Limited	15	705
LLC Kvarto	302	216
LLC Kamenskaya GRK	6	—
LLC Chernogorskaya GRK	—	28
	999	1,122
	195,823	26,786

Borrowings repaid

For the years ended	2011	2010
	\$	\$
Principal		
Onexim Holdings Limited	56,500	4,846
Onexim Group Management Limited	32,857	—
LLC Kamenskaya GRK	126	—
LLC Chernogorskaya GRK	—	1,333
	89,483	6,179
Accrued interest		
Onexim Holdings Limited	225	355
Coverico Holdings Co. Limited	643	—
LLC Kamenskaya GRK	24	—
LLC Chernogorskaya GRK	—	18
	892	373
	90,375	6,552

Cash in bank

As at December 31,	2011	2010
	\$	\$
OJSC AKB International Finance Club	1	-

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Key management remuneration

Key management of Intergeo consists of general directors and deputies of the Company and its subsidiaries. Key management received the following remuneration during the periods, which was included in general and administrative expenses.

For the year ended December 31,	2011	2010
	\$	\$
Salaries and bonuses	3,015	2,105
Unified social tax	324	146
	3,339	2,251

Acquisition of Kingashskaya mining company LLC ("Kingash")

On November 15, 2010, four companies purchased all of the charter capital of Kingash from Norilsk Nickel ("Norilsk") in an arm's length transaction for a total price of approximately \$58,102. The purchasers and interest purchased were Travallation Holdings Ltd. – 9.5% ("Travallation", a Cyprus company); LLC Regiomax – 30.5% ("Regiomax", a Russian company); LLC Kvarto – 30.0% ("Kvarto", a Russian company and at November 15, 2010 a 33.25% shareholder in Intergeo); and LLC Technoexim – 30.0% ("Technoexim", a Russian company).

On December 27, 2010, Mr. Grigory Potapov and Mr. Sergey Lyamin (both officers of Intergeo and members of its Board of Directors) were appointed members of the Board of Directors of Kingash.

On March 28, 2011, Technoexim sold its 30.0% interest in Kingash to LLC Sports Complex named after E.A. Streltsov ("Sportscomplex", a Russian company and a 33.25% shareholder in Intergeo).

On April 28, 2011, Mr. Mikhail Prokhorov acquired a 99.9995% interest in Intergeo.

On May 23, 2011, Kingash issued a promissory note to Onexim Holdings Limited ("Onexim Holdings", a Cyprus company) in the amount of \$1,890. Mr. Mikhail Prokhorov is the ultimate beneficial owner of Onexim Holdings, LLC Onexim Group ("Onexim Group", a Russian company) Travallation and Technoexim (since April, 2011).

On July 12, 2011, Intergeo completed the purchase of all of the charter capital of Kingash from Travallation, Regiomax, Kvarto and Sportscomplex for cash consideration of approximately \$68,119, net of cash acquired of approximately \$1,874. The purchase price does not represent fair value as the transaction was between related parties.

The two shareholders of Kvarto are both senior officers of Onexim Group and one of these individuals (a 30% shareholder of Kvarto) is also the sole shareholder of Sportscomplex.

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FOURTH QUARTER

The following compares the operating results for the Company on a year-over-year basis for the three months ended December 31, 2011 and 2010.

For the three months ended December 31,	2011	2010
	\$	\$
General and administrative expenses	(3,452)	(2,866)
Impairment of exploration and evaluation assets	(445)	(11,338)
Other income	4	—
Other expenses	386	36
Finance income	86	744
Finance costs	(226)	(56)
Changes in fair value of derivative financial instruments	8	8
Loss before income taxes	(3,639)	(13,472)
Income tax benefit (expense)	(835)	1,193
Loss for the period	(4,474)	(12,279)
Foreign currency translation adjustments	383	6
Total comprehensive loss for the period	(4,091)	(12,273)
Net cash from (used in) operating activities	1,405	(2,068)
Net cash used in investing activities	(6,563)	(12,048)
Net cash from financing activities	15,320	9,352

Results for the three months ended December 31, 2011 and 2010

The Company recorded a loss for the three months ended December 31, 2011 of \$4,474, a reduction of \$7,805 from the \$12,279 loss recognized for the three months ended December 31, 2010. The decrease in loss is primarily due to impairment losses taken in the fourth quarter of 2010 totalling \$11,338 relating to exploration and evaluation assets at the Uronays property partially offset by an increase in general and administrative expenses of \$586 on a year-over-year basis.

General and administrative expense

General and administrative expense for the three months ended December 31, 2011 was \$3,452, an increase of \$586 from \$2,866 for the three months year ended December 31, 2010. The increase in the general and administrative expense in 2011 over the prior year relates primarily to higher payroll amounts due to increase in project development, higher professional services fees due to an increase in the number of contracted personnel in support of expanding exploration work and higher office rent costs in Moscow.

Impairment of exploration and evaluation assets

The impairment losses relating to exploration and evaluation assets for the three months ended December 31, 2011 amounted to \$445, a decrease of \$10,893 from the loss of \$11,338 recognized during the three months ended December 31, 2010.

During the three months ended December 31, 2011 the Company recognized an impairment loss with respect to the East Sayan property in the amount of \$445. This impairment loss was the result of management's decision to reduce the size of the property under the exploration licence.

During the three months ended December 31, 2010, the Company ceased work and plans no future work on the Uronays property. Management determined that the property's potential mineral resources were not commercially viable at

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that time. As a result of this determination, the Company recorded an impairment loss during the three months ended December 31, 2010 totalling \$11,338.

Income tax benefit (expense)

Income tax expense for the three months ended December 31, 2011 was \$835, a change of \$2,028 from the income tax benefit of \$1,193 for the three months ended December 31, 2010. This change is primarily the result of a decrease in impairment charges on exploration and evaluation assets and the related tax losses, which were not recognized in the financial statements as estimates of future taxable income are not sufficiently reliable to allow a deferred tax amount to be recognized.

SUBSEQUENT EVENTS

Reorganization Transaction

During the period from January 19 to February 9, 2012, Intergeo MMC Ltd, Intergeo Management Limited and LLC Intergeo Managing Company completed a series of corporate reorganization transactions (the "Reorganization Transaction") for the purposes of:

- (i) eliminating the existing related party borrowings owed by LLC Intergeo Managing Company and Intergeo Management Limited by a debt to equity conversion; and
- (ii) establishing the ownership structure whereby Intergeo MMC Ltd has a 99.5% indirect interest in LLC Intergeo Managing Company through Intergeo Management Limited.

Prior to the date of the Reorganization Transaction and at December 31, 2011:

- (i) Intergeo MMC Ltd was 100% beneficially owned by Mr. Mikhail Prokhorov through Daselina Investments Ltd.;
- (ii) Intergeo MMC Ltd owned 100% of Intergeo Management Limited; and
- (iii) Mr. Mikhail Prokhorov owned a 99.9995% interest in LLC Intergeo Managing Company with the remaining 0.0005% interest being indirectly owned by Intergeo MMC Ltd through Intergeo Management Limited.

The Reorganization Transaction was completed through the following steps:

On January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 and Intergeo Management Limited totalling \$5,083 were assigned to Daselina Investments Ltd. The loans and promissory notes receivable aggregating \$208,246 and cash of \$7,262 were transferred by Daselina Investments Ltd. to Intergeo MMC Ltd in exchange for 100,000,000 common shares of Intergeo MMC Ltd. As a result of this step, Intergeo MMC Ltd continued to be 100% owned by Daselina Investments Ltd., which is 100% owned by Mr. Mikhail Prokhorov.

Immediately following the above step, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 and Intergeo Management Limited totalling \$5,083 were owed to Intergeo MMC Ltd.

On January 19, 2012, the loans and promissory notes receivable (including accrued interest) aggregating \$208,246 and cash of \$6,762 were transferred by Intergeo MMC Ltd to Intergeo Management Limited in exchange for 10,000 common shares of Intergeo Management Limited. Loans and promissory notes receivable (including accrued interest) in the amount of \$5,083 were eliminated against existing loans and promissory notes of Intergeo Management Limited. As a result of this step, Intergeo Management Limited continued to be 100% owned by Intergeo MMC Ltd.

Immediately following the above step on January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 were owed to Intergeo Management Limited.

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On January 23, 2012 and February 1, 2012, promissory notes receivable (including accrued interest) aggregating \$204,603 and cash of \$6,989 were transferred by Intergeo Management Limited to LLC Intergeo Managing Company in exchange for additional charter capital and additional paid-in capital of LLC Intergeo Managing Company. The increase in charter capital was registered with the Russian tax authorities and became effective on February 9, 2012. The promissory notes (including accrued interest) aggregating \$204,603 were eliminated against existing promissory notes of LLC Intergeo Managing Company.

As a result of this Reorganization Transaction and the related adjustment to net assets of LLC Intergeo Managing Company, Intergeo MMC Ltd increased its indirect ownership interest in LLC Intergeo Managing Company from 0.0005% to 99.5% and diluted Mr. Mikhail Prokhorov's direct ownership interest in LLC Intergeo Managing Company from 99.9995% to 0.5%. In addition, the Company recorded non-controlling interest in the amount of \$907 as a result of the 0.5% direct ownership. Mr. Prokhorov continued to beneficially own Intergeo MMC Ltd through Daselina Investments Ltd.

Loss on disposal of Uralmining, Ltd. (Bolshoy Seyim property)

On April 9, 2012, Intergeo MMC Ltd's subsidiary and the Company's shareholder Intergeo Management Limited entered into the Subscription Agreement with IRC Limited, who (through its subsidiary Brasenose Services Limited) is the owner of 49% of the Bolshoy Seyim property through its 49% interest in Uralmining, Ltd. Uralmining, Ltd. holds the licence for exploration and extraction of mineral resources at the Bolshoy Seyim deposit in the Amur region of the Russian Federation. The Subscription Agreement provided for Intergeo Management Limited to receive 74,681,360 shares of IRC Limited, in exchange for the Company's 51% interest in Uralmining, Ltd.

The sale was structured as an agreement between between the Company, Intergeo Management Limited and IRC Limited's subsidiary Brasenose Services Limited. On July 24, 2012, the Company sold its 51% interest in Uralmining, Ltd. to Brasenose Services Limited in exchange for a promissory note from Brasenose Services Limited in the amount of \$571 and recorded a loss on disposal of Uralmining, Ltd. in the amount of \$604.

Capital contribution

On February 5, 2013, loans receivable (including accrued interest) aggregating \$13,036 and cash of \$26,902 were transferred by Intergeo Management Limited to LLC Intergeo Managing Company in exchange for additional charter capital and additional paid-in capital of LLC Intergeo Managing Company. The increase in charter capital was registered with the Russian tax authorities and became effective on March 22, 2013. The loans receivable (including accrued interest) aggregating \$13,036 were eliminated against existing loans payable of LLC Intergeo Managing Company.

East Sayan

In May 2013, the Company's management determined that it did not have the funds required to continue the exploration work to evaluate the potential mineral resources of its East Sayan property. As a result of this determination during the second quarter of 2012, the Company decided to indefinitely suspend exploration and evaluation activities at the East Sayan property. Consequently, the Company recorded an impairment loss in the amount of \$42,179 during the six months ended June 30, 2013 that reduced the carrying value of the related exploration and evaluation asset to \$nil at June 30, 2013.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 4 of the Consolidated Financial Statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results can differ from those estimates.

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The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage, which permits a reasonable assessment of the existence of reserves. The determination of reserves is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

(b) Initial recognition of related party receivables and borrowings

In the normal course of business the Company enters into transactions with its related parties. Judgement is applied in determining if such transactions are conducted at market or non-market interest rates. The basis for judgement includes pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

(c) Investment in LLC ALS Chita-Laboratoria ("ALS Chita")

During the year ended December 31, 2008 the Company sold a 75% interest in ALS Chita, an entity involved in ore testing activities, to an unrelated party. Judgement was applied in determining that as a result of the sale the Company did not have significant influence, with its remaining 25% interest, and consequently should not account for its remaining investment under the equity method of accounting.

(d) Acquisition of Kingashskaya mining company LLC ("Kingash")

During the current year the Company acquired a 100% interest in Kingash from related parties. Judgement was applied in determining that this transaction should be accounted for as an asset acquisition. Management concluded that the transaction does not qualify as a business combination under IFRS 3R Business Combinations, as the significant inputs and processes that constitute a business were not identified. Therefore the transaction was treated as an asset acquisition. The purchase consideration has been allocated to the fair value of the assets acquired and liabilities assumed based upon management's best estimate and available information at the time of acquisition.

(e) Uralmining, Ltd. (Bolshoy Seyim)

On April 9, 2012, the Company's parent company (as a result of the restructuring described above), Intergeo Management Limited, entered into a Subscription Agreement with IRC Limited, who is the owner of 49% of the Bolshoy Seyim property through its 49% interest in Uralmining, Ltd. This agreement contemplated Intergeo Management Limited receiving IRC Limited shares, valued at \$11.5 million, in exchange for the Company's 51% interest in Uralmining, Ltd. IRC Limited shares are publicly-traded on the Hong Kong Stock Exchange.

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Judgement was applied in determining that the Company's investment in Uralmining should not be classified as a "held for sale" asset at December 31, 2011. Management concluded that as discussions surrounding the sale of the interest in Uralmining, Ltd. only commenced in the first quarter of 2012, the sale was not highly probable as at December 31, 2011 and therefore the Company did not classify its interest in Uralmining, Ltd. as a "held for sale" asset at year end. In addition, judgement was applied in the determination of the appropriate carrying amount for the exploration and evaluation assets of Bolshoy Seyim. Management determined the carrying value at December 31, 2011 using expected sale proceeds of \$11.5 million in its estimate of recoverable amount. Based upon this estimated recoverable amount, management did not record an impairment loss related to Bolshoy Seyim's exploration and evaluation assets for the year ended December 31, 2011.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) *Ore reserve and resource estimates*

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, property, plant and equipment, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortization charges.

(b) *Fair value determination*

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the use of financial models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(c) *Impairment of tangible and intangible assets other than goodwill*

The Company assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash-generating units as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets.

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(d) Tax losses carried forward

Tax losses are recognized as a deferred tax asset to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilized. As the Company's operations are at the exploration and evaluation stage, management concluded that estimates of future taxable income are not sufficiently reliable to allow a deferred tax asset to be recognized.

(e) Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

(f) Environmental rehabilitation provision

The Company assesses its site rehabilitation provision at each reporting date. Significant estimates and assumptions are made in determining the provision for rehabilitation, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board ("IASB") has issued a number of new and revised International Financial Reporting Standards ("IFRS") that were first effective for the years ended December 31, 2011 and 2010. For the purpose of preparing these consolidated financial statements, the Company has adopted all new and revised IFRSs where relevant. The Company has not applied any new standards or interpretations that are effective for the accounting periods beginning after December 31, 2011.

(a) Standards effective for annual periods beginning on or after January 1, 2010.

The application of the following new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years.

- IFRIC 17 "Distributions of Non-Cash Assets to Owners" (effective for annual periods beginning on or after July 1, 2009).
- IFRIC 18 "Transfers of Assets from Customers" (effective for annual periods beginning on or after July 1, 2009).
- IAS 27 "Consolidated and Separate Financial Statements" (revised January 2008; effective for annual periods beginning on or after July 1, 2009).
- IFRS 3 "Business Combinations" (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009).
- Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after January 1, 2010).
- Eligible Hedged Items - Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" (effective with retrospective application for annual periods beginning on or after July 1, 2009).

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- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after July 1, 2009).
- Additional Exemptions for First-time Adopters - Amendments to IFRS 1 "First-time Adoption of IFRS" (effective for annual periods beginning on or after January 1, 2010).
- Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after July 1, 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after January 1, 2010).

(b) *Standards, amendments and interpretations to existing standards and new standards that are not yet effective and have not been early adopted by the Company.*

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after January 1, 2012 or later and which the Company has not early adopted.

IAS 27 (2011) - Separate Financial Statements

IAS 27 (2011) - Separate Financial Statements will become effective for annual periods beginning on or after January 1, 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The amended standard will become effective for annual periods beginning on or after January 1, 2013. This amendment will not have an impact on the Company's consolidated financial statements.

IAS 28 (2011) – Investments in associates and joint ventures

IAS 28 (2011), "Investments in associates and joint ventures" (IAS 28) was re-issued by the IASB in May 2011. IAS 28 continues to prescribe the accounting for investments in associates but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

Amendments to IAS 32 – Financial Instruments: Presentation

On December 16, 2011 the IASB published amendments to IAS 32 Financial Instruments: Presentation to clarify the application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Amendments to IFRS 7 – Financial Instruments

On December 16, 2011 the IASB published new disclosures requirements jointly with the Financial Accounting Standards Board ("FASB") that enable users of the financial statements to better compare financial statements prepared in accordance with IFRS and US GAAP. The new requirements are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Amendments to IFRS 9 – Financial instruments

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB in November 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model

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for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In December 2011, the IASB issued amendments to IFRS 9 that defer the mandatory effective date to annual periods beginning on or after January 1, 2015. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9 which was originally limited to companies that chose to apply IFRS 9 prior to 2012. Alternatively, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments. The Company is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

Amendments to IAS 1 – Presentation of financial statements

The amendment requires separate presentation for items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met, from those that would never be reclassified to profit or loss. The effective date is for annual periods beginning on or after July 1, 2012 and earlier adoption is permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

IFRS 10 - Consolidated Financial Statements

IFRS 10 - Consolidated Financial Statements will be effective for annual periods beginning on or after January 1, 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result in a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results in a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

IFRS 11 – Joint arrangements

IFRS 11, "Joint arrangements" (IFRS 11) was issued by the IASB in May 2011 and will supersede IAS 31, "Interest in joint ventures" and SIC 13, "Jointly controlled entities – non-monetary contributions by venturers" by removing the option to account for joint ventures using proportionate consolidation and requiring equity accounting. Venturers will transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item on their financial statements. In addition, IFRS 11 will require joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement will no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 12 – Disclosure of interests in other entities

IFRS 12, "Disclosure of interests in other entities" (IFRS 12) was issued by the IASB in May 2011. IFRS 12 requires enhanced disclosure of information about involvement with consolidated and unconsolidated entities, including structured entities commonly referred to as special purpose vehicles or variable interest entities. IFRS 12 is effective for

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annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 13 - Fair Value Measurement

IFRS 13 - Fair Value Measurement will be effective for annual periods beginning on or after January 1, 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 is effective for annual periods beginning on or after January 1, 2013 and provides guidance for entities with post-development phase surface mining activities. Under the interpretation, production stripping costs that provide access to ore to be mined in the future are capitalized as non-current assets if the component of the ore body for which access has been improved can be identified, future benefits arising from the improved access are probable and the costs related to the stripping activity associated with the component of the ore body are reliably measurable. The interpretation also addresses how capitalized stripping costs should be depreciated and how capitalized amounts should be allocated between inventory and the stripping activity asset. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments are comprised of financial liabilities and financial assets. The Company's principal financial liabilities comprise accounts payable and short and long-term borrowings. The Company's principal financial assets are cash and cash equivalents and loans and other receivables.

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- interest rate risk
- currency risk

This section presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable. The credit risk on liquid funds is limited because the Company does not hold significant cash balances and its counterparties are banks with acceptable credit ratings. The credit risk on accounts receivable is primarily concentrated on loans receivable, which

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are due from both related and unrelated parties. The Company's exposure to these counterparties is continually monitored.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposures to credit risk at the reporting dates were:

As at December 31,	2011	2010
	\$	\$
Cash and cash equivalents	9,792	7,656
VAT recoverable	3,231	1,833
Other receivables	150	111
Loans receivable	1,102	1,141
Interest receivable	253	186
	14,528	10,927

The Company's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. The Company has not recognized an allowance for doubtful debts as all balances are still considered recoverable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. To date, the major part of the Company's funding has been provided by its related parties.

The following tables show the remaining contractual maturities as of the reporting dates of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates). The Company did not have any derivative financial liabilities as at December 31, 2011 or 2010.

Financial liabilities	Carrying amount	Contractual cash flows	0-6 months	6-12 months	Over 1 year
	\$	\$	\$	\$	\$
December 31, 2011					
Borrowings	200,482	204,709	138,211	66,498	–
Other payables and accrued liabilities	4,448	4,448	4,031	417	–
	204,930	209,157	142,242	66,915	–

Financial liabilities	Carrying amount	Contractual cash flows	0-6 months	6-12 months	Over 1 year
	\$	\$	\$	\$	\$
December 31, 2010					
Borrowings	111,896	115,849	77,500	32,595	5,754
Other payables and accrued liabilities	2,567	2,567	1,708	859	–
	114,463	118,416	79,208	33,454	5,754

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Interest rate risk

The Company's operations expose it primarily to the financial risks of changes in interest rates. To date the majority of borrowings have been at fixed rates from related parties.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was as follows:

As at December 31,	2011	2010
	\$	\$
Fixed rate instruments		
Financial assets	1,102	1,141
Financial liabilities	(200,482)	(111,896)
	(199,380)	(110,755)

Currency risk

The Company has a derivative financial asset and certain loans issued to related parties, which are denominated in US\$.

At December 31, 2011, if the RUB had weakened/strengthened by 10 percent against the US\$ with all other variables held constant, after-tax loss for the year would have changed by \$140 (December 31, 2009 - \$143).

(a) *Fair values versus carrying amounts*

The following compares the carrying value with fair value for certain assets and liabilities:

As at December 31,	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	9,792	9,792	7,656	7,656
VAT recoverable	3,231	3,231	1,833	1,833
Other receivables	150	150	111	111
Loans receivable	1,102	1,102	1,141	1,141
Interest receivable	253	253	186	186
	14,528	14,528	10,927	10,927
Liabilities				
Borrowings	200,482	200,482	111,896	112,520
Other payables and accrued liabilities	4,448	4,448	2,567	2,567
	204,930	204,930	114,463	115,087

(b) *Fair value hierarchy*

The three levels of the fair value hierarchy with respect to required disclosures about the inputs to fair value measurement are:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

LLC Intergeo Managing Company
Management's Discussion and Analysis
For the years ended December 31, 2011 and 2010

Other financial assets consist of a put option that is a derivative financial instrument and has a carrying value of \$405 at December 31, 2011. The derivative has been classified within level 3 of the fair value hierarchy. A movement of plus or minus 10% would have no material effect on its fair value.

(c) Capital risk management

The Company manages its capital to ensure that it will continue as a going concern in order to complete its planned exploration and evaluation activities.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents), charter capital and additional paid-in capital of the Company.

The Company is not subject to any externally imposed capital requirements.

To date, the majority of the Company's capital has been sourced from debt and equity provided by related parties.

OTHER

For a further discussion of risk factors that could materially affect the Company's future operating results and financial position see "Risk Factors" contained elsewhere in this prospectus.

Outstanding Share Data

As at December 31, 2011, the Company was a limited liability company established under the laws of the Russian Federation. A limited liability Company does not issue shares but owners contribute to the charter capital and equity. Participation of the owners is determined by their capital contribution. The Company's charter capital amounted to \$7 at December 31, 2011 (December 31, 2010 - \$7). The charter capital is fully paid in cash and voting rights are allocated to participants based on the proportion of their contributions in the total capital of the Company.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining internal controls over financial reporting, and disclosure controls and procedures. Management is currently reviewing both of these areas and is establishing a work plan in order to meet the requirements for Intergeo MMC Ltd's future reporting periods once it is a reporting issuer.

The Intergeo MMC Ltd's Audit Committee Mandate will require the Audit Committee to oversee management's review of the adequacy of internal controls and to oversee management's disclosure controls and procedures.

APPENDIX X
KINGASH LLC AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2010 AND 2009

Kingashskaya mining company LLC

Consolidated Financial Statements

For the years ended

December 31, 2010 and 2009



Deloitte LLP
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Toronto ON M5J 2V1
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Independent Auditor's Report

To the Board of Directors of
Kingashskaya mining company LLC

We have audited the accompanying consolidated financial statements of Kingashskaya mining company LLC, which comprise the consolidated statements of financial position as at December 31, 2010 and December 31, 2009, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kingashskaya mining company LLC as at December 31, 2010 and December 31, 2009, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
January 24, 2014

Kingashskaya mining company LLC
Consolidated Statements of Financial Position

(in US\$ 000's)

As at December 31,	Note	2010	2009
		\$	\$
Assets			
Current assets			
Cash		478	354
Other receivables	6	65	420
		543	774
Non-current assets			
Exploration and evaluation assets	7	48,566	61,267
Property, plant and equipment	8	4,497	5,441
		53,063	66,708
Total assets		53,606	67,482
Liabilities			
Current Liabilities			
Borrowings	9	–	7,344
Other payables and accrued liabilities	10	307	580
		307	7,924
Non-current liabilities			
Deferred tax liabilities	11	2,038	2,390
Provisions	12	56	18
		2,094	2,408
Total liabilities		2,401	10,332
Equity			
Charter capital	13	54,729	–
Additional paid-in capital	14	9,249	63,275
Deficit		(10,689)	(4,418)
Foreign currency translation reserve		(2,084)	(1,702)
Equity attributable to owners of the Company		51,205	57,155
Non-controlling interest		–	(5)
Total equity		51,205	57,150
Total liabilities and equity		53,606	67,482
Contingencies and commitments (Note 19)			
Subsequent events (Note 21)			

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

APPROVED ON BEHALF OF MANAGEMENT ON JANUARY 24, 2014

"Alexander Efimov"

General Director

Kingashskaya mining company LLC
Consolidated Statements of Comprehensive Loss

(in US\$ 000's)

For the years ended December 31,	Note	2010	2009
		\$	\$
General and administrative expenses	15	(1,098)	(818)
Impairment of exploration and evaluation assets	7	(4,854)	–
Other expenses		(713)	(181)
Finance income	17	11	19
Finance costs	17	(848)	(1,462)
Loss before income tax		(7,502)	(2,442)
Income tax benefit (expense)	11	246	(340)
Loss for the year		(7,256)	(2,782)
Other comprehensive loss			
Foreign currency translation adjustments		(382)	(1,146)
Total comprehensive loss for the year		(7,638)	(3,928)
Loss attributable to:			
Owners of the Company		(7,248)	(2,772)
Non-controlling interest		(8)	(10)
		(7,256)	(2,782)
Total comprehensive loss attributable to:			
Owners of the Company		(7,630)	(3,918)
Non-controlling interest		(8)	(10)
		(7,638)	(3,928)

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

Kingashskaya mining company LLC

Consolidated Statements of Changes in Equity

(in US\$ 000's)

	Note	Charter capital	Additional paid-in capital	Deficit	Foreign currency translation reserve	Total equity attributable to owners of the Company	Non-controlling interest	Total
		\$	\$	\$	\$	\$	\$	\$
Balance, January 1, 2009		–	5,509	(1,646)	(556)	3,307	1	3,308
Loss for the year		–	–	(2,772)	–	(2,772)	(10)	(2,782)
Foreign currency translation adjustments		–	–	–	(1,146)	(1,146)	–	(1,146)
Total comprehensive loss for the year		–	–	(2,772)	(1,146)	(3,918)	(10)	(3,928)
Transactions with owners recorded directly in equity								
Prepayment for charter capital	14	–	54,266	–	–	54,266	–	54,266
Fair value adjustment of related parties loans and receivables on issue, (net of tax of \$332 thousand)	14	–	1,320	–	–	1,320	4	1,324
Contributions by owners		–	2,180	–	–	2,180	–	2,180
Total transactions with owners		–	57,766	–	–	57,766	4	57,770
Balance, December 31, 2009		–	63,275	(4,418)	(1,702)	57,155	(5)	57,150
Loss for the year		–	–	(7,248)	–	(7,248)	(8)	(7,256)
Foreign currency translation adjustments		–	–	–	(382)	(382)	–	(382)
Total comprehensive loss for the year		–	–	(7,248)	(382)	(7,630)	(8)	(7,638)
Transactions with owners recorded directly in equity								
Issue of charter capital	13,14	54,729	(54,266)	–	–	463	–	463
Disposal of subsidiary	16	–	–	977	–	977	10	987
Fair value adjustment of related parties loans and receivables on issue, (net of tax of \$61 thousand)	14	–	240	–	–	240	3	243
Total transactions with owners		54,729	(54,026)	977	–	1,680	13	1,693
Balance, December 31, 2010		54,729	9,249	(10,689)	(2,084)	51,205	–	51,205

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

Kingashskaya mining company LLC

Consolidated Statements of Cash Flows

(in US\$ 000's)

For the years ended December 31,	Note	2010	2009
		\$	\$
Operating activities			
Loss for the year		(7,256)	(2,782)
Adjustments for:			
Income tax (benefit) expense	11	(246)	340
Finance income	17	(11)	(19)
Finance costs	17	848	1,462
Loss on impairment of exploration and evaluation assets	7	4,854	–
Depreciation	15	733	631
Other		520	–
		(558)	(368)
Movements in working capital			
Decrease in other receivables		542	2,040
Increase (decrease) in other payables and accrued liabilities		175	(1,218)
Cash flows from operations before income taxes and interest paid		159	454
Interest paid		–	(7,440)
		159	(6,986)
Investing activities			
Interest received		11	19
Net cash outflow on disposal of subsidiary	16	(3)	–
Acquisition of exploration and evaluation assets		(558)	(1,639)
		(550)	(1,620)
Financing activities			
Proceeds from issue of charter capital		463	–
Prepayment received for charter capital	14	–	54,266
Contributions by owners		–	2,180
Proceeds from borrowings	18	49	5,047
Repayments of borrowings	18	–	(49,585)
		512	11,908
Effect of foreign exchange rate changes on cash		3	(3,599)
Net increase (decrease) in cash		124	(297)
Cash, beginning of year		354	651
Cash, end of year		478	354

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

Kingashskaya mining company LLC
Notes to the Consolidated Financial Statements
For the years ended December 31, 2010 and 2009
(in US\$ 000's)

1. General Information

Kingashskaya mining company LLC ("Kingash" or the "Company") was established on May 2, 2006 as a limited liability company under the laws of the Russian Federation. During the reporting periods, the Company held a 99% interest in LLC Tungusskaya. On November 13, 2010, the Company sold its interest in the subsidiary to OJSC MMC Norilsk Nickel ("Norilsk Nickel") (Note 16).

The Company's registered office is 48 Karl Marks str., Krasnoyarsk, Krasnoyarskiy region, Russia.

Until November 15, 2010 the Company was wholly owned by Norilsk Nickel. On that date, the Company became wholly-owned by four entities: LLC Regiomax - 30.5%, LLC Kvatro and LLC Technoexim - 30% each, Travallation Holdings Limited - 9.5% (referred to as "Shareholders").

On July 12, 2011, LLC Intergeo Managing Company ("Intergeo") completed the purchase of all of the charter capital of Kingash (Note 21).

The Company is primarily involved in the exploration and evaluation of the following mineral resources in Russia: nickel, copper and cobalt. The Company holds two licences. The Kingash Licence allows the Company to explore and mine nickel, copper, cobalt and associated minerals from the Kingash deposits. The Upper Kingash/Kuyo Licence allows the Company to carry out prospecting and evaluation of the Upper Kingash and Kuyo deposits. The Company's current projects are located in the Krasnoyarskiy region of the Russian Federation.

Although the Company has taken steps to verify title to properties in which it has an interest, these procedures do not guarantee the Company's title. Property title may be subject to, among other things, a failure to obtain governmental approvals in instances where the authorities could view it as necessary.

The Company is also subject to certain additional restrictions regarding properties designated by the Russian authorities as "Strategic Plots". These restrictions include certain restrictions on transfers and acquisitions of subsoil rights to Strategic Plots. In addition, certain legal restrictions apply to direct and indirect acquisitions of corporate control over the Strategic Plots through corporate transactions involving direct or indirect transfers of control over companies holding subsoil rights to Strategic Plots. The list of Strategic Plots has been prepared and published and is regularly updated. The list of Strategic Plots is not exhaustive and any property which meets the criteria may be deemed strategic irrespective of whether it is included in the list. The Kingash Project is on the list of Strategic Plots.

2. Adoption of new or revised standards and interpretations

The International Accounting Standards Board ("IASB") has issued a number of new and revised International Financial Reporting Standards ("IFRS") that were first effective for the years ended December 31, 2010 and 2009. For the purpose of preparing these consolidated financial statements, the Company has adopted all new and revised IFRSs where relevant. The Company has not applied any new standards or interpretations that are effective for accounting period beginning after December 31, 2010.

(a) Standards effective for annual periods beginning on or after January 1, 2010.

The application of the following new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years.

- IFRIC 17 "Distributions of Non-Cash Assets to Owners" (effective for annual periods beginning on or after July 1, 2009).

Kingashskaya mining company LLC
Notes to the Consolidated Financial Statements
For the years ended December 31, 2010 and 2009
(in US\$ 000's)

- IFRIC 18 "Transfers of Assets from Customers" (effective for annual periods beginning on or after July 1, 2009).
- IAS 27 "Consolidated and Separate Financial Statements" (revised January 2008; effective for annual periods beginning on or after July 1, 2009).
- IFRS 3 "Business Combinations" (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009).
- Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after January 1, 2010).
- Eligible Hedged Items - Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" (effective with retrospective application for annual periods beginning on or after July 1, 2009).
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after July 1, 2009).
- Additional Exemptions for First-time Adopters - Amendments to IFRS 1 "First-time Adoption of IFRS" (effective for annual periods beginning on or after January 1, 2010).
- Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after July 1, 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after January 1, 2010).

(b) *Standards, amendments and interpretations to existing standards and new standards that are not yet effective and have not been early adopted by the Company.*

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after January 1, 2011 or later and which the Company has not early adopted.

IAS 27 (2011) - Separate Financial Statements

IAS 27 (2011) - Separate Financial Statements will become effective for annual periods beginning on or after January 1, 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The amended standard will become effective for annual periods beginning on or after January 1, 2013. This amendment will not have an impact on the Company's consolidated financial statements.

IAS 28 (2011) – Investments in associates and joint ventures

IAS 28 (2011), "Investments in associates and joint ventures" (IAS 28) was re-issued by the IASB in May 2011. IAS 28 continues to prescribe the accounting for investments in associates but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

Amendments to IAS 32 – Financial Instruments: Presentation

Kingashskaya mining company LLC
Notes to the Consolidated Financial Statements
For the years ended December 31, 2010 and 2009
(in US\$ 000's)

On December 16, 2011 the IASB published amendments to IAS 32 Financial Instruments: Presentation to clarify the application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Amendments to IFRS 7 – Financial Instruments

On December 16, 2011 the IASB published new disclosures requirements jointly with the Financial Accounting Standards Board ("FASB") that enable users of the financial statements to better compare financial statements prepared in accordance with IFRS and US GAAP. The new requirements are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Amendments to IFRS 9 – Financial instruments

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB in November 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In December 2011, the IASB issued amendments to IFRS 9 that defer the mandatory effective date to annual periods beginning on or after January 1, 2015. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9 which was originally limited to companies that chose to apply IFRS 9 prior to 2012. Alternatively, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments. The Company is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

Amendments to IAS 1 – Presentation of financial statements

The amendment requires separate presentation for items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met, from those that would never be reclassified to profit or loss. The effective date is for annual periods beginning on or after July 1, 2012 and earlier adoption is permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

IFRS 10 - Consolidated Financial Statements

IFRS 10 - Consolidated Financial Statements will be effective for annual periods beginning on or after January 1, 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result in a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results in a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control

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was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

IFRS 11 – Joint arrangements

IFRS 11, “Joint arrangements” (IFRS 11) was issued by the IASB in May 2011 and will supersede IAS 31, “Interest in joint ventures” and SIC 13, “Jointly controlled entities – non-monetary contributions by venturers” by removing the option to account for joint ventures using proportionate consolidation and requiring equity accounting. Venturers will transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item on their financial statements. In addition, IFRS 11 will require joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement will no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 12 – Disclosure of interests in other entities

IFRS 12, “Disclosure of interests in other entities” (IFRS 12) was issued by the IASB in May 2011. IFRS 12 requires enhanced disclosure of information about involvement with consolidated and unconsolidated entities, including structured entities commonly referred to as special purpose vehicles or variable interest entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 13 - Fair Value Measurement

IFRS 13 - Fair Value Measurement will be effective for annual periods beginning on or after January 1, 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

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IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 is effective for annual periods beginning on or after January 1, 2013 and provides guidance for entities with post-development phase surface mining activities. Under the interpretation, production stripping costs that provide access to ore to be mined in the future are capitalized as non-current assets if the component of the ore body for which access has been improved can be identified, future benefits arising from the improved access are probable and the costs related to the stripping activity associated with the component of the ore body are reliably measurable. The interpretation also addresses how capitalized stripping costs should be depreciated and how capitalized amounts should be allocated between inventory and the stripping activity asset. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

3. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRSs as issued by the IASB.

(b) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the functional currency of the Company and its subsidiaries. These consolidated financial statements are presented in United States dollars and have been rounded to the nearest thousand, except as otherwise stated herein. Unless otherwise indicated, references to "US\$" and "\$" are to United States dollars.

The Company has chosen to present its consolidated financial statements in the US\$, as management believes it is a more convenient presentation currency for international users of the consolidated financial statements of the Company as it is a common presentation currency in the mining industry. The translation of the financial statements of the Company's entities from their functional currency to the presentation currency is performed as follows:

- all assets, liabilities, both monetary and non-monetary, are translated at closing exchange rates at each reporting period end date;
- all income and expenses in each reporting period end are translated at the average exchange rates for the years presented, except for significant transactions that are translated at rates on the date of such transactions;
- resulting exchange differences are included in equity and presented as foreign currency translation differences within the foreign currency translation reserve; and
- in the statement of cash flows, cash balances at beginning and end of each reporting period presented are translated at exchange rates at the respective dates. All cash flows are translated at the average exchange rates for the years presented, except for significant transactions that are translated at rates on the date of transaction.

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Exchange rates used in the preparation of the consolidated financial statements were as follows:

RUB/US\$	As at December 31,	Average for the year ended December 31,
2009	0.03299	0.03160
2010	0.03276	0.03295

(c) Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue its activities for the foreseeable future and that all its obligations will be settled in the normal course of business.

The Company is at the exploration and evaluation stage of its activities. The attainment of profitable operations is dependent upon future events, including the successful development and exploitation of the Company's mineral licenses. To date, the Company has been reliant on borrowings and equity provided by related parties. To continue its planned exploration and development activities, the Company will continue to be reliant on funding provided by related parties and/or successful raising of alternative sources of equity or debt financing. In the absence of a letter of financial support, there would be significant uncertainty regarding the Company's ability to continue as a going concern.

On March 15, 2013 the Company's indirect parent company (Intergeo MMC Ltd) received a letter of financial support from Onexim Holdings Limited under which an undertaking has been given to provide sufficient funding to ensure that Intergeo MMC Ltd (including its subsidiaries) has the ability to meet its obligations and liabilities as and when they fall due during the period of one year subsequent to the date of signing of the Intergeo MMC Ltd consolidated financial statements for the year ended December 31, 2012.

Onexim Holdings Limited has provided the letter of support because as of December 31, 2012 the share capital of Intergeo MMC Ltd is 99.5% indirectly owned by Mr. Mikhail Prokhorov. Mr. Mikhail Prokhorov also controls and is the ultimate beneficial shareholder of Onexim Holdings Limited.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are deconsolidated from the date that control ceases.

Intercompany transactions, balances and revenues and expenses between the Company and its subsidiaries are eliminated. The Company and all of its subsidiaries use uniform accounting policies consistent with the Company's policies and in accordance with IFRS.

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Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the owners of the parent. Non-controlling interests form a separate component of the Company's equity on the consolidated statement of financial position.

(b) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable the acquisition or issue of financial assets or financial liabilities, except for those that are designated as fair value through profit and loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. For those financial assets and liabilities that are classified as fair value through profit and loss, transaction costs are taken directly to profit and loss.

(i) Financial assets

Cash and cash equivalents

Cash and cash equivalents are designated as loans and receivables and are measured at amortized cost, which approximates fair value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other receivables are classified as loans and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as loans and receivables; held-to-maturity investments; or financial assets at fair value through profit or loss. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive loss and presented within equity in an unrealized gain on financial asset reserve. When an investment is derecognized or impaired, the cumulative gain or loss in other comprehensive loss is transferred to profit or loss.

(ii) Financial liabilities

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Other financial liabilities

On initial recognition, the fair value of other financial liabilities is determined by reference to estimated market interest rates. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The effect of discounting other financial liabilities from related parties is credited to additional paid-in capital, as it is considered to be a capital contribution. The effect of discounting other financial liabilities from third parties is charged to profit or loss for the period.

Borrowings and accounts payable and accrued liabilities are classified as other financial liabilities.

(iii) *Derivative financial instruments*

Derivatives are recognized initially at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized immediately in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

(c) Mineral exploration and evaluation expenditures

Mineral exploration and evaluation expenditures are capitalized as exploration and evaluation assets when it is expected that the expenditure related to an area of interest will be recouped by future exploitation and/or sale, or at the reporting date the exploration and evaluation activities have not reached a stage that permits a reasonable assessment of the existence of commercially recoverable ore reserves.

The capitalized expenditure includes the cost of acquiring the legal rights to explore and costs that are directly attributable to exploration and evaluation activities such as exploratory drilling, trenching and analysis. Borrowing costs related to exploration and evaluation assets are recognized as part of the cost of such assets.

Capitalized exploration and evaluation expenditures are stated at cost less impairment losses. As the asset is not available for use, it is not depreciated. Capitalized exploration and evaluation expenditure are monitored for indications of impairment. Where there are indicators of potential impairment, an assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash-generating unit) to which the exploration is attributed. Exploration areas at which reserves have been discovered but require major capital expenditures before production can begin are evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway or planned. To the extent that capitalized expenditures are not expected to be recovered, costs are charged to profit or loss.

Exploration and evaluation assets are transferred to mine properties once the work completed supports the future development of the property and such development receives appropriate approvals. In addition,

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capitalized exploration and evaluation costs are assessed for impairment at the point the assets are reclassified in the financial statements.

(d) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in profit or loss as incurred.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit and loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its estimated residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Plant, machinery and equipment	3-10 years
Other	3-5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end, with the effect of any changes in estimates accounted for on a prospective basis. Construction in progress is not depreciated.

(e) Accounting for borrowing costs on qualifying assets

In respect of borrowing costs relating to qualifying assets, the Company capitalizes borrowing costs directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that asset.

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Borrowing costs incurred on loans and borrowings obtained by the Company to finance exploration and evaluation activities are capitalized to the cost of exploration and evaluation assets.

(f) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property. The Company's operations to date are limited to exploration and evaluation activities.

Under its licence agreements, the Company is not responsible for any material restoration, rehabilitation and environmental expenditures that may be incurred subsequent to the cessation of exploration and evaluation operations at each land site, apart from the obligation to perform re-cultivation of certain disturbed lands and tailing pits in the areas of its operating activity.

Costs arising from the site restoration work, discounted using a risk-free rate to their estimated present value, are provided for and capitalized within exploration and evaluation assets. These provisions do not include any additional obligations, which are expected to arise from future damage and are estimated on the basis of a closure plan. These costs are charged against income over the life of the operation, through the depreciation of the asset as an operating cost and the unwinding of the discount on the provision as a finance cost.

Changes in the measurement of a provision relating to the site restoration work that result from changes in the estimated timing or amount of the cash flow, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the current period.

(g) General and administrative expenses

General and administrative expenses are defined as supporting main activities and not linked to exploration and evaluation assets directly. Such expenses include payroll and other expenses of administrative personnel and related taxes, rent of head office, and depreciation of office equipment. General and administrative expenses are included in comprehensive loss when incurred.

(h) Employee benefits

Salaries, annual bonuses, paid annual leave and cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

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(i) Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in comprehensive loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of exploration and evaluation asset may exceed the recoverable amounts. The factors that are considered include:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and
- the receipt of information after the reporting period indicating that an asset was impaired at the end of the reporting period, or that the amount of a previously recognized impairment loss for that asset needs to be adjusted.

Exploration and evaluation assets are also assessed for impairment at the point the assets are reclassified to mine properties in the financial statements.

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When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an impairment loss is recognized.

(j) Finance income

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and foreign currency gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the dividend is declared.

(k) Finance costs

Finance costs comprise interest expense on borrowings, foreign currency losses and impairment losses recognized on financial assets.

(l) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Seasonality of operations

The Company's exploration operations are subject to seasonal fluctuations as a result of weather conditions. In particular, exploration activities in Siberia and the Far East regions of the Russian Federation are reduced by winter weather conditions, which occur primarily from November to April in profit and loss when incurred.

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5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results can differ from those estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale, or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

(b) Initial recognition of related party receivables and borrowings

In the normal course of business the Company enters into transactions with its related parties. Judgement is applied in determining if such transactions are conducted at market or non-market interest rates. The basis for judgement includes pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Ore reserve and resource estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of

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recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, property, plant and equipment, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortization charges.

(b) Fair value determination

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the use of financial models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(c) Impairment of tangible and intangible assets other than goodwill

The Company assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash-generating units as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets.

(d) Tax losses carried forward

Tax losses are recognized as a deferred tax asset to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilized. As the Company's operations are at the exploration and evaluation stage, management concluded that estimates of future taxable income are not sufficiently reliable to allow a deferred tax asset to be recognized.

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(e) Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

(f) Environmental rehabilitation provision

The Company assesses its environmental rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for rehabilitation, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

6. Other receivables

As at December 31,	2010	2010
	\$	\$
VAT recoverable	44	106
Other receivables	17	301
Prepayments	4	3
Other taxes receivables	–	10
	65	420

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7. Exploration and evaluation assets

	Exploration and valuation assets
	\$
Balance at January 1, 2009	55,781
Additions	6,753
Change in estimate	(5)
Foreign currency translation	(1,262)
Balance at December 31, 2009	61,267
Additions	613
Disposal of subsidiary, LLC Tungussskaya (Note 16)	(8,068)
Impairment of exploration and evaluation assets	(4,854)
Change in estimate	34
Foreign currency translation	(426)
Balance as at December 31, 2010	48,566

The balance of exploration and evaluation assets at December 31, 2010 and 2009 represents capitalized costs in relation to exploration and evaluation activities carried out by the Company in the Russian Federation. Additions to exploration and evaluation assets include capitalized borrowing costs arising on financing directly attributable to these activities amounting to \$nil for the year ended December 31, 2010 (year ended December 31, 2009 - \$4,942). The capitalization rate, based upon market interest rates was, 13.9% for the year ended December 31, 2009.

During the year ended December 31, 2010, the Company ceased work and abandoned a specific area of the Kingash property that is not part of the Kingash project going forward. Management determined that this particular component of the property's potential mineral resources were not commercially viable and this area is not required if the Kingash project becomes economically viable. As a result of this determination, the Company recorded an impairment loss for the year ended December 31, 2010 totalling \$4,854.

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8. Property, plant and equipment

	Buildings	Plant, machinery and equipment	Motor vehicles	Other	Total
	\$	\$	\$	\$	\$
Cost					
January 1, 2009	4,061	2,510	639	76	7,286
Foreign currency translation	(116)	(72)	(18)	(2)	(208)
December 31, 2009	3,945	2,438	621	74	7,078
Foreign currency translation	(30)	(19)	(5)	–	(54)
December 31, 2010	3,915	2,419	616	74	7,024
Accumulated depreciation					
January 1, 2009	(143)	(361)	(161)	(20)	(685)
Depreciation charge	(448)	(360)	(99)	(18)	(925)
Foreign currency translation	(19)	(7)	(1)	–	(27)
December 31, 2009	(610)	(728)	(261)	(38)	(1,637)
Depreciation charge	(436)	(360)	(98)	(11)	(905)
Foreign currency translation	6	7	2	–	15
December 31, 2010	(1,040)	(1,081)	(357)	(49)	(2,527)
Carrying amounts					
December 31, 2009	3,335	1,710	360	36	5,441
December 31, 2010	2,875	1,338	259	25	4,497

There were no additions or disposals of property, plant and equipment during the years ended December 31, 2010 and 2009.

9. Borrowings

As at December 31,	2010	2009
	\$	\$
Current borrowings		
Loans from related parties (Note 18)	–	7,344

All of the Company's borrowings are short-term, denominated in RUBs, payable on demand and were provided by Norilsk Nickel. The average nominal contractual interest rate was 7.0 % per annum in 2010 (2009 - 8.5 %).

On initial recognition, the fair values of these related party borrowings were determined by reference to estimated market interest rates. The estimated market interest rate for the period from January 1, 2010 and thereafter was determined to be 13% (period from January 1, 2009 to December 31, 2009 – 20%).

The effects of discounting were credited to additional paid-in capital as they were considered to be contributions to capital (Note 14).

Kingashskaya mining company LLC
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10. Other payables and accrued liabilities

As at December 31,	2010	2009
	\$	\$
Interest payable to related parties (Note 9)	–	507
Accrued vacation payable	29	20
Trade payables	278	53
	307	580

The fair value of trade and other payables at December 31, 2010 and 2009 approximates their carrying value.

11. Income tax

(a) Income tax benefit (expense)

Income tax expense recorded in the statement of comprehensive loss is as follows:

For the years ended December 31,	2010	2009
	\$	\$
Current income taxes	–	–
Deferred income taxes	246	(340)
Income tax benefit (expense)	246	(340)

(b) Reconciliation of income tax benefit (expense)

The statutory income tax rate is 20% for 2010 and 2009.

For the years ended December 31,	2010	2009
	\$	\$
Loss before income tax	(7,502)	(2,442)
Income tax benefit at statutory rates	1,500	488
Tax effect of items which are not deductible for taxation purposes:	26	–
Tax losses not recognized	(1,150)	(828)
Tax effect on disposal of subsidiary	(130)	–
Income tax benefit (expense)	246	(340)

Kingashskaya mining company LLC
Notes to the Consolidated Financial Statements
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(c) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

As at December 31,	2010		
	Assets	Liabilities	Net
	\$	\$	\$
Property, plant and equipment	273	–	273
Exploration and evaluation assets	–	(2,349)	(2,349)
Other payables and accrued liabilities	31	–	31
Other	7	–	7
Net assets / (liabilities)	311	(2,349)	(2,038)

As at December 31,	2009		
	Assets	Liabilities	Net
	\$	\$	\$
Property, plant and equipment	129	–	129
Exploration and evaluation assets	–	(2,515)	(2,515)
Other payables and accrued liabilities	4	(1)	3
Other	1	–	1
Borrowings	–	(8)	(8)
Net assets / (liabilities)	134	(2,524)	(2,390)

(d) Movement in temporary differences during the year

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the statutory rate.

	January 1, 2010	Recognized in profit or loss	Disposal of subsidiary	Recognized directly in equity	Recognized in other comprehensive income (loss)	December 31, 2010
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	129	145	–	–	(1)	273
Exploration and evaluation assets	(2,515)	5	143	–	18	(2,349)
Other payables and accrued liabilities	3	27	1	–	–	31
Other	1	6	–	–	–	7
Borrowings	(8)	63	5	(61)	1	–
	(2,390)	246	149	(61)	18	(2,038)

Kingashskaya mining company LLC
Notes to the Consolidated Financial Statements
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	January 1, 2009	Recognized in profit or loss	Disposal of subsidiary	Recognized directly in equity	Recognized in other comprehensive income (loss)	December 31, 2009
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	–	123	–	–	6	129
Exploration and evaluation assets	(1,534)	(976)	–	–	(5)	(2,515)
Other payables and accrued liabilities	(18)	18	–	–	3	3
Other	1	1	–	–	(1)	1
Borrowings	(184)	494	–	(332)	14	(8)
	(1,735)	(340)	–	(332)	17	(2,390)

(e) Unrecognized tax losses

Deferred tax assets have not been recognized in respect of the following items:

As at December 31,	2010	2009
	\$	\$
Unrecognized tax losses	2,738	1,823

Deferred tax assets have not been recognized for tax loss carry-forwards as it is not probable that the related tax benefit can be realized through future taxable profits.

Tax loss carry-forwards at December 31, 2010 expire during the years ending December 31, 2016 through 2020 (December 31, 2009 – years ending December 31, 2016 through 2019)

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Notes to the Consolidated Financial Statements
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12. Provisions

(a) Site restoration

Under its licence agreements, the Company is not responsible for any significant restoration, rehabilitation and environmental expenditures that may be incurred subsequent to the cessation of exploration and evaluation operations at each land site, apart from the obligation to perform re-cultivation of certain disturbed lands and tailing pits in the areas of its operating activity. The amount of the restoration obligation is determined using the nominal prices effective at the reporting dates by applying the forecasted rate of inflation for the expected period of the life of the mines and discounted at the risk free rate. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives and the level of risk free and inflation rates.

No actual expenses were incurred for the reporting periods ended December 31, 2010 and 2009.

The timing of decommissioning activity is subject to reassessment at the same time as the revision of the Company's proved and probable reserves. Movements in provisions are as follows:

For the years ended December 31,	2010	2009
	\$	\$
Carrying amount at January 1	18	20
Change in estimate	34	(5)
Unwinding of the discount (Note 17)	4	4
Foreign currency translation	–	(1)
Carrying amount at December 31	56	18

Principal assumptions made in calculations of the provision are presented below:

As at December 31,	2010	2009
Expected year in which costs will be incurred (average)	2029	2029
Discount rate	16.74%	23.37%
Inflation rate	4.67%	4.87%

The asset recognized corresponding to the site restoration provision is recorded as a component of exploration and evaluation assets and amounted to \$45 at December 31, 2010 (December 31, 2009 - \$12).

13. Charter capital

Charter capital is fully paid in cash. Voting rights are allocated to participants based on the proportion of their contributions in total charter capital of the Company. Charter capital as at December 31, 2010 amounted to \$54,729 (December 31, 2009 - \$nil). During the year ended December 31, 2010 \$54,266 was registered as charter capital and as a result \$54,266 was transferred from additional paid-in capital to charter capital. In addition, during the year ended December 31, 2010 cash in the amount of \$463 was contributed by the participants and registered as charter capital of the Company.

Kingashskaya mining company LLC
Notes to the Consolidated Financial Statements
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14. Additional paid-in capital

At December 31, 2009, the prepayment received for charter capital prior to legal registration amounted to \$54,266 and was recognized as additional paid-in capital. During the year ended December 31, 2010 \$54,266 was registered as charter capital and as a result \$54,266 was transferred from additional paid-in capital to charter capital.

The effect of discounting at market interest rates borrowings from Norilsk Nickel, net of applicable income tax (refer to Notes 9 and 18), is recorded as additional paid-in capital.

15. General and administrative expenses

For the years ended December 31,	2010	2009
	\$	\$
Salaries	137	115
Professional services	161	5
Rent	19	19
Depreciation	733	631
Social taxes	23	18
Other general and administrative expenses	25	30
	1,098	818

16. Disposal of subsidiary

On November 13, 2010, Tungusskaya was sold to Norilsk Nickel. The sale was accounted for as a transaction under common control, as the Company was a wholly-owned subsidiary of Norilsk Nickel at the date of the sale. The gain on sale in the amount of \$987 was recorded as a direct charge to equity.

17. Finance income and finance costs

For the years ended December 31,	2010	2009
	\$	\$
Finance income		
Interest received / receivable	11	19
Finance costs		
Interest paid / payable	(844)	(6,383)
Less capitalized interest (Note 7)	–	4,942
	(844)	(1,441)
Unwinding of discount (Note 12)	(4)	(4)
Foreign exchange loss	–	(17)
	(848)	(1,462)

Kingashskaya mining company LLC
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18. Related party transactions

Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties to Kingash and its subsidiaries include:

Related Party	Relationship	Period Related
Norilsk Nickel	Shareholder	From June 2006 to November 2010
LLC Regiomax	Shareholder	From November 2010 to July 2011
LLC Kvarto	Shareholder	From November 2010 to July 2011
Travallation Holdings Limited	Shareholder	From November 2010 to July 2011
LLC Technoexim	Shareholder	From November 2010 to March 2011
LLC Sports Complex named after E.A. Streltsov	Shareholder	From March 2011 to July 2011
LLC Intergeo Managing Company	Shareholder	From July 2011
LLC Intergeo Managing Company	Other related party	From November 2010 to June 2011

Unless otherwise noted, the parties were related during the entire period covered by the financial statements.

Balances and transactions between the Company and its subsidiaries, which are related parties have been eliminated on consolidation and are not disclosed in this note.

(a) Borrowings from related party

As at December 31,	2010	2009
	\$	\$
Norilsk Nickel		
Principal (Note 9)	–	7,344
Interest payable (Note 10)	–	507
	–	7,851

Proceeds from borrowings

For the years ended December 31,	2010	2009
	\$	\$
Norilsk Nickel		
Principal	–	5,047
Interest payable	844	6,383
	844	11,430

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Borrowings repaid

For the years ended December 31,	2010	2009
	\$	\$
Norilsk Nickel		
Principal	–	(49,585)
Interest payable	–	(7,440)
	–	(57,025)

(b) Services provided

As at December 31,	2010	2009
	\$	\$
Norilsk Nickel		
Advances given	–	66
Accounts receivable (Note 6)	–	301

For the years ended December 31,	2010	2009
	\$	\$
Norilsk Nickel		
Rental income	185	432
Services received	565	2,102

(c) Key management remuneration

Key management of Intergeo consists of general directors and deputies of the Company and its subsidiaries. Key management received the following remuneration during the periods, which was included in general and administrative expenses (Note 15).

Key management received short-term benefits for the year ended December 31, 2010 totalling \$50 (for the year ended December 31, 2009 - \$44), which consisted of salary and social taxes. Key management received no long-term benefits from the Company during the years ended December 31, 2010 and 2009.

19. Contingencies and commitments

(a) Tax legislation

Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities.

The Russian tax authorities take a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. This approach includes following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead

Kingashskaya mining company LLC
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to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

(b) Legal proceedings

The Company is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material adverse effect on the results of operations or financial position of the Company as at December 31, 2010.

(c) Capital commitments

At December 31, 2010 and 2009 the Company had no contractual capital expenditure commitments in respect of exploration and evaluation assets and property, plant and equipment.

(d) Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material.

20. Financial instruments and risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- Interest rate risk
- currency risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Kingashskaya mining company LLC
Notes to the Consolidated Financial Statements
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Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable. The credit risk on liquid funds is limited because the Company does not hold significant cash balances and its counterparties are banks with acceptable credit ratings. The credit risk on accounts receivable is primarily concentrated on loans receivable, which are due from both related and unrelated parties. The Company's exposure to these counterparties is continually monitored.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

As at December 31,	2010	2009
	\$	\$
Cash	478	354
VAT recoverable	44	106
Other receivables	17	301
Other taxes receivable	–	10
	539	771

The Company's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. The Company has not recognized an allowance for doubtful debts as all balances are considered recoverable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. To date, the major part of the Company's funding has been provided by its related parties (Note 18).

The following tables show the remaining contractual maturities as of the reporting dates of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates).

Financial liabilities	Carrying amount	Contractual cash flows	0-6 months	6-12 months
	\$	\$	\$	\$
December 31, 2010				
Other payables and accrued liabilities (Note 10)	307	307	307	–
	307	307	307	–
December 31, 2009				
Borrowings (Note 9)	7,344	7,383	5,294	2,089
Other payables and accrued liabilities (Note 10)	580	714	443	271
	7,924	8,097	5,737	2,360

Kingashskaya mining company LLC
Notes to the Consolidated Financial Statements
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Interest rate risk

The Company's operations expose it primarily to the financial risks of changes in interest rates. To date the majority of borrowings have been at fixed rates from related parties (Note 18).

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was as follows:

As at December 31,	2010	2009
	\$	\$
Fixed rate instruments		
Borrowings (Note 9)	–	7,344

Currency risk

The Company does not have any financial instruments that are not denominated in the functional currency. A 10% change in the exchange rate between the RUB and the US\$ would result in a change of approximately \$667 to the carrying amount of the Company's borrowings at December 31, 2009.

Fair values versus carrying amounts

As at December 31,	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Assets				
Cash	478	478	354	354
VAT recoverable	44	44	106	106
Other receivables	17	17	301	301
Other taxes receivable	–	–	10	10
	539	539	771	771
Liabilities				
Borrowings	–	–	7,344	7,357
Other payables and accrued liabilities	307	307	580	580
	307	307	7,924	7,937

(a) *Fair value hierarchy*

The different levels have been defined as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has no financial assets measured at fair value as at December 31, 2010 and 2009.

Kingashskaya mining company LLC
Notes to the Consolidated Financial Statements
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(in US\$ 000's)

(b) *Capital risk management*

The Company manages its capital to ensure that it will continue as a going concern in order to complete its planned exploration and evaluation activities.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents), charter capital and additional paid-in capital of the Company.

The Company is not subject to any externally imposed capital requirements.

To date, the majority of the Company's capital has been sourced from debt and equity provided by related parties.

21. Subsequent events

Acquisition of Kingashskaya mining company LLC ("Kingash")

On November 15, 2010, four companies purchased all of the charter capital of Kingash from Norilsk Nickel ("Norilsk") in an arm's length transaction for a total price of approximately \$58,102. The purchasers and interest purchased were Travallation Holdings Ltd. – 9.5% ("Travallation", a Cyprus company); LLC Regiomax – 30.5% ("Regiomax", a Russian company); LLC Kvarto – 30.0% ("Kvarto", a Russian company and at November 15, 2010 a 33.25% shareholder in Intergeo); and LLC Technoexim – 30.0% ("Technoexim", a Russian company).

On December 27, 2010, Mr. Grigory Potapov and Mr. Sergey Lyamin (both officers of Intergeo and members of its Board of Directors) were appointed members of the Board of Directors of Kingash.

On March 28, 2011, Technoexim sold its 30.0% interest in Kingash to LLC Sports Complex named after E.A. Streltsov ("Sportscomplex", a Russian company and a 33.25% shareholder in Intergeo).

On April 28, 2011, Mr. Mikhail Prokhorov acquired a 99.9995% interest in Intergeo.

On May 23, 2011, Kingash issued a promissory note to Onexim Holdings Limited ("Onexim Holdings", a Cyprus company) in the amount of \$1,890. Mr. Mikhail Prokhorov is the ultimate beneficial owner of Onexim Holdings, LLC Onexim Group ("Onexim Group", a Russian company) Travallation and Technoexim (since April, 2011).

On July 12, 2011, Intergeo completed the purchase of all of the charter capital of Kingash from Travallation, Regiomax, Kvarto and Sportscomplex for net cash consideration of approximately \$68,119, net of cash acquired of approximately \$1,874. The purchase price does not represent fair value as the transaction was between related parties.

The two shareholders of Kvarto are both senior officers of Onexim Group and one of these individuals (a 30% shareholder of Kvarto) is also the sole shareholder of Sportscomplex.

Reorganization transaction

During the period from January 19 to February 9, 2012, Intergeo MMC Ltd, Intergeo Management Limited and LLC Intergeo Managing Company (the owner of 100% of Kingashskaya mining company LLC), completed a series of corporate reorganization transactions (the "Reorganization Transaction") for the purposes of:

- (i) eliminating the existing related party borrowings owed by LLC Intergeo Managing Company and Intergeo Management Limited by a debt to equity conversion; and
- (ii) establishing the ownership structure whereby Intergeo MMC Ltd has a 99.5% indirect interest in LLC Intergeo Managing Company through Intergeo Management Limited.

Kingashskaya mining company LLC
Notes to the Consolidated Financial Statements
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Prior to the date of the Reorganization Transaction and at December 31, 2011:

- (i) Intergeo MMC Ltd was 100% beneficially owned by Mr. Mikhail Prokhorov through Daselina Investments Ltd.;
- (ii) Intergeo MMC Ltd owned 100% of Intergeo Management Limited; and
- (iii) Mr. Mikhail Prokhorov owned a 99.9995% interest in LLC Intergeo Managing Company with the remaining 0.0005% interest being indirectly owned by Intergeo MMC Ltd through Intergeo Management Limited.

The Reorganization Transaction was completed through the following steps:

On January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 and Intergeo Management Limited totalling \$5,083 were assigned to Daselina Investments Ltd. The loans and promissory notes receivable aggregating \$208,246 and cash of \$7,262 were transferred by Daselina Investments Ltd. to Intergeo MMC Ltd in exchange for 100,000,000 common shares of Intergeo MMC Ltd. As a result of this step, Intergeo MMC Ltd continued to be 100% owned by Daselina Investments Ltd., which is 100% owned by Mr. Mikhail Prokhorov.

Immediately following the above step, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 and Intergeo Management Limited totalling \$5,083 were owed to Intergeo MMC Ltd.

On January 19, 2012, the loans and promissory notes receivable (including accrued interest) aggregating \$208,246 and cash of \$6,762 were transferred by Intergeo MMC Ltd to Intergeo Management Limited in exchange for 10,000 common shares of Intergeo Management Limited. Loans and promissory notes receivable (including accrued interest) in the amount of \$5,083 were eliminated against existing loans and promissory notes of Intergeo Management Limited. As a result of this step, Intergeo Management Limited continued to be 100% owned by Intergeo MMC Ltd.

Immediately following the above step on January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 were owed to Intergeo Management Limited.

On January 23, 2012 and February 1, 2012, promissory notes receivable (including accrued interest) aggregating \$204,603 and cash of \$6,989 were transferred by Intergeo Management Limited to LLC Intergeo Managing Company in exchange for additional charter capital and additional paid-in capital of LLC Intergeo Managing Company. The increase in charter capital was registered with the Russian tax authorities and became effective on February 9, 2012. The promissory notes (including accrued interest) aggregating \$204,603 were eliminated against existing promissory notes of LLC Intergeo Managing Company.

As a result of this Reorganization Transaction and the related adjustment to net assets of LLC Intergeo Managing Company, Intergeo MMC Ltd increased its indirect ownership interest in LLC Intergeo Managing Company from 0.0005% to 99.5% and diluted Mr. Mikhail Prokhorov's direct ownership interest in LLC Intergeo Managing Company from 99.9995% to 0.5%. In addition, the Company recorded non-controlling interest in the amount of \$907 as a result of the 0.5% direct ownership. Mr. Prokhorov continued to beneficially own Intergeo MMC Ltd through Daselina Investments Ltd.

APPENDIX Y
KINGASH LLC UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
FROM JANUARY 1 TO JULY 11, 2011

Kingashskaya mining company LLC

Condensed Consolidated Interim Financial Statements

For the period from

January 1, to July 11, 2011

(with comparative figures for the six months ended June 30, 2010)

(Unaudited)

Kingashskaya mining company LLC
Condensed Consolidated Interim Statements of Financial Position

(Unaudited)
(in US\$ 000's)

As at	Note	July 11, 2011	December 31, 2010
		\$	\$
Assets			
Current assets			
Cash		1,874	478
Other receivables		62	65
		1,936	543
Non-current assets			
Exploration and evaluation assets	4	53,438	48,566
Property, plant and equipment	5	4,393	4,497
		57,831	53,063
		59,767	53,606
Liabilities			
Current Liabilities			
Borrowings	6	1,882	–
Other payables and accrued liabilities		344	307
		2,226	307
Non-current liabilities			
Deferred tax liabilities		2,161	2,038
Provisions		66	56
		2,227	2,094
		4,453	2,401
Equity			
Charter capital	8	54,729	54,729
Additional paid-in capital		9,249	9,249
Deficit		(10,960)	(10,689)
Foreign currency translation reserve		2,296	(2,084)
		55,314	51,205
		59,767	53,606
Contingencies and commitments (Note 13)			
Subsequent events (Note 15)			

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

APPROVED ON BEHALF OF MANAGEMENT ON JANUARY 24, 2014:

"Alexander Efimov"

General Director

Kingashskaya mining company LLC**Condensed Consolidated Interim Statements of Comprehensive Income (Loss)**

(Unaudited)
(in US\$ 000's)

	Note	For the period from April 1, to July 11, 2011	For the three months ended June 30, 2010	For the period from January 1, to July 11, 2011	For the six months ended June 30, 2010
		\$	\$	\$	\$
General and administrative expenses	9	(188)	(236)	(260)	(483)
Other expenses		(34)	(50)	(70)	(100)
Finance income	11	8	3	12	6
Finance costs	11	(2)	(210)	(5)	(424)
Loss before income tax		(216)	(493)	(323)	(1,001)
Income tax benefit	12	40	51	52	102
Loss for the period		(176)	(442)	(271)	(899)
Other comprehensive income (loss)					
Items that may be reclassified subsequently to net income (loss)					
Foreign currency translation adjustments		694	(3,437)	4,380	(1,725)
Total comprehensive income (loss) for the period		518	(3,879)	4,109	(2,624)
Loss attributable to:					
Owners of the Company		(176)	(440)	(271)	(895)
Non-controlling interest		–	(2)	–	(4)
		(176)	(442)	(271)	(899)
Total comprehensive income (loss) attributable to:					
Owners of the Company		518	(3,877)	4,109	(2,620)
Non-controlling interest		–	(2)	–	(4)
		518	(3,879)	4,109	(2,624)

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

Kingashskaya mining company LLC

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited)

(in US\$ 000's)

	Note	Charter capital	Additional paid-in capital	Deficit	Foreign currency translation reserve	Total equity attributable to owners of the Company	Non-controlling interest	Total
		\$	\$	\$	\$	\$	\$	\$
Balance, January 1, 2010		–	63,275	(4,418)	(1,702)	57,155	(5)	57,150
Loss for the period		–	–	(895)	–	(895)	(4)	(899)
Foreign currency translation adjustments		–	–	–	(1,725)	(1,725)	–	(1,725)
Total comprehensive loss for the period		–	–	(895)	(1,725)	(2,620)	(4)	(2,624)
Transactions with owners recorded directly in equity								
Prepayment for charter capital	8	–	463	–	–	463	–	463
Fair value adjustment of related parties loans and receivables on issue, (net of tax of \$49)		–	243	–	–	243	3	246
Total transactions with owners		–	706	–	–	706	3	709
Balance, June 30, 2010		–	63,981	(5,313)	(3,427)	55,241	(6)	55,235
Balance, January 1, 2011		54,729	9,249	(10,689)	(2,084)	51,205	–	51,205
Loss for the period		–	–	(271)	–	(271)	–	(271)
Foreign currency translation adjustments		–	–	–	4,380	4,380	–	4,380
Total comprehensive income (loss) for the period		–	–	(271)	4,380	4,109	–	4,109
Balance, July 11, 2011		54,729	9,249	(10,960)	2,296	55,314	–	55,314

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

Kingashskaya mining company LLC
Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)

(in US\$ 000's)

	Note	For the period from January 1, to July 11, 2011	For the six months ended June 30, 2010
		\$	\$
Operating activities			
Loss for the period		(271)	(899)
Adjustments for			
Income tax benefit	12	(52)	(102)
Finance costs	11	5	424
Finance income	11	(12)	(6)
Depreciation		4	374
		(326)	(209)
Movements in working capital			
Decrease in other receivables		8	6
Increase in other payables and accrued liabilities		13	21
		(305)	(182)
Investing activities			
Interest received		12	6
Acquisition of exploration and evaluation assets		(226)	(194)
		(214)	(188)
Financing activities			
Proceeds from borrowings		1,864	–
Prepayment received for charter capital	8	–	463
		1,864	463
Effect of foreign exchange rate changes on cash		51	(5)
Net increase in cash		1,396	88
Cash, beginning of period		478	354
Cash, end of period		1,874	442

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

Kingashskaya mining company LLC

Notes to the Condensed Consolidated Interim Financial Statements

For the period from January 1, to July 11, 2011

(with comparative figures for the six months ended June 30, 2010)

(Unaudited)

(in US\$ 000's)

1. General Information

Kingashskaya mining company LLC (the "Company" or "Kingash") was established on May 2, 2006 as a limited liability company under the laws of the Russian Federation. During the six month period ended June 30, 2010, the Company held a 99% interest in LLC "Tungusskaya". On November 13, 2010, the Company sold its interest in the subsidiary to OJSC MMC Norilsk Nickel ("Norilsk Nickel") (Note 10).

The Company's registered office is 48 Karl Marks str., Krasnoyarsk, Krasnoyarskiy region, Russia.

These condensed consolidated interim financial statements present the results of operations for the period from January 1, to July 11, 2011 and the financial position of the Company immediately prior to its acquisition by LLC Intergeo Managing Company ("Intergeo") on July 12, 2011. The Company has presented comparative figures for the three and six months ended June 30, 2010.

Until November 15, 2010 the Company was wholly-owned by Norilsk Nickel. On that date, the Company's charter capital was purchased by four entities: LLC Regiomax - 30.5%, LLC Kvatro and LLC Technoexim - 30% each, Travallation Holdings Limited - 9.5%. On March 28, 2011 Technoexim sold its 30% interest to LLC Sports Complex named after E.A. Streltsov ("Sportscomplex"). On July 12, 2011 Intergeo purchased all of the charter capital of the Company from its four shareholders.

The Company is primarily involved in the exploration and evaluation of the following mineral resources in Russia: nickel, copper and cobalt. The Group holds two licences. The Kingash Licence allows the Company to explore and mine nickel-copper-cobalt and associated minerals from the Kingash deposits. The Upper Kingash/Kuyo Licence allows the Company to carry out prospecting and evaluation of the Upper Kingash and Kuyo deposits. The Company's current projects are located in the Krasnoyarskiy region of the Russian Federation.

Although the Company has taken steps to verify title to properties in which it has an interest, these procedures do not guarantee the Company's title. Property title may be subject to, among other things, a failure to obtain governmental approvals in instances where the authorities could view it as necessary.

The Company is also subject to certain additional restrictions regarding properties designated by the Russian authorities as "Strategic Plots". These restrictions include certain restrictions on transfers and acquisitions of subsoil rights to Strategic Plots. In addition, certain legal restrictions apply to direct and indirect acquisitions of corporate control over the Strategic Plots through corporate transactions involving direct or indirect transfers of control over companies holding subsoil rights to Strategic Plots. The list of Strategic Plots has been prepared and published and is regularly updated. The list of Strategic Plots is not exhaustive and any property which meets the criteria may be deemed strategic irrespective of whether it is included in the list. The Kingash Project is on the list of Strategic Plots.

2. Adoption of new or revised standards and interpretations

The International Accounting Standards Board ("IASB") has issued a number of new and revised International Financial Reporting Standards ("IFRSs") that were first effective for the years ended December 31, 2011 and 2010. For the purpose of preparing these condensed consolidated interim financial statements, the Company has adopted all new and revised IFRSs where relevant. The Company has not applied any new standards or interpretations that are effective for accounting period beginning after July 12, 2011.

(a) *Standards, amendments and interpretations to existing standards and new standards that are not yet effective and have not been early adopted by the Company.*

Kingashskaya mining company LLC

Notes to the Condensed Consolidated Interim Financial Statements

For the period from January 1, to July 11, 2011

(with comparative figures for the six months ended June 30, 2010)

(Unaudited)

(in US\$ 000's)

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after July 12, 2011 or later and which the Group has not early adopted.

IAS 27 (2011) - Separate Financial Statements

IAS 27 (2011) - Separate Financial Statements will become effective for annual periods beginning on or after January 1, 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The amended standard will become effective for annual periods beginning on or after January 1, 2013. This amendment will not have an impact on the Company's consolidated financial statements.

IAS 28 (2011) – Investments in associates and joint ventures

IAS 28 (2011), "Investments in associates and joint ventures" (IAS 28) was re-issued by the IASB in May 2011. IAS 28 continues to prescribe the accounting for investments in associates but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013.

The Company determined that the amendments to IAS 28 did not have any impact on its consolidated interim financial statements.

Amendments to IAS 32 – Financial Instruments: Presentation

On December 16, 2011 the IASB published amendments to IAS 32 Financial Instruments: Presentation to clarify the application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Amendments to IFRS 7 – Financial Instruments

On December 16, 2011 the IASB published new disclosures requirements jointly with the Financial Accounting Standards Board ("FASB") that enable users of the financial statements to better compare financial statements prepared in accordance with IFRS and US GAAP. The new requirements are effective for annual periods beginning on or after January 1, 2013.

The Company reviewed the amendments to IFRS 7 and determined that no additional disclosures are currently required.

Amendments to IFRS 9 – Financial instruments

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB in November 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

Kingashskaya mining company LLC

Notes to the Condensed Consolidated Interim Financial Statements

For the period from January 1, to July 11, 2011

(with comparative figures for the six months ended June 30, 2010)

(Unaudited)

(in US\$ 000's)

In December 2011, the IASB issued amendments to IFRS 9 that defer the mandatory effective date to annual periods beginning on or after January 1, 2015. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9 which was originally limited to companies that chose to apply IFRS 9 prior to 2012. Alternatively, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments. The Company is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

Amendments to IAS 1 – Presentation of financial statements

The amendment requires separate presentation for items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met, from those that would never be reclassified to profit or loss. The effective date is for annual periods beginning on or after July 1, 2012 and earlier adoption is permitted.

In accordance with the requirements of Amendments to IAS 1, the Company separated the items of other comprehensive income that would be reclassified to profit and loss from those that would never be reclassified to profit and loss on the Statement of Other Comprehensive Income (Loss).

IFRS 10 - Consolidated Financial Statements

IFRS 10 - Consolidated Financial Statements will be effective for annual periods beginning on or after January 1, 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result in a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results in a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

IFRS 11 – Joint arrangements

IFRS 11, “Joint arrangements” (IFRS 11) was issued by the IASB in May 2011 and will supersede IAS 31, “Interest in joint ventures” and SIC 13, “Jointly controlled entities – non-monetary contributions by venturers” by removing the option to account for joint ventures using proportionate consolidation and requiring equity accounting. Venturers will transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item on their financial statements. In addition, IFRS 11 will require joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement will no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

The Company determined that the standard did not have any impact on its condensed consolidated interim financial statements.

Kingashskaya mining company LLC

Notes to the Condensed Consolidated Interim Financial Statements

For the period from January 1, to July 11, 2011

(with comparative figures for the six months ended June 30, 2010)

(Unaudited)

(in US\$ 000's)

IFRS 12 – Disclosure of interests in other entities

IFRS 12, “Disclosure of interests in other entities” (IFRS 12) was issued by the IASB in May 2011. IFRS 12 requires enhanced disclosure of information about involvement with consolidated and unconsolidated entities, including structured entities commonly referred to as special purpose vehicles or variable interest entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 13 - Fair Value Measurement

IFRS 13 - Fair Value Measurement will be effective for annual periods beginning on or after January 1, 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 is effective for annual periods beginning on or after January 1, 2013 and provides guidance for entities with post-development phase surface mining activities. Under the interpretation, production stripping costs that provide access to ore to be mined in the future are capitalized as non-current assets if the component of the ore body for which access has been improved can be identified, future benefits arising from the improved access are probable and the costs related to the stripping activity associated with the component of the ore body are reliably measurable. The interpretation also addresses how capitalized stripping costs should be depreciated and how capitalized amounts should be allocated between inventory and the stripping activity asset. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

3. Basis of preparation

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) as issued by the IASB.

These condensed interim financial statements do not include all of the information and disclosures required in annual consolidated financial statements and should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2010, which have been prepared in accordance with IFRS.

The same accounting policies, presentation and methods of computation have been followed in these interim consolidated financial statements as were applied in the Company’s consolidated financial statements for the year ended December 31, 2010.

Kingashskaya mining company LLC

Notes to the Condensed Consolidated Interim Financial Statements

For the period from January 1, to July 11, 2011

(with comparative figures for the six months ended June 30, 2010)

(Unaudited)

(in US\$ 000's)

(b) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the functional currency of all of Intergeo's subsidiary companies. These interim consolidated financial statements are presented in United States dollars and have been rounded to the nearest thousand, except as otherwise stated herein. Unless otherwise indicated, references to "US\$" and "\$" are to United States dollars.

Exchange rates used in the preparation of the condensed consolidated interim financial statements were as follows:

RUB/US\$	As at June 30,	As at July 11,	For the period from April 1, to July 11,	For the three months ended June 30,	For the period from January 1, to July 11,	For the six months ended June 30,	As at December 31,
2010	0.03289	–	–	0.03307	–	0.03306	0.03276
2011	–	0.03542	0.03415	–	0.03476	–	–

(c) Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue its activities for the foreseeable future and that all its obligations will be settled in the due course of business.

The Company is at the exploration and evaluation stage of its activities. The attainment of profitable operations is dependent upon future events, including the successful development and exploitation of the Company's mineral licences. To date, the Company has been reliant on borrowings provided by its shareholders and other related parties. To continue its planned exploration and development activities, the Company will continue to be reliant on funding provided by related parties and/or successful raising of alternative sources of equity or debt finance. In the absence of a letter of financial support, there would be significant uncertainty regarding the Company's ability to continue as a going concern.

On March 15, 2013 the Company's indirect parent company (Intergeo MMC Ltd) received a letter of financial support from Onexim Holdings Limited under which an undertaking has been given to provide sufficient funding to ensure that Intergeo MMC Ltd (including its subsidiaries) has the ability to meet its obligations and liabilities as and when they fall due during the period of one year subsequent to the date of signing of the Intergeo MMC Ltd consolidated financial statements for the year ended December 31, 2012.

Onexim Holdings Limited has provided the letter of support because as of December 31, 2012 the share capital of Intergeo MMC Ltd is 99.5% indirectly owned by Mr. Mikhail Prokhorov. Mr. Mikhail Prokhorov also controls and is the ultimate beneficial shareholder of Onexim Holdings Limited.

Kingashskaya mining company LLC

Notes to the Condensed Consolidated Interim Financial Statements

For the period from January 1, to July 11, 2011

(with comparative figures for the six months ended June 30, 2010)

(Unaudited)

(in US\$ 000's)

4. Exploration and evaluation assets

	Exploration and evaluation assets
	\$
January 1, 2010	61,267
Additions	613
Disposal of subsidiary	(8,068)
Impairment of exploration and evaluation assets	(4,854)
Change in estimate	34
Foreign currency translation	(426)
December 31, 2010	48,566
Additions	721
Foreign currency translation	4,151
July 11, 2011	53,438

The balance of exploration and evaluation assets at July 11, 2011 and December 31, 2010 represents capitalized costs in relation to exploration and evaluation activities carried out by the Company in the Russian Federation.

During the year ended December 31, 2010, the Company ceased work and abandoned a specific area of the Kingash property that is not part of the Kingash project going forward. During the fourth quarter of 2010, management determined that this particular component of the property's potential mineral resources were not commercially viable and this area is not required if the Kingash project becomes economically viable. As a result of this determination, the Company recorded an impairment loss for the year ended December 31, 2010 totalling \$4,854.

Kingashskaya mining company LLC

Notes to the Condensed Consolidated Interim Financial Statements

For the period from January 1, to July 11, 2011

(with comparative figures for the six months ended June 30, 2010)

(Unaudited)

(in US\$ 000's)

5. Property, plant and equipment

	Land and buildings	Plant, machinery and equipment	Motor vehicles	Other	Total
	\$	\$	\$	\$	\$
Cost					
January 1, 2010	3,945	2,438	621	74	7,078
Foreign currency translation	(30)	(19)	(5)	–	(54)
December 31, 2010	3,915	2,419	616	74	7,024
Foreign currency translation	335	208	52	5	600
July 11, 2011	4,250	2,627	668	79	7,624
Accumulated depreciation					
January 1, 2010	(610)	(728)	(261)	(38)	(1,637)
Depreciation charge	(436)	(360)	(98)	(11)	(905)
Foreign currency translation	6	7	2	–	15
December 31, 2010	(1,040)	(1,081)	(357)	(49)	(2,527)
Depreciation charge	(239)	(193)	(52)	(6)	(490)
Foreign currency translation	(91)	(91)	(29)	(3)	(214)
July 11, 2011	(1,370)	(1,365)	(438)	(58)	(3,231)
Net Book Value					
December 31, 2010	2,875	1,338	259	25	4,497
July 11, 2011	2,880	1,262	230	21	4,393

6. Borrowings

As at	July 11, 2011	December 31, 2010
	\$	\$
Current borrowings		
Loans from related parties	1,882	–

- (i) Borrowings represent RUB denominated promissory notes issued to Onexim Holdings Limited, which are interest free and payable on demand.

Kingashskaya mining company LLC

Notes to the Condensed Consolidated Interim Financial Statements

For the period from January 1, to July 11, 2011

(with comparative figures for the six months ended June 30, 2010)

(Unaudited)

(in US\$ 000's)

7. Related party transactions

(a) Borrowings from related parties

As at	July 11, 2011	December 31, 2010
	\$	\$
Principal		
Onexim Holdings Limited	1,882	–

Proceeds from borrowings

	For the period from April 1, to July 11, 2011	For the three months ended June 30, 2010	For the period from January 1, to July 11, 2011	For the six months ended June 30, 2010
	\$	\$	\$	\$
Principal				
Onexim Holdings Limited	1,864	–	1,864	–

(b) Services provided

	For the period from April 1, to July 11, 2011	For the three months ended June 30, 2010	For the period from January 1, to July 11, 2011	For the six months ended June 30, 2010
	\$	\$	\$	\$
Norilsk Nickel				
Rental income	–	51	–	108
Services rendered	–	127	–	287
	–	178	–	395

Kingashskaya mining company LLC

Notes to the Condensed Consolidated Interim Financial Statements

For the period from January 1, to July 11, 2011

(with comparative figures for the six months ended June 30, 2010)

(Unaudited)

(in US\$ 000's)

(c) Key management remuneration

Key management of Kingash consists of general directors and deputies of the Company and its subsidiaries. Key management received the following remuneration during the periods, which was included in general and administrative expenses (Note 9).

	For the period from April 1, to July 11, 2011	For the three months ended June 30, 2010	For the period from January 1, to July 11, 2011	For the six months ended June 30, 2010
	\$	\$	\$	\$
Salaries and bonuses	11	11	19	23
Unified social tax	5	3	8	5
	16	14	27	28

8. Charter capital

Charter capital as at July 11, 2011 and December 31, 2010 amounted to \$54,729. There was no movement in the charter capital of the Company in the current interim reporting period. At June 30, 2010, the prepayment received for charter capital prior to legal registration amounted to \$463 and was recognized as additional paid-in capital.

9. General and administrative expenses

	For the period from April 1, to July 11, 2011	For the three months ended June 30, 2010	For the period from January 1, to July 11, 2011	For the six months ended June 30, 2010
	\$	\$	\$	\$
Salaries	35	37	75	70
Professional services	122	–	125	5
Rent	6	5	12	9
Depreciation	2	182	4	374
Social taxes	9	7	23	16
Other	14	5	21	9
	188	236	260	483

10. Disposal of subsidiary

On November 13, 2010 LLC Tungusskaya, a wholly-owned subsidiary of the Company was sold to Norilsk Nickel. The sale was accounted for as a transaction under common control, as the Company was a wholly-owned subsidiary of Norilsk Nickel at the date of the sale. The gain on sale in the amount of \$987 was recorded as a direct charge to equity.

Kingashskaya mining company LLC

Notes to the Condensed Consolidated Interim Financial Statements

For the period from January 1, to July 11, 2011

(with comparative figures for the six months ended June 30, 2010)

(Unaudited)

(in US\$ 000's)

11. Finance income and finance costs

	For the period from April 1, to July 11, 2011	For the three months ended June 30, 2010	For the period from January 1, to July 11, 2011	For the six months ended June 30, 2010
	\$	\$	\$	\$
Finance income				
Interest received / receivable	8	3	12	6
Finance costs				
Interest paid / payable	–	(209)	–	(422)
Unwinding of discount	(2)	(1)	(5)	(2)
	(2)	(210)	(5)	(424)

12. Income tax

(a) Income tax benefit

Income tax benefit recorded in the statement of comprehensive loss is as follows:

	For the period from April 1, to July 11, 2011	For the three months ended June 30, 2010	For the period from January 1, to July 11, 2011	For the six months ended June 30, 2010
	\$	\$	\$	\$
Deferred income taxes	40	51	52	102
Income tax benefit	40	51	52	102

13. Contingencies and commitments

Tax legislation

Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities.

The Russian tax authorities take a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. This approach includes following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Kingashskaya mining company LLC

Notes to the Condensed Consolidated Interim Financial Statements

For the period from January 1, to July 11, 2011

(with comparative figures for the six months ended June 30, 2010)

(Unaudited)

(in US\$ 000's)

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Legal proceedings

The Company is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material adverse effect on the results of operations or financial position of the Company as at July 11, 2011.

Capital commitments

At July 11, 2011 the Company has contractual capital expenditure commitments in respect of exploration and evaluation assets in amount of \$124 (December 31, 2010 - \$nil).

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material.

14. Financial instruments and risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- Interest rate risk
- currency risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable. The credit risk on liquid funds is limited because the Company does not hold significant cash balances and its counterparties are banks with acceptable credit ratings. The credit risk on accounts receivable is primarily concentrated on loans receivable,

Kingashskaya mining company LLC

Notes to the Condensed Consolidated Interim Financial Statements

For the period from January 1, to July 11, 2011

(with comparative figures for the six months ended June 30, 2010)

(Unaudited)

(in US\$ 000's)

which are due from both related and unrelated parties. The Company's exposure to these counterparties is continually monitored.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	July 11, 2011	December 31, 2010
	\$	\$
Cash	1,874	478
VAT recoverable	49	44
Other receivables	3	17
	1,926	539

The Company's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. The Company has not recognized an allowance for doubtful debts as all balances are considered recoverable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. To date, the major part of the Company's funding has been provided by its related parties (Note 6).

The following tables show the remaining contractual maturities as of the reporting dates of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates).

Financial liabilities	Carrying amount	Contractual cash flows	0-6 months	6-12 months
	\$	\$	\$	\$
July 11, 2011				
Borrowings	1,882	1,882	1,882	–
Other payables and accrued liabilities	344	344	344	–
	2,226	2,226	2,226	–
December 31, 2010				
Other payables and accrued liabilities	307	307	307	–

Interest rate risk

The Company's operations expose it primarily to the financial risks of changes in interest rates. To December 31, 2010 the majority of borrowings were at fixed rates from related parties (Note 6). During the period from January 1, to July 11, 2011 borrowings from related parties were interest free and payable on demand.

Currency risk

The Company does not have any financial instruments that are not denominated in the functional currency. A 10% change in the exchange rate between the RUB and the US\$ would result in a change of approximately \$171 to the carrying amount of the Company's borrowings at July 11, 2011.

Kingashskaya mining company LLC

Notes to the Condensed Consolidated Interim Financial Statements

For the period from January 1, to July 11, 2011

(with comparative figures for the six months ended June 30, 2010)

(Unaudited)

(in US\$ 000's)

(a) Fair values versus carrying amounts

	As at July 11, 2011		As at December 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Assets				
Cash	1,874	1,874	478	478
VAT recoverable	49	49	44	44
Other receivables	3	3	17	17
	1,926	1,926	539	539
Liabilities				
Borrowings	1,882	1,882	–	–
Other payables and accrued liabilities	344	344	307	307
	2,226	2,226	307	307

(b) Fair value hierarchy

The different levels have been defined as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has no financial assets measured at fair value as at July 11, 2011 and December 31, 2010.

(c) Capital risk management

The Company manages its capital to ensure that it will continue as a going concern in order to complete its planned exploration and evaluation activities.

To date, the majority of the Company's capital has been sourced from debt and equity provided by related parties.

15. Subsequent events

(a) Purchase of Kingash by Intergeo

On November 15, 2010, four companies purchased all of the charter capital of Kingash from Norilsk Nickel in an arm's length transaction for a total price of approximately \$58,102. The purchasers and interest purchased were Travallation Holdings Ltd. – 9.5% ("Travallation", a Cyprus company); LLC Regiomax – 30.5% ("Regiomax", a Russian company); LLC Kvarto – 30.0% ("Kvarto", a Russian company and at November 15, 2010 a 33.25% shareholder in Intergeo); and LLC Technoexim – 30.0% ("Technoexim", a Russian company).

On December 27, 2010, Mr. Grigory Potapov and Mr. Sergey Lyamin (both officers of Intergeo and members of its Board of Directors) were appointed members of the Board of Directors of Kingash.

Kingashskaya mining company LLC

Notes to the Condensed Consolidated Interim Financial Statements

For the period from January 1, to July 11, 2011

(with comparative figures for the six months ended June 30, 2010)

(Unaudited)

(in US\$ 000's)

On March 28, 2011 Technoexim sold its 30.0% interest in Kingash to Sportscomplex, a 33.25% shareholder in Intergeo).

On April 28, 2011, Mr. Mikhail Prokhorov acquired a 99.9995% interest in Intergeo.

On May 23, 2011, Kingash issued a promissory note to Onexim Holdings Limited ("Onexim Holdings", a Cyprus company) in the amount of \$1,890. Mr. Mikhail Prokhorov is the ultimate beneficial owner of Onexim Holdings, LLC Onexim Group ("Onexim Group", a Russian company) Travallation and Technoexim (since April, 2011).

On July 12, 2011, Intergeo completed the purchase of all of the charter capital of Kingash from Travallation, Regiomax, Kvarto and Sportscomplex for net cash consideration of approximately \$68,119, net of cash acquired of approximately \$1,874. The purchase price does not represent fair value as the transaction was between related parties.

The two shareholders of Kvarto are both senior officers of Onexim Group and one of these individuals (a 30% shareholder of Kvarto) is also the sole shareholder of Sportscomplex.

(b) Corporate restructuring

Reorganization transaction

During the period from January 19 to February 9, 2012, Intergeo MMC Ltd, Intergeo Management Limited and LLC Intergeo Managing Company (the owner of 100% of Kingashskaya mining company LLC), completed a series of corporate reorganization transactions (the "Reorganization Transaction") for the purposes of:

- (i) eliminating the existing related party borrowings owed by LLC Intergeo Managing Company and Intergeo Management Limited by a debt to equity conversion; and
- (ii) establishing the ownership structure whereby Intergeo MMC Ltd has a 99.5% indirect interest in LLC Intergeo Managing Company through Intergeo Management Limited.

Prior to the date of the Reorganization Transaction and at December 31, 2011:

- (i) Intergeo MMC Ltd was 100% beneficially owned by Mr. Mikhail Prokhorov through Daselina Investments Ltd.;
- (ii) Intergeo MMC Ltd owned 100% of Intergeo Management Limited; and
- (iii) Mr. Mikhail Prokhorov owned a 99.9995% interest in LLC Intergeo Managing Company with the remaining 0.0005% interest being indirectly owned by Intergeo MMC Ltd through Intergeo Management Limited.

The Reorganization Transaction was completed through the following steps:

On January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 and Intergeo Management Limited totalling \$5,083 were assigned to Daselina Investments Ltd. The loans and promissory notes receivable aggregating \$208,246 and cash of \$7,262 were transferred by Daselina Investments Ltd. to Intergeo MMC Ltd in exchange for 100,000,000 common shares of Intergeo MMC Ltd. As a result of this step, Intergeo MMC Ltd continued to be 100% owned by Daselina Investments Ltd., which is 100% owned by Mr. Mikhail Prokhorov.

Immediately following the above step, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 and Intergeo Management Limited totalling \$5,083 were owed to Intergeo MMC Ltd.

Kingashskaya mining company LLC

Notes to the Condensed Consolidated Interim Financial Statements

For the period from January 1, to July 11, 2011

(with comparative figures for the six months ended June 30, 2010)

(Unaudited)

(in US\$ 000's)

On January 19, 2012, the loans and promissory notes receivable (including accrued interest) aggregating \$208,246 and cash of \$6,762 were transferred by Intergeo MMC Ltd to Intergeo Management Limited in exchange for 10,000 common shares of Intergeo Management Limited. Loans and promissory notes receivable (including accrued interest) in the amount of \$5,083 were eliminated against existing loans and promissory notes of Intergeo Management Limited. As a result of this step, Intergeo Management Limited continued to be 100% owned by Intergeo MMC Ltd.

Immediately following the above step on January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 were owed to Intergeo Management Limited.

On January 23, 2012 and February 1, 2012, promissory notes receivable (including accrued interest) aggregating \$204,603 and cash of \$6,989 were transferred by Intergeo Management Limited to LLC Intergeo Managing Company in exchange for additional charter capital and additional paid-in capital of LLC Intergeo Managing Company. The increase in charter capital was registered with the Russian tax authorities and became effective on February 9, 2012. The promissory notes (including accrued interest) aggregating \$204,603 were eliminated against existing promissory notes of LLC Intergeo Managing Company.

As a result of this Reorganization Transaction and the related adjustment to net assets of LLC Intergeo Managing Company, Intergeo MMC Ltd increased its indirect ownership interest in LLC Intergeo Managing Company from 0.0005% to 99.5% and diluted Mr. Mikhail Prokhorov's direct ownership interest in LLC Intergeo Managing Company from 99.9995% to 0.5%. In addition, the Company recorded non-controlling interest in the amount of \$907 as a result of the 0.5% direct ownership. Mr. Prokhorov continued to beneficially own Intergeo MMC Ltd through Daselina Investments Ltd.

APPENDIX Z

**KINGASH LLC MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009 AND FOR THE PERIOD FROM JANUARY 1, TO JULY 11, 2011**

Kingashskaya mining company LLC

Management's Discussion and Analysis

For the years ended December 31, 2010 and 2009

and

For the period from January 1, to July 11, 2011

Kingashskaya mining company LLC

Management's Discussion and Analysis

For the years ended December 31, 2010 and 2009 and for the period from January 1, to July 11, 2011

Certain terms used in this management's discussion and analysis ("MD&A") are defined in this MD&A. The following MD&A of the operating results and financial condition of Kingashskaya mining company LLC ("Kingash" or the "Company") should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2010 and 2009 and the (unaudited) condensed consolidated interim financial statements for the period from January 1, to July 11, 2011, of the Company and the accompanying notes thereto, which are included elsewhere in this prospectus and which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). Unless otherwise indicated, all dollar amounts in this MD&A are stated in United States dollars. The following additional abbreviations have also been used in this MD&A: International Accounting Standards Board ("IASB"); International Accounting Standards ("IAS"); and International Financial Reporting Interpretations Committee ("IFRIC").

January 1, to July 11, 2011 is the reporting period immediately preceding the acquisition of the Company on July 12, 2011 by LLC Intergeo Managing Company ("Intergeo").

The Company's accounting policies and estimates used in the preparation of its financial statements are considered appropriate in the circumstances, but are subject to judgements and uncertainties inherent in the financial reporting process. This analysis contains forward-looking information about the Company's business and future prospects that involve certain risks and uncertainties. The Company provides no assurances that actual results will meet management's expectations. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" elsewhere in this prospectus.

The information in this MD&A is provided as of January 24, 2014.

Formation of the Company

Kingash was established on May 2, 2006 as a limited liability company under the laws of the Russian Federation as "Kingashskaya mining company LLC".

The Company's registered office is 48 Karl Marks str., Krasnoyarsk, Krasnoyarskiy region, Russia.

Prior to November 15, 2010, the Company was wholly owned by Norilsk Nickel. On November 15, 2010, the Company was acquired and wholly-owned by four entities: LLC Regiomax - 30.5%, LLC Kvatro and LLC Technoexim - 30% each, Travallation Holdings Limited - 9.5% (referred to as "Shareholders").

On March 28, 2011, Technoexim sold its 30% interest in Kingash to LLC Sports Complex named after E.A. Streltsov.

On July 12, 2011, Intergeo completed the purchase of all of the charter capital of Kingash (See "Subsequent Events"). The condensed consolidated interim financial statements present the results of operations for the period from January 1 to July 11, 2011 and the financial position of the Company immediately prior to its acquisition by Intergeo on July 12, 2011. Since April 2011, and as at December 31, 2011, Intergeo was 99.9995% owned by Mikhail Prokhorov.

On February 9, 2012, Intergeo and its parent company completed a series of corporate restructuring transactions. The transactions had the effect of converting all of Intergeo's related party borrowings to equity of Intergeo. The total increase in Intergeo's charter capital and additional paid-in capital was \$210.1 million (including additional cash of \$7.0 million). In addition, as a result of the transactions Kingash and its parent company, Intergeo became indirect wholly-owned subsidiaries of Intergeo MMC Ltd (a company incorporated under the laws of the British Virgin Islands). Mr. Prokhorov remained the ultimate beneficial owner of the Company. (See "Subsequent Events").

The Company is involved in the exploration and evaluation of primarily nickel in Russia. The Company holds two licences. The Kingash Licence allows the Company to explore and mine nickel, copper and associated minerals from the Kingash deposits. The Upper Kingash/Kuyo Licence allows the Company to carry out prospecting and evaluation of the Upper Kingash and Kuyo deposits. The Company's current project is located in the Krasnoyarskiy Krai region of the Russian Federation.

Kingashskaya mining company LLC

Management's Discussion and Analysis

For the years ended December 31, 2010 and 2009 and for the period from January 1, to July 11, 2011

OVERALL PERFORMANCE

Kingash is a mineral resource company with immediate focus on developing its nickel sulphide property. The Company has no operating properties and therefore no revenue and negative cash flow from operations.

The Company defines its operations as a single operating segment.

Historically the Company has relied on its shareholders for funding of its expenditures through borrowings from the shareholder and related entities. As at July 11, 2011, these borrowings totalled \$1,882, however subsequent to its acquisition by Intergeo and as a result of the corporate restructuring that was completed in February 2012, all shareholder and related party borrowings were converted to equity. Future funding of the Company will include further shareholder advances funded by a short term bridge financing, and the proceeds from a planned public offering of Intergeo MMC Ltd's shares.

SELECTED FINANCIAL INFORMATION

The following table sets out selected financial information for the Company and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements as at, and for the period from April 1, 2011 to July 11, 2011 and January 1, 2011 to July 11, 2011 and the audited consolidated financial statements as at, and for the years ended December 31, 2010 and 2009:

	For the period from April 1, to July 11, 2011 (Unaudited)	For the three months ended June 30, 2010 (Unaudited)	For the period from January 1, to July 11, 2011 (Unaudited)	For the 6 months ended June 30, 2010	Year ended December 31, 2010	Year ended December 31, 2009
(in US\$ 000's)	\$	\$	\$	\$	\$	\$
Loss for the period	(176)	(442)	(271)	(899)	(7,256)	(2,782)
Total comprehensive income (loss) for the year	518	(3,879)	4,109	(2,624)	(7,638)	(3,928)
Net cash used in operating activities			(305)	(182)	159	(6,986)
Net cash used in investing activities			(214)	(188)	(550)	(1,620)
Net cash from financing activities			1,864	463	512	11,908
Effect of foreign exchange rate changes on cash			51		3	(3,599)

Kingashskaya mining company LLC

Management's Discussion and Analysis

For the years ended December 31, 2010 and 2009 and for the period from January 1, to July 11, 2011

As at	July 11, 2011	December 31, 2010	December 31, 2009
(in US\$ 000's)	\$	\$	\$
Assets			
Current assets	1,936	543	774
Exploration and evaluation assets	53,438	48,566	61,267
Total assets	59,767	53,606	67,482
Liabilities			
Borrowings - current	1,882	–	7,344
Current liabilities	2,226	307	7,924
Total liabilities	4,453	2,401	10,332
Current assets less current liabilities	(290)	236	(7,150)
Equity			
Charter capital	54,729	54,729	–
Additional paid-in capital	9,249	9,249	63,275
Deficit	(10,960)	(10,689)	(4,418)
Foreign currency translation reserve	2,296	(2,084)	(1,702)
Equity attributable to owners of the company	55,314	51,205	57,155
Non-controlling interest	–	–	(5)
Total equity	55,314	51,205	57,150

The Company is in the mineral exploration and development business and has not commenced mining operations or generated operating revenues to date. There is, therefore, no expectation of revenues from development and production until development of the property is completed.

Beginning in 2010 and through to July 11, 2011, mineral exploration and development activity at the property was modest. The minimal amount of net cash used in operating activities during this period reflects the minimal activity.

Results of Operations

The Company has no history of production and no operating revenues and may not generate operating revenues from its mineral properties or ever achieve profitable operations. There are a number of risks or uncertainties that could materially affect the Company's future performance which include, but are not limited to: the Company's limited operating history and lack of operating revenue; obtaining funds to develop mineral properties; the absence of proven or probably reserves; actual costs exceeding anticipated costs; volatility of metal and mineral prices; obtaining permits and licences in Russia and the loss or failure to maintain such licences; the remote location of the Company's mineral properties; operating in Russia; significant governmental regulation and weaknesses in the Russian legal system; and generally, the speculative nature of exploration and development of mineral resources.

Results from the period from April 1, to July 11, 2011 and the three months ended June 30, 2010

Loss for the period

The Company recorded a loss for the period from April 1, to July 11, 2011 of \$176, a change of \$266 from the loss of \$442 recorded for the three months ended June 30, 2010. The decrease in loss was primarily due to a reduction in general and administrative expenses and finance costs on a year-over-year basis.

General and administrative expenses

Kingashskaya mining company LLC

Management's Discussion and Analysis

For the years ended December 31, 2010 and 2009 and for the period from January 1, to July 11, 2011

General and administrative expenses for the period from April 1, to July 11, 2011 were \$188, a decrease of \$48 from \$236 for the three months ended June 30, 2010. The Company was inactive and was only incurring costs associated with maintaining its licences in good standing.

Results from the period from January 1, to July 11, 2011 and the six months ended June 30, 2010

Loss for the period

The Company recorded a loss for the period from January 1, to July 11, 2011 of \$271, a change of \$628 from the loss of \$899 recorded for the six months ended June 30, 2010. The decrease in the loss was primarily due to a reduction in general and administrative expenses and finance cash.

General and administrative expenses

General and administrative expenses for the period from January 1, to July 11, 2011 were \$260, a decrease of \$223 from the \$483 for the six months ended June 30, 2010. The Company was inactive and was only incurring costs associated with maintaining its licences in good standing.

Results for the years ended December 31, 2010 and 2009

The Company recorded a loss for the year ended December 31, 2010 of \$7,256, an increase of \$4,474 from the \$2,782 loss recorded for the year ended December 31, 2009. The increased loss is primarily due to an impairment loss taken in 2010, relating to exploration and evaluation assets.

General and administrative expenses

General and administrative expenses for the year ended December 31, 2010 were \$1,098, an increase of \$280 from \$818 for the year ended December 31, 2009. The increase in the general and administrative expenses in 2010 over the prior year relates primarily to an increase of \$156 on a year-over-year basis in professional fees, primarily an increase in audit fees of \$125.

Impairment of exploration and evaluation assets

The impairment losses relating to exploration and evaluation assets for the year ended December 31, 2010 amounted to \$4,854. No impairment loss was recognized during the year ended December 31, 2009.

During the year ended December 31, 2010, the Company ceased work and abandoned a specific area of the Kingash property that is not part of the Kingash project going forward. Management determined that this particular component of the property's potential mineral resources was not commercially viable and this area is not required if the Kingash project becomes economically viable. As a result of this determination, the Company recorded an impairment loss for the year ended December 31, 2010 totalling \$4,854.

Other expenses

Other expenses for the year ended December 31, 2010 were \$713, an increase of \$532 from \$181 for the year ended December 31, 2009.

Income tax benefit (expense)

Income tax benefit for the year ended December 31, 2010 was \$246, a change of \$586 from the expense of \$340 for the year ended December 31, 2009. This change is primarily the result of an impairment loss in 2010 on exploration and evaluation assets and the related tax losses, which were not recognized in the financial statements as it is not probable that the related tax benefit can be realized through future taxable profits.

Kingashskaya mining company LLC

Management's Discussion and Analysis

For the years ended December 31, 2010 and 2009 and for the period from January 1, to July 11, 2011

Financial position as at July 11, 2011 and December 31, 2010

Exploration and evaluation assets

The balance of exploration and evaluation assets at July 11, 2011 and December 31, 2010 represents capitalized costs in relation to exploration and evaluation activities carried out by the Company in the Russian Federation. Additions to exploration and evaluation assets include capitalized borrowing costs arising on financing directly attributable to these activities amounting to \$nil for the period from January 1, to July 11, 2011 (six months ended June 30, 2010 - \$nil).

Kingash was acquired by Intergeo in July of 2011. Kingash is a nickel sulphide property consisting of three identified deposits. A preliminary economic assessment prepared in accordance with NI 43-101 has been completed on the project and further studies planned for 2012 and 2013/2014 to demonstrate the economic viability of the project are planned.

If economic viability of this project is determined, a production decision will be made, followed, if applicable, by financing, construction and mine development in order to place the project into production.

During the six months ended December 31, 2010, the Company ceased work and abandoned a specific area of the Kingash property that is not part of the Kingash project going forward. Management determined this particular component of the property's potential mineral resources were not commercially viable and as a result of this determination, the Company recorded an impairment loss for the six months ended December 31, 2010 totalling \$4,854.

Borrowings

Borrowings at July 11, 2011 in the amount of \$1,882, represent RUB denominated promissory notes issued to Onexim Holdings Limited. The promissory notes are interest free and payable on demand.

Financial position as at December 31, 2010 and 2009

Cash

At December 31, 2010, cash totalled \$478 compared with cash at December 31, 2009 of \$354. The Company's cash at December 31, 2010 and 2009 was denominated in Russian Roubles.

Other receivables

At December 31, 2010, other receivables totalled \$65 (December 31, 2009 - \$420) and are primarily Value Added Tax ("VAT") recoverables of \$44 (December 31, 2009 - \$106).

Exploration and evaluation assets

Exploration and evaluation assets represent the acquisition costs and deferred exploration and evaluation costs pertaining to the Company's exploration and evaluation activities carried out in the Russian Federation. The capitalized expenditures include the cost of acquiring the legal rights to explore and costs that are directly attributable to exploration and evaluation activities such as exploratory drilling, trenching and analysis. Borrowing costs arising on financing directly attributable to these activities are also recognized as part of the cost of such assets. Capitalized borrowing costs amounted to \$nil for the year ended December 31, 2010 (year ended December 31, 2009 - \$4,942).

Kingash was acquired by Intergeo in July of 2011. Kingash is a nickel sulphide property consisting of three identified deposits. A preliminary economic assessment has been completed on the project and further studies planned for 2012 and 2013/2014 will be required to demonstrate economic viability.

Kingashskaya mining company LLC

Management's Discussion and Analysis

For the years ended December 31, 2010 and 2009 and for the period from January 1, to July 11, 2011

If economic viability of this project is determined, a production decision will be made followed by financing, construction and mine development in order to place the project into production.

Property plant and equipment

At December 31, 2010, the carrying amount of property, plant and equipment was \$4,497, a decrease of \$944 from \$5,441 at December 31, 2009.

The decrease during the year is primarily the result of depreciation charged during the year. There were no additions or disposals of property, plant and equipment during the years ended December 31, 2010 and 2009.

Borrowings

At December 31, 2010, there were no current or non-current borrowings. This represents a decrease in borrowings from \$7,344 at December 31, 2009. At December 31, 2009 all of the Company's borrowings were short-term, denominated in RUBs, payable on demand and were provided by the Company's former shareholder Norilsk Nickel. The average nominal contractual interest rate was 7.0 % per annum in 2010 (2009 - 8.5 %).

On initial recognition, the fair values of these related party borrowings were determined by reference to estimated market interest rates. The estimated market interest rate for the period from January 1, 2010 and thereafter was determined to be 13% (period from January 1, 2009 to December 31, 2009 – 20%).

The effects of discounting were credited to additional paid-in capital as they were considered to be contributions to capital.

Charter capital and additional paid-in capital

Charter capital is fully paid in cash. Voting rights are allocated to participants based on the proportion of their contributions in the total charter capital of the Company. Charter capital as at December 31, 2010 amounted to \$54,729 (December 31, 2009 - \$nil). During the year ended December 31, 2010 \$54,266 was registered as charter capital and as a result \$54,266 was transferred from additional paid-in capital to charter capital. In addition, during the year ended December 31, 2010 cash in the amount of \$463 was contributed by the participants and registered as charter capital of the Company.

At December 31, 2009, the prepayment received for charter capital prior to legal registration amounted to \$54,266 and was recognized as additional paid-in capital. During the year ended December 31, 2010 \$54,266 was registered as charter capital and as a result \$54,266 was transferred from additional paid-in capital to charter capital.

The effect of discounting at market interest rates borrowings from Norilsk Nickel, net of applicable income tax was recorded as additional paid-in capital.

SUMMARY OF QUARTERLY RESULTS

The Company has not prepared quarterly financial statements in prior years. However, the Company has prepared (unaudited) condensed consolidated interim financial statements for the period from January 1, to July 11, 2011 (immediately prior to its acquisition by Intergeo on July 12, 2011).

Since July 12, 2011, Kingash has been a wholly-owned subsidiary of Intergeo that is 99.9995% owned by Mikhail Prokhorov. Mr. Prokhorov remains the ultimate beneficial owner of the Company upon the completion of restructuring transactions in February 2012.

Kingashskaya mining company LLC

Management's Discussion and Analysis

For the years ended December 31, 2010 and 2009 and for the period from January 1, to July 11, 2011

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated financial statements have been prepared on a going concern basis, which assumes that it will continue its activities for the foreseeable future and that all its obligations will be settled in the normal course of business.

The Company is at the exploration and evaluation stage of its activities and has not generated revenue or cash flow from its exploration projects. The attainment of profitable operations is dependent upon future events, including the successful development and exploitation of the Company's mineral properties. To date, the Company has been reliant on borrowings and equity provided by related parties. (See "Transactions with Related Parties"). To continue its planned exploration and development activities, the Company will continue to be reliant on funding provided by related parties and/or successful raising of alternative sources of equity or debt finance. In the absence of a letter of financial support, there would be significant uncertainty regarding the Company's ability to continue as a going concern.

On March 15, 2013, Intergeo received a letter of financial support from Onexim Holdings Limited under which an undertaking has been given to provide sufficient funding to ensure that Intergeo (including its subsidiaries) has the ability to meet its obligations and liabilities as and when they fall due during the period of one year subsequent to the date of signing of the audited consolidated financial statements, which was January 24, 2014.

Onexim Holdings Limited, whose ultimate beneficial owner is Mr. Mikhail Prokhorov, has provided the letter of support because effective April 28, 2011, Mikhail Prokhorov also became the owner of 99.9995% of Intergeo. On July 12, 2011, Intergeo became the parent company of Kingash.

On February 9, 2012, Intergeo and its parent company completed a series of corporate restructuring transactions. The transactions had the effect of converting all of Intergeo's related party borrowings to equity of Intergeo. In addition, as a result of the transactions the total increase in Intergeo's charter capital and additional paid-in capital was \$210.1 million (including additional cash of \$7.0 million) and the Company became an indirect wholly-owned subsidiary of Intergeo MMC Ltd (a company incorporated under the laws of the British Virgin Islands). Mr. Prokhorov remained the ultimate beneficial owner of the Company.

During the year ended December 31, 2010, the Company received proceeds from borrowings totalling \$49 (year ended December 31, 2009 - \$5,047) and repaid borrowings during the year ended December 31, 2010 of \$nil (year ended December 31, 2009 - \$49,585).

During the year ended December 31, 2010, the Company received additional capital contributions from shareholders totalling \$463 (year ended December 31, 2009 - \$54,266).

The Company had a working capital (current assets of \$543 less current liabilities of \$307) of \$236 as at December 31, 2010, which represents a change of \$7,390 from the working capital deficiency of \$7,150 (current assets of \$774 less current liabilities of \$7,924) at December 31, 2009. The change is primarily as a result of the disposal of the Company's subsidiary, Tungusskaya to Norilsk Nickel.

Subsequent to December 31, 2011, Intergeo completed a corporate restructuring on February 9, 2012 which converted all shareholder and related entity borrowings to equity, thereby eliminating the working capital deficiency. As the Company's project is in the exploration or economic assessment stage, no funds from operations are expected to be generated prior to the commencement of production. The Company will rely on further shareholder funding, short term bridge financing, and the proceeds from a planned public issuance of the shares of Intergeo MMC Ltd to fund activities in the next 18 months.

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. To date, the major part of the Company's funding has been provided by its related parties.

Kingashskaya mining company LLC

Management's Discussion and Analysis

For the years ended December 31, 2010 and 2009 and for the period from January 1, to July 11, 2011

Contingencies and commitments

Certain contractual obligations of the Company as at July 11, 2011 are noted in the table below:

Contractual obligations	Payments Due by Period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Debt	1,882	1,882	–	–	–
Finance lease obligations	–	–	–	–	–
Operating leases	–	–	–	–	–
Purchase obligations ⁽ⁱ⁾	–	–	–	–	–
Other obligations ⁽ⁱⁱ⁾	344	344	–	–	–
Total contractual obligations	2,226	2,226	–	–	–

- (i) "Purchase obligations" means an agreement to purchase goods or services that is enforceable and legally binding on the company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.
- (ii) "Other obligations" means other financial liabilities reflected on the company's statement of financial position.

Tax legislation

Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities.

The Russian tax authorities take a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. This approach includes following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Legal proceedings

The Company is a party to certain legal proceedings arising in the ordinary course of business. However, there are no legal proceedings that the Company is or was a party to, or that any of the Company's property is or was the subject of, since incorporation of the Company, that were or are material to the Company, and the Company does not know of any contemplated material legal proceedings as at July 11, 2011.

Capital commitments

At July 11, 2011 and December 31, 2010 and 2009, Kingash had no contractual capital expenditure commitments in respect of exploration and evaluation assets and property, plant and equipment.

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material.

Kingashskaya mining company LLC

Management's Discussion and Analysis

For the years ended December 31, 2010 and 2009 and for the period from January 1, to July 11, 2011

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet transactions.

TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties to Kingash and its subsidiaries include:

Related Party	Relationship	Period Related
Norilsk Nickel	Shareholder	From June 2006 to November 2010
LLC Regiomax	Shareholder	From November 2010 to July 2011
LLC Kvarto	Shareholder	From November 2010 to July 2011
Travallation Holdings Limited	Shareholder	From November 2010 to July 2011
LLC Technoexim	Shareholder	From November 2010 to March 2011
LLC Sports Complex named after E.A. Streltsov	Shareholder	From March 2011 to July 2011
LLC Intergeo Managing Company	Shareholder	From July 2011
LLC Intergeo Managing Company	Other related party	From November 2010 to June 2011

Balances and transactions between the Company and its parent company, which are related parties have been eliminated on consolidation and are not disclosed.

(a) *Borrowings from related party*

The borrowings from Onexim Holdings Limited are unsecured and the proceeds were used to fund general and administrative expenses of the Company during the period.

	July 11, 2011	December 31, 2010	December 31, 2009
(in US\$ 000's)	(unaudited)		
	\$	\$	\$
Onexim Holdings Limited	1,882	–	–
Norilsk Nickel			
Principal	–	–	7,344
Interest payable	–	–	507
	1,882	–	7,851

Kingashskaya mining company LLC

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Proceeds from borrowings

	For the period from April 1, to July 2011	For the three months ended June 30, 2010	For the period from January 1, to July 11, 2011	For the 6 months ended June 30, 2010	Year ended December 31, 2010	Year ended December 31, 2009
(in US\$ 000's)	(unaudited) \$	(unaudited) \$	(unaudited) \$	\$	\$	\$
Onexim Holdings Limited	1,882	–	1,882	–		
Norilsk Nickel						
Principal	–	–	–	–	–	5,047
Interest payable	–	–	–	–	844	6,383
	1,882	–	1,882	–	844	11,430

Borrowings repaid

	For the period from April 1, to July 11, 2011	For the three months ended June 30, 2010	For the period from January 1, to July 11, 2011	For the 6 months ended June 30, 2010	Year ended December 31, 2010	Year ended December 31, 2009
(in US\$ 000's)	(unaudited) \$	(unaudited) \$	(unaudited) \$	\$	\$	\$
Norilsk Nickel						
Principal	–	–	–	–	–	(49,585)
Interest payable	–	–	–	–	–	(7,440)
	–	–	–	–	–	(57,025)

(b) Services provided

	July 11, 2011	December 31, 2010	December 31, 2009
(in US\$ 000's)	(unaudited) \$	\$	\$
Norilsk Nickel			
Advances given	–	–	66
Accounts receivable	–	–	301

	For the period from April 1, to July 2011	For the three months ended June 30, 2010	For the period from January 1, to July 11, 2011	For the 6 months ended June 30, 2010	Year ended December 31, 2010	Year ended December 31, 2009
(in US\$ 000's)	(unaudited) \$	(unaudited) \$	(unaudited) \$	\$	\$	\$
Norilsk Nickel						
Rental income	–	51	–	108	185	432
Services received	–	127	–	287	565	2,102

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(c) *Key management remuneration*

Key management of Kingash consists of general directors and deputies of the Company. Key management received the following remuneration during the periods, which was included in general and administrative expenses.

Key management received short term benefits for the period from April 1, to July 11, 2011 of \$16 (three months ended June 30, 2010 - \$14) and for the period from January 1, to July 11, 2011 of \$27 (six months ended June 30, 2010 - \$28), which consisted of salaries and social taxes. Key management received no long-term benefits from the Company during the period from January 1, to July 11, 2011.

Key management received short-term benefits for the year ended December 31, 2010 totalling \$50 (for the year ended December 31, 2009 - \$44), which consisted of salary and social taxes. Key management received no long-term benefits from the Company during the years ended December 31, 2010 and 2009.

Acquisition of Kingashskaya mining company LLC ("Kingash")

On November 15, 2010, four companies purchased all of the charter capital of Kingash from Norilsk Nickel ("Norilsk") in an arm's length transaction for a total price of approximately \$58,102. The purchasers and interest purchased were Travallation Holdings Ltd. – 9.5% ("Travallation", a Cyprus company); LLC Regiomax – 30.5% ("Regiomax", a Russian company); LLC Kvarto – 30.0% ("Kvarto", a Russian company and at November 15, 2010 a 33.25% shareholder in Intergeo); and LLC Technoexim – 30.0% ("Technoexim", a Russian company).

On December 27, 2010, Mr. Grigory Potapov and Mr. Sergey Lyamin (both officers of Intergeo and members of its Board of Directors) were appointed members of the Board of Directors of Kingash.

On March 28, 2011, Technoexim sold its 30.0% interest in Kingash to LLC Sports Complex named after E.A. Streltsov ("Sportscomplex", a Russian company and a 33.25% shareholder in Intergeo).

On April 28, 2011, Mr. Mikhail Prokhorov acquired a 99.9995% interest in Intergeo.

On May 23, 2011, Kingash issued a promissory note to Onexim Holdings Limited ("Onexim Holdings", a Cyprus company) in the amount of \$1,890. Mr. Mikhail Prokhorov is the ultimate beneficial owner of Onexim Holdings, LLC Onexim Group ("Onexim Group", a Russian company) Travallation and Technoexim (since April, 2011).

On July 12, 2011, Intergeo completed the purchase of all of the charter capital of Kingash from Travallation, Regiomax, Kvarto and Sportscomplex for cash consideration of approximately \$68,119, net of cash acquired of approximately \$1,874. The purchase price does not represent fair value as the transaction was between related parties.

The two shareholders of Kvarto are both senior officers of Onexim Group and one of these individuals (a 30% shareholder of Kvarto) is also the sole shareholder of Sportscomplex.

FOURTH QUARTER

The Company has not prepared quarterly financial statements in prior years. However, the Company has prepared (unaudited) condensed consolidated interim financial statements for the period from January 1, to July 11, 2011 (immediately prior to its acquisition by Intergeo on July 12, 2011).

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SUBSEQUENT EVENTS

Reorganization transaction

During the period from January 19 to February 9, 2012, Intergeo MMC Ltd, Intergeo Management Limited and LLC Intergeo Managing Company (the owner of 100% of Kingashskaya mining company LLC), completed a series of corporate reorganization transactions (the "Reorganization Transaction") for the purposes of:

- (i) eliminating the existing related party borrowings owed by LLC Intergeo Managing Company and Intergeo Management Limited by a debt to equity conversion; and
- (ii) establishing the ownership structure whereby Intergeo MMC Ltd has a 99.5% indirect interest in LLC Intergeo Managing Company through Intergeo Management Limited.

Prior to the date of the Reorganization Transaction and at December 31, 2011:

- (i) Intergeo MMC Ltd was 100% beneficially owned by Mr. Mikhail Prokhorov through Daselina Investments Ltd.;
- (ii) Intergeo MMC Ltd owned 100% of Intergeo Management Limited; and
- (iii) Mr. Mikhail Prokhorov owned a 99.9995% interest in LLC Intergeo Managing Company with the remaining 0.0005% interest being indirectly owned by Intergeo MMC Ltd through Intergeo Management Limited.

The Reorganization Transaction was completed through the following steps:

On January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 and Intergeo Management Limited totalling \$5,083 were assigned to Daselina Investments Ltd. The loans and promissory notes receivable aggregating \$208,246 and cash of \$7,262 were transferred by Daselina Investments Ltd. to Intergeo MMC Ltd in exchange for 100,000,000 common shares of Intergeo MMC Ltd. As a result of this step, Intergeo MMC Ltd continued to be 100% owned by Daselina Investments Ltd., which is 100% owned by Mr. Mikhail Prokhorov.

Immediately following the above step, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 and Intergeo Management Limited totalling \$5,083 were owed to Intergeo MMC Ltd.

On January 19, 2012, the loans and promissory notes receivable (including accrued interest) aggregating \$208,246 and cash of \$6,762 were transferred by Intergeo MMC Ltd to Intergeo Management Limited in exchange for 10,000 common shares of Intergeo Management Limited. Loans and promissory notes receivable (including accrued interest) in the amount of \$5,083 were eliminated against existing loans and promissory notes of Intergeo Management Limited. As a result of this step, Intergeo Management Limited continued to be 100% owned by Intergeo MMC Ltd.

Immediately following the above step on January 19, 2012, all related party borrowings in the form of loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company totalling \$203,163 were owed to Intergeo Management Limited.

On January 23, 2012 and February 1, 2012, promissory notes receivable (including accrued interest) aggregating \$204,603 and cash of \$6,989 were transferred by Intergeo Management Limited to LLC Intergeo Managing Company in exchange for additional charter capital and additional paid-in capital of LLC Intergeo Managing Company. The increase in charter capital was registered with the Russian tax authorities and became effective on February 9, 2012. The promissory notes (including accrued interest) aggregating \$204,603 were eliminated against existing promissory notes of LLC Intergeo Managing Company.

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As a result of this Reorganization Transaction and the related adjustment to net assets of LLC Intergeo Managing Company, Intergeo MMC Ltd increased its indirect ownership interest in LLC Intergeo Managing Company from 0.0005% to 99.5% and diluted Mr. Mikhail Prokhorov's direct ownership interest in LLC Intergeo Managing Company from 99.9995% to 0.5%. In addition, the Company recorded non-controlling interest in the amount of \$907 as a result of the 0.5% direct ownership. Mr. Prokhorov continued to beneficially own Intergeo MMC Ltd through Daselina Investments Ltd.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4 of the Consolidated Financial Statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results can differ from those estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage, which permits a reasonable assessment of the existence of reserves. The determination of reserves is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

(b) Initial recognition of related party receivables and borrowings

In the normal course of business the Company enters into transactions with its related parties. Judgement is applied in determining if such transactions are conducted at market or non-market interest rates. The basis for judgement includes pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Ore reserve and resource estimates

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Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, property, plant and equipment, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortization charges.

(b) Fair value determination

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the use of financial models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(c) Impairment of tangible and intangible assets other than goodwill

The Company assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash-generating units as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets.

(d) Tax losses carried forward

Tax losses are recognized as a deferred tax asset to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilized. As the Company's operations are at the exploration and evaluation stage, management concluded that estimates of future taxable income are not sufficiently reliable to allow a deferred tax asset to be recognized.

(e) Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

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(f) Environmental rehabilitation provision

The Company assesses its environmental rehabilitation provision at each reporting date. Significant estimates and assumptions are made in determining the provision for rehabilitation, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board ("IASB") has issued a number of new and revised International Financial Reporting Standards ("IFRSs") that were first effective for the years ended December 31, 2010 and 2009. For the purpose of preparing these consolidated financial statements, the Company has adopted all new and revised IFRSs where relevant. The Company has not applied any new standards or interpretations that are effective for accounting period beginning after December 31, 2010.

(a) Standards effective for annual periods beginning on or after January 1, 2010.

The application of the following new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years.

- IFRIC 17 "Distributions of Non-Cash Assets to Owners" (effective for annual periods beginning on or after July 1, 2009).
- IFRIC 18 "Transfers of Assets from Customers" (effective for annual periods beginning on or after July 1, 2009).
- IAS 27 "Consolidated and Separate Financial Statements" (revised January 2008; effective for annual periods beginning on or after July 1, 2009).
- IFRS 3 "Business Combinations" (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009).
- Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after January 1, 2010).
- Eligible Hedged Items - Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" (effective with retrospective application for annual periods beginning on or after July 1, 2009).
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after July 1, 2009).
- Additional Exemptions for First-time Adopters - Amendments to IFRS 1 "First-time Adoption of IFRS" (effective for annual periods beginning on or after January 1, 2010).
- Improvements to IFRSs (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after July 1, 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after January 1, 2010).

(b) Standards, amendments and interpretations to existing standards and new standards that are not yet effective and have not been early adopted by the Company.

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after January 1, 2011 or later and which the Company has not early adopted.

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IAS 27 (2011) - Separate Financial Statements

IAS 27 (2011) - Separate Financial Statements will become effective for annual periods beginning on or after January 1, 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The amended standard will become effective for annual periods beginning on or after January 1, 2013. This amendment will not have an impact on the Company's consolidated financial statements.

IAS 28 (2011) – Investments in associates and joint ventures

IAS 28 (2011), "Investments in associates and joint ventures" (IAS 28) was re-issued by the IASB in May 2011. IAS 28 continues to prescribe the accounting for investments in associates but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

Amendments to IAS 32 – Financial Instruments: Presentation

On December 16, 2011 the IASB published amendments to IAS 32 Financial Instruments: Presentation to clarify the application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Amendments to IFRS 7 – Financial Instruments

On December 16, 2011 the IASB published new disclosures requirements jointly with the Financial Accounting Standards Board ("FASB") that enable users of the financial statements to better compare financial statements prepared in accordance with IFRS and US GAAP. The new requirements are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Amendments to IFRS 9 – Financial instruments

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB in November 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In December 2011, the IASB issued amendments to IFRS 9 that defer the mandatory effective date to annual periods beginning on or after January 1, 2015. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9 which was originally limited to companies that chose to apply IFRS 9 prior to 2012. Alternatively, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments. The Company is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

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Amendments to IAS 1 – Presentation of financial statements

The amendment requires separate presentation for items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met, from those that would never be reclassified to profit or loss. The effective date is for annual periods beginning on or after July 1, 2012 and earlier adoption is permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

IFRS 10 - Consolidated Financial Statements

IFRS 10 - Consolidated Financial Statements will be effective for annual periods beginning on or after January 1, 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result in a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results in a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

IFRS 11 – Joint arrangements

IFRS 11, "Joint arrangements" (IFRS 11) was issued by the IASB in May 2011 and will supersede IAS 31, "Interest in joint ventures" and SIC 13, "Jointly controlled entities – non-monetary contributions by venturers" by removing the option to account for joint ventures using proportionate consolidation and requiring equity accounting. Venturers will transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item on their financial statements. In addition, IFRS 11 will require joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement will no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 12 – Disclosure of interests in other entities

IFRS 12, "Disclosure of interests in other entities" (IFRS 12) was issued by the IASB in May 2011. IFRS 12 requires enhanced disclosure of information about involvement with consolidated and unconsolidated entities, including structured entities commonly referred to as special purpose vehicles or variable interest entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 13 - Fair Value Measurement

IFRS 13 - Fair Value Measurement will be effective for annual periods beginning on or after January 1, 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to

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fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 is effective for annual periods beginning on or after January 1, 2013 and provides guidance for entities with post-development phase surface mining activities. Under the interpretation, production stripping costs that provide access to ore to be mined in the future are capitalized as non-current assets if the component of the ore body for which access has been improved can be identified, future benefits arising from the improved access are probable and the costs related to the stripping activity associated with the component of the ore body are reliably measurable. The interpretation also addresses how capitalized stripping costs should be depreciated and how capitalized amounts should be allocated between inventory and the stripping activity asset. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments are comprised of financial liabilities and financial assets. The Company's principal financial liabilities comprise accounts payable and short and long-term borrowings. The Company's principal financial assets are cash and cash equivalents and loans and other receivables.

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- interest rate risk
- currency risk

Management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable. The credit risk on liquid funds is limited because the Company does not hold significant cash balances and its counterparties are banks with acceptable credit ratings. The credit risk on accounts receivable is primarily concentrated on loans receivable, which are due from both related and unrelated parties. The Company's exposure to these counterparties is continually monitored.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposures to credit risk at the reporting dates were:

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	As at July 11, 2011 (unaudited)	As at December 31, 2010	As at December 31, 2009
	\$	\$	\$
Cash	1,874	478	354
VAT recoverable	49	44	106
Other receivables	3	17	301
Other taxes receivable	–	–	10
	1,926	539	771

The Company's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. The Company has not recognized an allowance for doubtful debts as all balances are considered recoverable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. To date, the major part of the Company's funding has been provided by its related parties.

The following tables show the remaining contractual maturities as of the reporting dates of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates).

Financial liabilities	Carrying amount	Contractual cash flows	0-6 months	6-12 months
July 11, 2011 (unaudited)	\$	\$	\$	\$
Borrowings	1,882	1,882	1,882	–
Other payables and accrued liabilities	344	344	344	–
	2,226	2,226	2,226	–
December 31, 2010				
Borrowings	–	–	–	–
Other payables and accrued liabilities	307	307	307	–
	307	307	307	–
December 31, 2009				
Borrowings	7,344	7,383	5,294	2,089
Other payables and accrued liabilities	580	714	443	271
	7,924	8,097	5,737	2,360

Interest rate risk

The Company's operations expose it primarily to the financial risks of changes in interest rates. To December 31, 2010 the majority of borrowings were at fixed rates from related parties. During the period from January 1, to July 11, 2011 borrowings from related parties were interest free and payable on demand.

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At the reporting date the interest rate profile of the Company's interest bearing financial instruments was as follows:

	July 11, 2011	December 31, 2010	December 31, 2009
	\$	\$	\$
Fixed rate instruments			
Borrowings	–	–	7,344

Currency risk

The Company does not have any financial instruments that are not denominated in the functional currency. A 10% change in the exchange rate between the RUB and the US\$ would result in a change of approximately \$171 to the carrying amount of the Company's borrowings at July 11, 2011. A 10% change in the exchange rate between the RUB and the US\$ would result in a change of approximately \$667 to the carrying amount of the Company's borrowings at December 31, 2009.

(a) Fair values versus carrying amounts

The following compares the carrying value with fair value for certain assets and liabilities:

	As at July 11, 2011		As at December 31, 2010		As at December 31, 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$	\$	\$
Assets						
Cash	1,874	1,874	478	478	354	354
VAT recoverable	49	49	44	44	106	106
Other receivables	3	3	17	17	301	301
Other taxes receivable	–	–	–	–	10	10
	1,926	1,926	539	539	771	771
Liabilities						
Borrowings	1,882	1,882	–	–	7,344	7,357
Other payables and accrued liabilities	344	344	307	307	580	580
	2,226	2,226	307	307	7,924	7,937

(b) Fair value hierarchy

The three levels of the fair value hierarchy with respect to required disclosures about the inputs to fair value measurement are:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has no financial assets measured at fair value as at July 11, 2011, December 31, 2010 and 2009.

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(c) Capital risk management

The Company manages its capital to ensure that it will continue as a going concern in order to complete its planned exploration and evaluation activities.

To date, the majority of the Company's capital has been sourced from debt and equity provided by related parties.

OTHER

For a further discussion of risk factors that could materially affect the Company's future operating results and financial position see "Risk Factors" contained elsewhere in this prospectus.

Outstanding Share Data

As at July 11, 2011 and December 31, 2010, the Company was a limited liability company established under the laws of the Russian Federation. A limited liability company does not issue shares but owners contribute to the charter capital and equity. Participation of the owners is determined by their capital contribution. The Company's charter capital amounted to \$54,729 at July 11, 2011 and December 31, 2010 (December 31, 2009 - \$nil). The charter capital is fully paid in cash and voting rights are allocated to participants based on the proportion of their contributions in the total capital of the Company.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining internal controls over financial reporting, and disclosure controls and procedures. Management is currently reviewing both of these areas and is establishing a work plan in order to meet the requirements for Intergeo MMC Ltd's future reporting periods.

APPENDIX AA
INTERGEO CYPRUS AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009

INTERGEO MANAGEMENT LIMITED
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009

INTERGEO MANAGEMENT LIMITED

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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Independent auditor's report

**To the Board of Directors of
Intergeo Management Limited**

Report on the financial statements

We have audited the accompanying financial statements of Intergeo Management Limited (the "Company") on pages 3 to 13, which comprise the statement of financial position as at December 31, 2010 and December 31, 2009, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"), and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board Members: Christis M. Christodorou (Chief Executive Officer), Eleftherios N. Philippou, Nicos S. Kyriakides, Nicos D. Papakyriacou, Aihos Chrysanthou, Costas Georgiadis, Antonis Tallois, Panos Papadopoulos, Piers M. Markou, Nicos Charalambous, Nicos Spanoudis, Maria Paschalis, Alexis Agathocleous, Aikis Christodoulides, Christakis Ioannou, Yiannis Ioannou, Paul Mallis, Panicos Papamichail, Christos Paparrakides, George Martides, Kerry Whyte, Andreas Georgiou, Christos Neocleous, Demeiris Papapericleous, Andreas Andreou, Alecos Papaalexandrou, George Pantelides, Panayiota Vayiarou, Michael Christodorou (Chairman Emeritus)

Deloitte Limited is the Cyprus member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.com/cy/about for a detailed description of the legal structure of DTTL.

Deloitte Limited is a private company, registered in Cyprus (Reg. No. 162812). Offices: Nicosia, Limassol, Larnaca

Member of Deloitte Touche Tohmatsu Limited



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Intergeo Management Limited as at December 31, 2010 and December 31, 2009, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the IASB.

Other matter

The Company has previously issued sets of financial statements for the years ended December 31, 2010 and December 31, 2009 which were addressed to the Members of the Company to comply with its statutory obligations in Cyprus.

Deloitte Limited

Deloitte Limited
Certified Public Accountants and Registered
Auditors
Nicosia, Cyprus
December 13, 2013

INTERGEO MANAGEMENT LIMITED

STATEMENTS OF COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Note	2010 US\$	2009 US\$
Administration expenses	5	<u>(2,362)</u>	(2,555)
Operating loss		(2,362)	(2,555)
Finance income	6	169	-
Finance costs	6	<u>-</u>	(361)
Loss before tax		(2,193)	(2,916)
Tax	7	<u>(29)</u>	(29)
Net loss for the year		(2,222)	(2,945)
Other comprehensive income		<u>-</u>	-
Total comprehensive loss for the year		<u>(2,222)</u>	<u>(2,945)</u>

The notes on pages 7 to 13 form an integral part of these financial statements.

INTERGEO MANAGEMENT LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010 AND DECEMBER 31, 2009

	Note	2010 US\$	2009 US\$
ASSETS			
Current assets			
Receivables	8	<u>2,650</u>	2,866
		<u>2,650</u>	2,866
Total assets		<u>2,650</u>	<u>2,866</u>
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	9	3,185	3,185
Accumulated deficit		<u>(7,708)</u>	(5,486)
Total equity		<u>(4,523)</u>	<u>(2,301)</u>
Current liabilities			
Trade and other payables	10	7,087	5,109
Current tax liabilities	11	<u>86</u>	58
		<u>7,173</u>	5,167
Total equity and liabilities		<u>2,650</u>	<u>2,866</u>

On December 13, 2013 the Board of Directors of Intergeo Management Limited authorised these financial statements for issue.

"Inter Jura Cy (Directors) Limited"
Inter Jura Cy (Directors) Limited
Director

"Inter Jura Cy (Management) Limited"
Inter Jura Cy (Management) Limited
Director

The notes on pages 7 to 13 form an integral part of these financial statements.

INTERGEO MANAGEMENT LIMITED

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Share capital US\$	Accumulated deficit US\$	Total equity US\$
Balance at January 1, 2009	3,185	(2,541)	644
Net loss and total comprehensive loss for the year	-	(2,945)	(2,945)
Balance at December 31, 2009/ January 1, 2010	3,185	(5,486)	(2,301)
Net loss and total comprehensive loss for the year	-	(2,222)	(2,222)
Balance at December 31, 2010	3,185	(7,708)	(4,523)

The notes on pages 7 to 13 form an integral part of these financial statements.

INTERGEO MANAGEMENT LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
	US\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	<u>(2,193)</u>	(2,916)
Cash flows used in operations before working capital changes	<u>(2,193)</u>	(2,916)
Decrease in receivables	216	319
Increase in trade and other payables	<u>1,977</u>	<u>2,597</u>
Net cash flows from operating activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents:		
At beginning of the year	<u>-</u>	<u>-</u>
At end of the year	<u><u>-</u></u>	<u><u>-</u></u>

The notes on pages 7 to 13 form an integral part of these financial statements.

INTERGEO MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009****1. Incorporation and principal activities****Country of incorporation**

Intergeo Management Limited (the "Company") was incorporated in Cyprus on April 18, 2008 as a private company with limited liability by shares under the Cyprus Companies Law, Cap. 113. Its registered office is at 1, Lampousas Street, 1095 Nicosia, Cyprus.

Principal activity

The principal activity of the Company is the acquisition and holding of interest in the share and loan capital of any companies of any nature. However, during the year the Company remained dormant.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Going concern basis

The Company incurred a loss of US\$2,222 for the year ended December 31, 2010, and, as of that date the Company's current liabilities exceeded its current assets by US\$4,523. The Company is dependent upon the continuing financial support of its parent company.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Adoption of new and revised IFRSs

During the years 2010 and 2009 the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on January 1, 2009. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

INTERGEO MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

2. Accounting policies (continued)

Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US\$), which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Share capital

Ordinary shares are classified as equity.

3. Financial risk management

Financial risk factors

The Company is exposed to credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk due to the nature of its activities.

3.2 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

3.3 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro for the year ended December 31, 2010. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

INTERGEO MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

4. Critical accounting estimates and 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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Income taxes**

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Administration expenses

	2010 US\$	2009 US\$
Auditors' remuneration	1,829	1,978
Accounting fees	533	577
	<u>2,362</u>	<u>2,555</u>

6. Finance income / cost

	2010 US\$	2009 US\$
Net foreign exchange transaction gains	169	-
Finance income	<u>169</u>	<u>-</u>
Net foreign exchange transaction losses	-	361
Finance costs	<u>-</u>	<u>361</u>
Net finance income / (cost)	<u>169</u>	<u>(361)</u>

INTERGEO MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

7. Tax

7.1 Tax recognised in profit or loss

	2010	2009
	US\$	US\$
Cyprus tax - Defence contribution - current year	<u>29</u>	<u>29</u>
Charge for the year	<u>29</u>	<u>29</u>

The tax on the Company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2010	2009
	US\$	US\$
Loss before tax	<u>(2,193)</u>	<u>(2,916)</u>
Tax calculated at the applicable tax rates	(219)	(292)
Tax effect of expenses not deductible for tax purposes	-	36
Tax effect of tax loss for the year	219	256
Defence contribution current year	<u>29</u>	<u>29</u>
Tax charge	<u>29</u>	<u>29</u>

The corporation tax rate is 10%. From January 1, 2013 the rate is 12.5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% up to August 31, 2011). From April 29, 2013 the rate is 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17% (15% up to August 31, 2011).

Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the following five years.

8. Receivables

	2010	2009
	US\$	US\$
Shareholders' current accounts (Note 12)	<u>2,650</u>	<u>2,866</u>
	<u>2,650</u>	<u>2,866</u>

The fair values of receivables due within one year approximate to their carrying amounts as presented above.

INTERGEO MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

9. Share capital

	2010 Number of shares	2010 US\$	2009 Number of shares	2009 US\$
Authorised				
Ordinary shares of €1 each	<u>2,000</u>	<u>3,185</u>	<u>2,000</u>	<u>3,185</u>
Issued but unpaid				
Balance at January 1	<u>2,000</u>	<u>3,185</u>	<u>2,000</u>	<u>3,185</u>
Balance at December 31	<u>2,000</u>	<u>3,185</u>	<u>2,000</u>	<u>3,185</u>

10. Trade and other payables

	2010 US\$	2009 US\$
Accruals	<u>7,087</u>	<u>5,109</u>
	<u>7,087</u>	<u>5,109</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

11. Current tax liabilities

	2010 US\$	2009 US\$
Cyprus taxes	<u>86</u>	<u>58</u>
	<u>86</u>	<u>58</u>

12. Related party transactions

As at December 31, 2010, the shareholder of the Company was Suffolk Nominees Limited, a company incorporated in Cyprus, who owned 100% of the share capital of the Company. On February 16, 2011 all the shares of the Company were transferred to Mr. Maxim Finskiy. On July 19, 2011, all the shares of the Company were transferred to Intergo MMC Ltd, a company incorporated in the British Virgin Islands. The ultimate beneficial owner of Intergo MMC Ltd is Mr. Mikhail D. Prokhorov.

The following transactions were carried out with related parties:

12.1 Shareholders' current accounts (Note 8)

	2010 US\$	2009 US\$
Receivable from shareholder	<u>2,650</u>	<u>2,866</u>
	<u>2,650</u>	<u>2,866</u>

The shareholders' current accounts are interest free, and have no specified repayment date.

13. Contingent liabilities

The Company had no contingent liabilities as at December 31, 2010 and 2009.

INTERGEO MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

14. Commitments

The Company had no capital or other commitments as at 31 December 2010 and 2009.

15. Events after the reporting period

On February 16, 2011 all of the shares of the Company were transferred to Mr. Maxim Finskiy. On July 19, 2011 the shareholder of the Company changed to Intergeo MMC Ltd (Note 12).

On August 26, 2011 the Company established a wholly owned subsidiary Intergeo Canada Management Services Inc, incorporated under the law of the province of Ontario Canada, and subscribed for 100 shares of CAD1 each.

On April 13, 2011, North Financial Overseas Corp., incorporated in the British Virgin Islands, granted a loan facility of US\$500,000 to the Company. The loan bears an interest rate of 3% annually and the repayment date is April 12, 2012.

On July 25, 2011 and August 29, 2011 North Financial Overseas Corp., granted two additional loan facilities of US\$150,000 and US\$300,000 respectively to the Company. Both loans bear an interest rate of 3% annually and are repayable within one year.

On September 12, 2011 and October 24, 2011 North Financial Overseas Corp., granted another two additional loan facilities of US\$300,000 and US\$500,000 respectively to the Company. Both loans bear an interest rate of 3% annually and are repayable within one year.

On October 07, 2011 and November 17, 2011 North Financial Overseas Corp., granted two additional loan facilities of US\$300,000 and US\$700,000 respectively. Both loans bear an interest rate of 3% annually and are repayable within one year.

In December 2011 the Company issued a promissory note with a face value of US\$2,369,000 for a consideration of US\$2,300,000.

Reorganization transactions – January and February 2012

Background

On February 9, 2012, Intergeo MMC Ltd completed a series of corporate reorganization transactions for the purposes of (i) eliminating the existing related party borrowings owed by LLC Intergeo Managing Company and the Company by a debt to equity conversion and (ii) establishing the ownership structure whereby Intergeo MMC Ltd has a 99.5% indirect interest in LLC Intergeo Managing Company.

Prior to the reorganization transactions, (i) Intergeo MMC Ltd was 100 percent owned by Mr. Mikhail Prokhorov, through Daselina Investments Ltd., (ii) Intergeo MMC Ltd owned 100 percent of the Company, and (iii) a 99.9995% interest in LLC Intergeo Managing Company was directly owned by Mr. Mikhail Prokhorov with the remaining 0.0005% interest being indirectly owned through the Company.

INTERGEO MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

The reorganization was completed as follows:

Intergeo MMC Ltd

On January 19, 2012, all related party loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company (approximately \$203.1 million) and the Company (approximately \$5.1 million) were assigned to Daselina Investments Ltd., a company wholly-owned by Mr. Mikhail Prokhorov. Such related party loans and promissory notes (including accrued interest) and cash of approximately \$7.3 million were then assigned by Daselina Investments Ltd. to Intergeo MMC Ltd in exchange for the issue of 100,000,000 common shares of Intergeo MMC Ltd, with the result that Intergeo MMC Ltd continued to be wholly-owned by Daselina Investments Ltd., which is 100 percent owned and controlled by Mr. Mikhail Prokhorov; and

Intergeo Management Limited

On January 19, 2012, Intergeo MMC Ltd subscribed for an additional 10,000 new shares in the Company in consideration of (i) assignment by Intergeo MMC Ltd to the Company of all promissory notes (including accrued interest) owed by LLC Intergeo Managing Company to Intergeo MMC Ltd (approximately \$203.1 million), (ii) the set off of all related party loans and promissory notes owed by the Company (approximately \$5.1 million) to Intergeo MMC Ltd, and (iii) cash of approximately \$6.8 million; and

LLC Intergeo Managing Company

On February 9, 2012, the Company contributed cash of approximately \$7.0 million and all the promissory notes (including accrued interest) owed by LLC Intergeo Managing Company to the charter capital of LLC Intergeo Managing Company, thus setting off LLC Intergeo Managing Company's indebtedness, increasing Intergeo MMC Ltd indirect participatory interest in LLC Intergeo Managing Company to 99.5% from 0.0005% and diluting Mr. Mikhail Prokhorov's direct equity interest in LLC Intergeo Managing Company to 0.5% from 99.9995%.

Loss on disposal of Uralmining Ltd. (Bolshoy Seyim property)

On April 9, 2012, the Company (as a result of the restructuring described above), entered into a Subscription Agreement with IRC Limited, who is the owner of 49% of the Bolshoy Seyim property through its 49% interest in Uralmining Ltd. Uralmining Ltd. holds the licence for exploration and extraction of mineral resources at the Bolshoy Seyim deposit in the Amur region of the Russian Federation. The Subscription Agreement provided for Intergeo Management Limited to receive 74,681,360 shares of IRC Limited, in exchange for the Company's 51% interest in Uralmining Ltd.

The transaction closed on July 24, 2012 and in accordance with the terms of the Subscription Agreement the Company received 74,681,360 shares of IRC Limited as consideration for its 51% interest in Uralmining Ltd.

On July 24, 2012, the 74,681,360 shares of IRC Limited had an aggregate market value of \$6,546 thousand, and consequently the Company recorded a loss on sale of Uralmining Ltd. in the amount of \$1,184 thousand. In 2013 all of these shares were disposed of.

Subscription Agreements

On October 26, 2012 the Company increased its authorized share capital from €12,000 divided into 12,000 shares of €1 each to 13,000 shares of €1 each, by creating of 1,000 additional shares.

INTERGEO MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

On October 26, 2012 the Company and Intergeo MMC Ltd entered in to a subscription agreement whereby Intergeo MMC Ltd agreed to purchase 1,000 common shares in the Company for aggregate consideration of \$24,000,000. A promissory note in the amount of \$357,330 and cash of \$23,642,670 were transferred to the Company in exchange for the issue of 1,000 common shares of the Company.

On February 4, 2013 the Company increased its authorized share capital from €13,000 divided into 13,000 shares of €1 each to 15,000 shares of €1 each, by creating of 2,000 additional shares.

On February 4, 2013, the Company increased its issued share capital from €13,000 divided into 13,000 shares of €1 each to 15,000 shares of €1 each and Intergeo MMC Ltd subscribed for an additional 2,000 new shares in the

Company for a total consideration of \$45million that was settled by (i) the set off of loan dated January 23, 2013 owed by the Company (\$8 million) to Intergeo MMC Ltd, and (ii) cash of \$37 million.

On February 5, 2013, the Company contributed cash of approximately \$27.3 million and two loans of total value \$13mln (including accrued interest) owed by LLC Intergeo Managing Company to the charter capital of LLC Intergeo Managing Company, thus setting off LLC Intergeo Managing Company's indebtedness, increasing Intergeo MMC Ltd indirect participatory interest in LLC Intergeo Managing Company to 99.5000025% from 99.5% with effect from March 22, 2013.

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

APPENDIX BB
INTERGEO CYPRUS UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD FROM
JANUARY 1 TO JULY 18, 2011

INTERGEO MANAGEMENT LIMITED

CONDENSED INTERIM FINANCIAL
STATEMENTS

Period from January 1, 2011 to July 18, 2011

INTERGEO MANAGEMENT LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS

Period from January 1, 2011 to July 18, 2011

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INTERGEO MANAGEMENT LIMITED

STATEMENTS OF COMPREHENSIVE LOSS

Period from January 1, 2011 to July 18, 2011

	Note	From January 1, 2011 to July 18, 2011 US\$	From January 1, 2010 to June 30, 2010 US\$
Administration expenses	6	<u>(478,056)</u>	<u>(1,181)</u>
Operating loss		(478,056)	(1,181)
Finance income	7	344	-
Finance costs	7	<u>(4,754)</u>	<u>-</u>
Loss before tax		(482,466)	(1,181)
Tax	8	<u>-</u>	<u>-</u>
Net loss for the period		(482,466)	(1,181)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the period		<u>(482,466)</u>	<u>(1,181)</u>

The notes on pages 5 to 15 form an integral part of these financial statements.

INTERGEO MANAGEMENT LIMITED

STATEMENTS OF FINANCIAL POSITION AS AT July 18, 2011

	Note	July 18, 2011 US\$	June 30, 2010 US\$
ASSETS			
Available-for-sale financial assets	9	<u>100</u>	-
		<u>100</u>	-
Current assets			
Receivables	10	2,114	2,650
Cash at bank		<u>82,153</u>	-
		<u>84,267</u>	2,650
Total assets		<u>84,367</u>	2,650
EQUITY AND LIABILITIES			
Equity			
Share capital	11	3,185	3,185
Accumulated deficit		<u>(490,174)</u>	(7,708)
Total equity		<u>(486,989)</u>	(4,523)
Non-current liabilities			
Borrowings	12	<u>503,205</u>	-
		<u>503,205</u>	-
Current liabilities			
Trade and other payables	13	68,065	7,087
Current tax liabilities	14	<u>86</u>	86
		<u>68,151</u>	7,173
Total liabilities		<u>571,356</u>	7,173
Total equity and liabilities		<u>84,367</u>	2,650

On December 13, 2013 the Board of Directors of Intergeo Management Limited authorised these financial statements for issue.

"Inter Jura Cy (Directors) Limited"
Inter Jura Cy (Directors) Limited
Director

"Inter Jura Cy (Management) Limited"
Inter Jura Cy (Management) Limited
Director

The notes on pages 5 to 15 form an integral part of these financial statements.

INTERGEO MANAGEMENT LIMITED

STATEMENTS OF CHANGES IN EQUITY

Period from January 1, 2011 to July 18, 2011

	Share capital US\$	Accumulated deficit US\$	Total US\$
Balance at January 1, 2010	3,185	(5,486)	(2,301)
Net loss and total comprehensive loss for the period to June 30, 2010	-	(1,181)	(1,181)
Balance at June 30, 2010	<u>3,185</u>	<u>(6,667)</u>	<u>(3,482)</u>
Balance at December 31, 2010	3,185	(7,708)	(4,523)
Net loss and total comprehensive loss for the period	-	(482,466)	(482,466)
Balance at July 18, 2011	<u>3,185</u>	<u>(490,174)</u>	<u>(486,989)</u>

The notes on pages 5 to 15 form an integral part of these financial statements.

INTERGEO MANAGEMENT LIMITED

STATEMENTS OF CASH FLOWS

Period from January 1, 2011 to July 18, 2011

	From January 1, 2011 to July 18, 2011 US\$	From January 1, 2010 to June 30, 2010 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(482,466)	(1,181)
Adjustments for:		
Interest expense	7 <u>3,205</u>	-
Cash flows used in operations before working capital changes	(479,261)	(1,181)
Decrease in receivables	536	-
Increase in trade and other payables	<u>60,978</u>	<u>1,181</u>
Net cash flows used in operating activities	<u>(417,747)</u>	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of available-for-sale financial assets	<u>(100)</u>	-
Net cash flows used in investing activities	<u>(100)</u>	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	<u>500,000</u>	-
Net cash flows from financing activities	<u>500,000</u>	-
Net increase in cash and cash equivalents	82,153	-
Cash and cash equivalents:		
At beginning of the period	<u>-</u>	<u>-</u>
At end of the period	<u><u>82,153</u></u>	<u>-</u>

The notes on pages 5 to 15 form an integral part of these financial statements.

INTERGEO MANAGEMENT LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Period from January 1, 2011 to July 18, 2011

1. Incorporation and principal activities

Country of incorporation

Intergeo Management Limited (the "Company") was incorporated in Cyprus on April 18, 2008 as a private company with limited liability by shares under the Cyprus Companies Law, Cap. 113. Its registered office is at 1, Lampousas Street, 1095 Nicosia, Cyprus.

2. Unaudited financial statements

The interim financial statements for the period ended on July 18, 2011, have not been audited by the external auditors of the Company. The financial statements have been prepared to July 18, 2011 as this was the date before the shareholder of the Company changed (Note 15). The comparatives are for the six months to June 30, 2010.

Principal activity

The principal activity of the Company, which is unchanged from last year, is the acquisition and holding of interest in the share and loan capital of any companies of any nature.

3. Accounting policies

The interim financial statements, which are presented in United States Dollars, have been prepared in accordance with IAS 34 "Interim Financial Reporting" and do not include all the information required for full financial statements.

The accounting policies used in the preparation of the interim financial statements are in accordance with those used in the annual financial statements for the year ended December 31, 2010.

Corporation tax is calculated based on the expected tax rates for the whole financial year.

These interim financial statements must be read in conjunction with the annual financial statements for the year ended December 31, 2010.

Going concern basis

The Company incurred a loss of US\$482,466 for the period from January 1, 2011 to July 18, 2011, and, as at that date its total liabilities exceeded its total assets by US\$486,989. The Company is dependent upon the continuing financial support of its parent company. The parent company has indicated its intention to continue providing such financial assistance to the Company to enable it to continue as a going concern and to meet its obligations as they fall due (Note 18).

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in United States Dollars (US\$), which is the Company's functional and presentation currency.

INTERGEO MANAGEMENT LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Period from January 1, 2011 to July 18, 2011

3. Accounting policies (continued)

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

(i) Financial assets

The Company recognizes all financial assets at fair value and classifies them into one of the following four categories: financial assets "at fair value through profit or loss" ("FVTPL"), "held-to-maturity" investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". Financial assets held to maturity and loans and receivable are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in net income or loss for the period.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, cash and cash equivalents) are measured at amortized cost using the effective interest method, less any impairment.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as loans and receivables; held-to-maturity investments; or financial assets at fair value through profit or loss. The Company's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive loss and presented within equity in a fair value reserve. When an investment is derecognized or impaired, the cumulative gain or loss in other comprehensive loss is transferred to profit or loss.

Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at

INTERGEO MANAGEMENT LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Period from January 1, 2011 to July 18, 2011

3. Accounting policies (continued)

Financial instruments (continued)

FVTPL

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated as effective as a hedging instruments.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in other gains or losses line item in the consolidated statement of comprehensive income.

(ii) Financial liabilities and equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Other financial liabilities

On initial recognition, the fair value of borrowings is determined by reference to estimated market interest rates. The effect of discounting borrowings from related parties is credited to additional paid-in capital, as it is considered to be a capital contribution. The effect of discounting borrowings from third parties is charged to profit or loss for the period. Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest method.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand.

INTERGEO MANAGEMENT LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Period from January 1, 2011 to July 18, 2011

3. Accounting policies (continued)**Derecognition of financial assets and liabilities**Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity.

4. Financial risk management**Financial risk factors**

The Company is exposed to market price risk, interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

4.1 Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Company's available-for-sale financial assets and financial assets at fair value through profit or loss are susceptible to market price risk arising from uncertainties about future prices of the investments. The Company's market price risk is managed through diversification of the investment portfolio.

INTERGEO MANAGEMENT LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Period from January 1, 2011 to July 18, 2011

4. Financial risk management (continued)**4.2 Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

4.3 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

4.4 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

4.5 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar to Euro and the Canadian Dollar. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

5. Critical accounting estimates and judgments

Estimates and judgments 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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Income taxes**

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

INTERGEO MANAGEMENT LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Period from January 1, 2011 to July 18, 2011

5. Critical accounting estimates and judgments (continued)

- **Impairment of available-for-sale financial assets**

The Company follows the guidance of IAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

6. Administration expenses

	From January 1, 2011 to July 18, 2011 US\$	From January 1, 2010 to June 30, 2010 US\$
Directors' remuneration	180,757	-
Staff salaries	48,601	-
Auditors' remuneration	-	914
Accounting fees	1,290	267
Legal fees	1,428	-
Directors' fees	2,978	-
Secretarial fees	1,117	-
Registered office fees	1,117	-
Travelling and accommodation expenses	61,110	-
Irrecoverable VAT	(225)	-
Professional services	174,497	-
Consulting services	1,945	-
Commission fees	168	-
Internet Hosting and support fees	3,273	-
	<u>478,056</u>	<u>1,181</u>

7. Finance income / cost

	From January 1, 2011 to July 18, 2011 US\$	From January 1, 2010 to June 30, 2010 US\$
Foreign exchange transaction gains	344	-
Finance income	<u>344</u>	<u>-</u>
Foreign exchange transaction losses	(430)	-
Interest expense	(3,205)	-
Other finance expenses	(1,119)	-
Finance costs	<u>(4,754)</u>	<u>-</u>
Net finance costs	<u>(4,410)</u>	<u>-</u>

INTERGEO MANAGEMENT LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Period from January 1, 2011 to July 18, 2011

8. Tax

8.1 Tax recognised in profit or loss

	From January 1, 2011 to July 18, 2011 US\$	From January 1, 2010 to June 30, 2010 US\$
Charge for the period	<u>-</u>	<u>-</u>
The tax on the Company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:		
	From January 1, 2011 to July 18, 2011 US\$	From January 1, 2010 to June 30, 2010 US\$
Loss before tax	<u>(482,466)</u>	<u>(1,181)</u>
Tax calculated at the applicable tax rates	(48,247)	(118)
Tax effect of tax loss for the period/ expenses not deductible	<u>48,247</u>	<u>118</u>
Tax charge	<u>-</u>	<u>-</u>

The corporation tax rate is 10%. From January 1, 2013 the rate is 12.5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% to August 30, 2011). From April 29, 2013 the rate is 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2011 the rate was 15% up to 30 August 2011 and 17% thereafter).

9. Available-for-sale financial assets

	July 18, 2011 US\$	June 30, 2010 US\$
Balance at January 1	-	-
Additions	<u>100</u>	<u>-</u>
Balance at July 18 / June 30	<u>100</u>	<u>-</u>

On April 28, 2011, the Company acquired a 0.0005% interest in LLC Intergeo Managing Company incorporated in the Russian Federation. The Company has accounted for the investment at cost.

10. Receivables

	July 18, 2011 US\$	June 30, 2010 US\$
Shareholders' current accounts (Note 15)	-	2,650
Deposits and prepayments	867	-
Refundable VAT	<u>1,247</u>	<u>-</u>
	<u>2,114</u>	<u>2,650</u>

INTERGEO MANAGEMENT LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Period from January 1, 2011 to July 18, 2011

11. Share capital

	July 18, 2011 Number of shares	July 18, 2011 US\$	June 30, 2010 Number of shares	June 30, 2010 US\$
Authorised				
Ordinary shares of €1 each	<u>2,000</u>	<u>3,185</u>	2,000	3,185
Issued but unpaid				
Balance at January 1	<u>2,000</u>	<u>3,185</u>	2,000	3,185
Balance at July 18 / June 30	<u>2,000</u>	<u>3,185</u>	2,000	3,185

12. Borrowings

	July 18, 2011 US\$	June 30, 2010 US\$
Balance at January 1	-	-
Additions	<u>503,205</u>	-
Balance at July 18 / June 30	<u>503,205</u>	-
	July 18, 2011 US\$	June 30, 2010 US\$
Non current borrowings		
Loans from related companies (Note 15)	<u>503,205</u>	-
Maturity of non-current borrowings: Between two and five years	<u>503,205</u>	-

The weighted average effective interest rates at the reporting date were as follows:

	July 18, 2011	June 30, 2010
Other loans	3%	N/A

Loans Payable can be analysed as follows:

On April 13, 2011, North Financial Overseas Corp., incorporated in the British Virgin Islands, granted a loan facility of US\$500,000 to the Company. The loan bears an interest rate of 3% annually and the repayment date is April 12, 2012.

13. Trade and other payables

	July 18, 2011 US\$	June 30, 2010 US\$
Accruals	8,604	7,087
Other creditors	<u>59,461</u>	-
	<u>68,065</u>	<u>7,087</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

INTERGEO MANAGEMENT LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Period from January 1, 2011 to July 18, 2011

14. Current tax liabilities

	July 18, 2011 US\$	June 30, 2010 US\$
Cyprus tax liabilities	<u>86</u>	<u>86</u>
	<u>86</u>	<u>86</u>

15. Related party transactions

As at December 31, 2010, the shareholder of the Company was Suffolk Nominees Limited, a company incorporated in Cyprus, who owned 100% of the share capital of the Company. On February 16, 2011 all the shares of the Company were transferred to Mr. Maxim Finskiy. On July 19, 2011, all the shares of the Company were transferred to Intergeo MMC Ltd, a company incorporated in the British Virgin Islands. The ultimate beneficial owner of Intergeo MMC Ltd is Mr. Mikhail D. Prokhorov.

The following transactions were carried out with related parties:

15.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	From January 1, 2011 to July 18, 2011 US\$	From January 1, 2010 to June 30, 2010 US\$
Directors' fees	<u>2,978</u>	<u>-</u>
Directors' remuneration	<u>180,757</u>	<u>-</u>
	<u>183,735</u>	<u>-</u>

15.2 Loans from related companies (Note 12)

	July 18, 2011 US\$	June 30, 2010 US\$
North Financial Overseas Corp.	<u>503,205</u>	<u>-</u>
	<u>503,205</u>	<u>-</u>

15.3 Shareholders' current accounts - debit balances (Note 10)

	July 18, 2011 US\$	June 30, 2010 US\$
Amount due from shareholders	<u>-</u>	<u>2,650</u>
	<u>-</u>	<u>2,650</u>

The shareholders' current accounts are interest free, and have no specified repayment date.

16. Contingent liabilities

The Company had no contingent liabilities as at July 18, 2011.

INTERGEO MANAGEMENT LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Period from January 1, 2011 to July 18, 2011

17. Commitments

The Company had no capital or other commitments as at 18 July 2011.

18. Events after the reporting period

On July 19, 2011 the shareholder of the Company changed to Intergeo MMC Ltd (Note 15).

On August 26, 2011 the Company established a wholly owned subsidiary Intergeo Canada Management Services Inc, incorporated under the law of the province of Ontario Canada, and subscribed for 100 shares of CAD1 each.

On July 25, 2011 and August 29, 2011 North Financial Overseas Corp., granted two additional loan facilities of US\$150,000 and US\$300,000 respectively to the Company. Both loans bear an interest rate of 3% annually and are repayable within one year.

On September 12, 2011 and October 24, 2011 North Financial Overseas Corp., granted another two additional loan facilities of US\$300,000 and US\$500,000 respectively to the Company. Both loans bear an interest rate of 3% annually and are repayable within one year.

On October 07, 2011 and November 17, 2011 North Financial Overseas Corp., granted two additional loan facilities of US\$300,000 and US\$700,000 respectively. Both loans bear an interest rate of 3% annually and are repayable within one year.

In December 2011 the Company issued a promissory note with a face value of US\$2,369,000 for a consideration of US\$2,300,000.

Reorganization transactions – January and February 2012

Background

On February 9, 2012, Intergeo MMC Ltd completed a series of corporate reorganization transactions for the purposes of (i) eliminating the existing related party borrowings owed by LLC Intergeo Managing Company and the Company by a debt to equity conversion and (ii) establishing the ownership structure whereby Intergeo MMC Ltd has a 99.5% indirect interest in LLC Intergeo Managing Company.

Prior to the reorganization transactions, (i) Intergeo MMC Ltd was 100 percent owned by Mr. Mikhail Prokhorov, through Daselina Investments Ltd., (ii) Intergeo MMC Ltd owned 100 percent of the Company, and (iii) a 99.9995% interest in LLC Intergeo Managing Company was directly owned by Mr. Mikhail Prokhorov with the remaining 0.0005% interest being indirectly owned through the Company.

INTERGEO MANAGEMENT LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Period from January 1, 2011 to July 18, 2011

18. Events after the reporting period (continued)

The reorganization was completed as follows:

Intergeo MMC Ltd

On January 19, 2012, all related party loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company (approximately \$203.1 million) and the Company (approximately \$5.1 million) were assigned to Daselina Investments Ltd., a company wholly-owned by Mr. Mikhail Prokhorov. Such related party loans and promissory notes (including accrued interest) and cash of approximately \$7.3 million were then assigned by Daselina Investments Ltd. to Intergeo MMC Ltd in exchange for the issue of 100,000,000 common shares of Intergeo MMC Ltd, with the result that Intergeo MMC Ltd continued to be wholly-owned by Daselina Investments Ltd., which is 100 percent owned and controlled by Mr. Mikhail Prokhorov; and

Intergeo Management Limited

On January 19, 2012, Intergeo MMC Ltd subscribed for an additional 10,000 new shares in the Company in consideration of (i) assignment by Intergeo MMC Ltd to the Company of all promissory notes (including accrued interest) owed by LLC Intergeo Managing Company to Intergeo MMC Ltd (approximately \$203.1 million), (ii) the set off of all related party loans and promissory notes owed by the Company (approximately \$5.1 million) to Intergeo MMC Ltd, and (iii) cash of approximately \$6.8 million; and

LLC Intergeo Managing Company

On February 9, 2012, the Company contributed cash of approximately \$7.0 million and all the promissory notes (including accrued interest) owed by LLC Intergeo Managing Company to the charter capital of LLC Intergeo Managing Company, thus setting off LLC Intergeo Managing Company's indebtedness, increasing Intergeo MMC Ltd indirect participatory interest in LLC Intergeo Managing Company to 99.5% from 0.0005% and diluting Mr. Mikhail Prokhorov's direct equity interest in LLC Intergeo Managing Company to 0.5% from 99.9995%.

Loss on disposal of Uralmining, Ltd. (Bolshoy Seyim property)

On April 9, 2012, the Company (as a result of the restructuring described above), entered into a Subscription Agreement with IRC Limited, who is the owner of 49% of the Bolshoy Seyim property through its 49% interest in Uralmining Ltd. Uralmining Ltd. holds the licence for exploration and extraction of mineral resources at the Bolshoy Seyim deposit in the Amur region of the Russian Federation. The Subscription Agreement provided for Intergeo Management Limited to receive 74,681,360 shares of IRC Limited, in exchange for the Company's 51% interest in Uralmining Ltd.

The transaction closed on July 24, 2012 and in accordance with the terms of the Subscription Agreement the Company received 74,681,360 shares of IRC Limited as consideration for its 51% interest in Uralmining Ltd.

On July 24, 2012, the 74,681,360 shares of IRC Limited had an aggregate market value of \$6,546 thousand, and consequently the Company recorded a loss on sale of Uralmining, Ltd. in the amount of \$1,184 thousand. In 2013 all of these shares were disposed of.

INTERGEO MANAGEMENT LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Period from January 1, 2011 to July 18, 2011

18. Events after the reporting period (continued)

Subscription Agreements

On October 26, 2012 the Company increased its authorized share capital from €12,000 divided into 12,000 shares of €1 each to 13,000 shares of €1 each, by creating of 1,000 additional shares.

On October 26, 2012 the Company and Intergeo MMC Ltd entered in to a subscription agreement whereby Intergeo MMC Ltd agreed to purchase 1,000 common shares in the Company for aggregate consideration of \$24,000,000. A promissory note in the amount of \$357,330 and cash of \$23,642,670 were transferred to the Company in exchange for the issue of 1,000 common shares of the Company.

On February 4, 2013 the Company increased its authorized share capital from €13,000 divided into 13,000 shares of €1 each to 15,000 shares of €1 each, by creating of 2,000 additional shares.

On February 4, 2013, the Company increased its issued share capital from €13,000 divided into 13,000 shares of €1

each to 15,000 shares of €1 each and Intergeo MMC Ltd subscribed for an additional 2,000 new shares in the Company for a total consideration of \$45million that was settled by (i) the set off of loan dated January 23, 2013 owed by the Company (\$8 million) to Intergeo MMC Ltd, and (ii) cash of \$37 million.

On February 5, 2013, the Company contributed cash of approximately \$27.3 million and two loans of total value \$13mln (including accrued interest) owed by LLC Intergeo Managing Company to the charter capital of LLC Intergeo Managing Company, thus setting off LLC Intergeo Managing Company's indebtedness, increasing Intergeo MMC Ltd indirect participatory interest in LLC Intergeo Managing Company to 99.5000025% from 99.5% with effect from March 22, 2013.

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

APPENDIX CC
INTERGEO CYPRUS MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009 AND THE PERIOD FROM JANUARY 1 TO JULY 18, 2011

INTERGEO MANAGEMENT LIMITED

Management's Discussion and Analysis

For the years ended December 31, 2010 and 2009
and
For the period from January 1, to July 18, 2011

Intergeo Management Limited

Management's Discussion and Analysis

For the years ended December 31, 2010 and 2009 and for the period from January 1, to July 18, 2011

Certain terms used in this management's discussion and analysis ("MD&A") are defined in this MD&A. The following MD&A of the operating results and financial condition of Intergeo Management Limited ("Intergeo Management" or the "Company") for the period from incorporation (June 9, 2011) to December 31, 2011, should be read in conjunction with the audited consolidated financial statements of the Company and the accompanying notes thereto, which are included elsewhere in this prospectus and which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). All dollar amounts in this MD&A are stated in United States dollars. The following additional abbreviations have also been used in this MD&A: International Accounting Standards Board ("IASB"); International Accounting Standards ("IAS"); and International Financial Reporting Interpretations Committee ("IFRIC").

January 1, to July 18, 2011 is the reporting period immediately preceding the acquisition of the Intergeo Management on July 19, 2011 by Intergeo MMC Ltd ("Intergeo MMC").

The Company's accounting policies and estimates used in the preparation of its financial statements are considered appropriate in the circumstances, but are subject to judgements and uncertainties inherent in the financial reporting process. This analysis contains forward-looking information about the Company's business and future prospects that involve certain risks and uncertainties. The Company provides no assurances that actual results will meet management's expectations. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" elsewhere in this prospectus.

The information in this MD&A is provided as of December 13, 2013.

Formation of the Company

Intergeo Management was incorporated in Cyprus on April 18, 2008 as a private company with limited liability by shares under the Cyprus Companies Law, Cap. 113.

The Company's registered office is 1, Lampousas Street, 1095 Nicosia, Cyprus.

The principal activity of the Company is the acquisition and holding of interest in the share and loan capital of any companies of any nature. The Company defines its operations as a single operating segment.

The condensed consolidated interim financial statements present the results of operations for the period from January 1 to July 18, 2011 and the financial position of the Company immediately prior to its acquisition by Intergeo on July 19, 2011.

As a result of the transaction on July 19, 2011, Intergeo Management became a 100% owned subsidiary of Intergeo MMC.

On August 26, 2011, Intergeo Canada Services Inc. was incorporated under the laws of the province of Ontario, Canada and Intergeo Management subscribed for 100 common shares. Intergeo Canada Services Inc. became a 100% owned subsidiary of Intergeo Management.

On February 9, 2012, Intergeo Management and its parent company, Intergeo MMC completed a series of corporate restructuring transactions. The transactions had the effect of converting approximately \$203.1 million of LLC Intergeo Managing Company's current borrowings to equity of LLC Intergeo Managing Company. In addition, as a result of the transactions Intergeo Management increased its ownership in LLC Intergeo Managing Company to 99.5% from 0.0005%. Mr. Prokhorov remained the ultimate beneficial owner of the Company. (See – Subsequent Events).

OVERALL PERFORMANCE

Historically the Company has relied on its shareholders for funding of its expenditures through borrowings from the shareholder and related entities. As at July 18, 2011, these borrowings totalled \$503,205 however subsequent to its

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acquisition by Intergeo MMC and as a result of the corporate restructuring that was completed in February 2012, all shareholder and related party borrowings were converted to equity. Future funding of the Company will include further shareholder advances funded by a short term bridge financing.

SELECTED FINANCIAL INFORMATION

The following table sets out selected financial information for the Company for the period from January 1, 2011 to July 18, 2011 and for the 6 months ended June 30, 2010 and for the years ended December 31, 2010 and 2009:

	For the period from January 1, to July 18, 2011 (unaudited)	For the 6 months ended June 30, 2010 (unaudited)	Year ended December 31, 2010	Year ended December 31, 2009
	\$	\$	\$	\$
Loss for the period	(482,466)	(1,181)	(2,222)	(2,945)
Total comprehensive (loss) for the period	(482,466)	(1,181)	(2,222)	(2,945)
Net cash used in operating activities	417,747	–	–	–
Net cash used in investing activities	100	–	–	–
Net cash from financing activities	500,000	–	–	–
As at	July 18, 2011 (unaudited)	December 31, 2010	December 31, 2009	
	\$	\$	\$	
Assets				
Cash	82,153	–	–	
Receivables	2,114	2,650	2,866	
Investment in LLC Intergeo Managing Company	100	–	–	
Total assets	84,367	2,650	2,866	
Liabilities				
Borrowings - current	503,205	–	–	
Current liabilities	68,151	7,173	5,167	
Total liabilities	571,356	7,173	5,167	
Equity				
Share capital	3,185	3,185	3,185	
Deficit	(490,174)	(7,708)	(5,486)	
Total equity	486,989	(4,523)	(2,301)	

Subsequent to the reorganization transaction (See "Subsequent Events"), the Company and its subsidiaries are in the mineral exploration and development business and have not commenced mining operations or generated operating revenues to date. There is, therefore, no expectation of revenues from development and production until development of any of the Company's properties is completed.

Results of Operations

Intergeo Management was incorporated for the purpose of holding a 99.5% interest in LLC Intergeo Managing Company, a mineral resource company primarily focused on developing, exploring and acquiring base metal properties in Russia. During the period from January 1, 2011 to December 31, 2011 the Company's operations were focused on preparing this

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purpose. The acquisition of the Company by Intergeo MMC was also a step in the corporate reorganization. The acquisition of LLC Intergeo Managing Company was accomplished by a series of corporate reorganization steps entered in January and February 2012 that resulted in Intergeo MMC's indirect participatory interest in LLC Intergeo Managing Company increasing from 0.0005% to 99.5%. It is the Company's intention to advance the development and exploration work on the base metal properties in Russia through a planned public offering of shares.

Results from the period from January 1, to July 18, 2011 and the six months ended June 30, 2010

Loss for the period

The Company recorded a loss for the period from January 1, to July 18, 2011 of \$482,466, a change of \$481,285 from the loss of \$1,181 recorded for the six months ended June 30, 2010. The increase in the loss was due to an increase in administrative expenses and finance costs on a year-over-year basis.

Administrative expenses

Administrative expenses for the period from January 1, to July 18, 2011 were \$478,056, an increase of \$476,875 from \$1,181 for the six months ended June 30, 2010. The Company was inactive during the six months ended June 30, 2010.

Finance costs

Finance costs for the period from January 1, to July 18, 2011 were \$4,754, an increase of \$4,754 from the six months ended June 30, 2010. The Company was inactive during the six months ended June 30, 2010.

Results for the year ended December 31, 2010 and 2009

The Company recorded a loss for the year ended December 31, 2010 of \$2,222, a change of \$723 from the loss of \$2,945 recorded for the six months ended June 30, 2010. The decrease in the loss on a year-over-year basis was due to a decrease in administrative expenses and finance costs on a year-over-year basis.

Administrative expenses

Administrative expenses for the year ended December 31, 2010 were \$2,362, a decrease of \$193 from \$2,555 for the year ended December 31, 2009. The Company was inactive during the years ended December 31, 2010 and 2009.

Finance costs

Finance costs for the year ended December 31, 2010 were \$nil, a decrease of \$361 from the amount for the year ended December 31, 2009. The Company was inactive during the years ended December 31, 2010 and 2009.

Financial position as at July 18, 2011, December 31, 2010 and 2009

Available-for-sale financial assets

As at July 18, 2011, the Company held a 0.0005% participatory interest in the charter capital of LLC Managing Company. The Company acquired this investment on April 28, 2011. On February 9, 2012 the Company increased its direct participatory interest in LLC Managing Company from 0.0005% to 99.5%.

The Company did not hold an investment in LLC Managing Company at December 31, 2010 and 2009.

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Cash at bank

As at July 18, 2011, the Company had cash amounting to \$82,153. This compares to December 31, 2010 and 2009 when the Company had a \$nil cash balance. The Company was inactive during the years ended December 31, 2010 and 2009. The Company's cash balances at July 18, 2011 include \$79,355 denominated in United States dollars and \$2,798 denominated in Euros.

Borrowings

As at July 18, 2011, the Company had borrowings amounting to \$503,205. This compares to December 31, 2010 and 2009 when the Company had no borrowings.

On April 13, 2011, the Company was granted a loan facility of \$500,000 by North Financial Overseas Corp. The loan bore interest at 3% per annum and was due on April 12, 2012.

Trade and other payables

As at July 18, 2011, the Company had trade and other payables totalling \$68,065. This compares to \$7,087 at December 31, 2010 and \$5,109 at December 31, 2009.

The increase in trade and other payables at July 18, 2011 as compared with December 31, 2010 and 2009 reflects the focus of the Company on its intended corporate reorganization.

SUMMARY OF QUARTERLY RESULTS

The Company has not prepared quarterly financial statements in prior years. However, the Company has prepared (unaudited) condensed consolidated interim financial statements for the period from January 1, to July 18, 2011 (immediately prior to its acquisition by Intergeo MMC on July 19, 2011).

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial statements have been prepared on a going concern basis, which assumes that it will continue its activities for the foreseeable future and that all its obligations will be settled in the normal course of business.

The Company is at the exploration and evaluation stage of its activities and has not generated revenue or cash flow from its exploration projects. The attainment of profitable operations is dependent upon future events, including the successful development and exploitation of the Company's mineral licenses. To date, the Company has been reliant on borrowings and equity provided by related parties. See "Transactions with Related Parties". To continue its planned exploration and development activities, the Company will continue to be reliant on funding provided by related parties and/or successful raising of alternative sources of equity or debt finance. In the absence of a letter of financial support, there would be significant uncertainty regarding the Company's ability to continue as a going concern.

On April 5, 2012, the Company's parent company, Intergeo MMC received a letter of financial support from Onexim Holdings Limited under which an undertaking has been given to provide sufficient funding to meet Intergeo MMC's (including its subsidiaries) liabilities during the period of one year subsequent to the date of signing of the financial statements. Onexim Holdings Limited, whose ultimate beneficial owner is Mr. Mikhail Prokhorov, has provided the letter of support because effective April 28, 2011, Mikhail Prokhorov also became the owner of 99.9995% of LLC Intergeo Managing Company.

On February 9, 2012, Intergeo MMC completed a series of corporate restructuring transactions. The transactions had the effect of converting all of Intergeo Management's and LLC Intergeo Managing Company's related party borrowings to

Intergeo Management Limited

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equity. In addition, as a result of the transactions the total increase in LLC Intergeo Managing Company's charter capital and additional paid-in capital was \$210.1 million (including additional cash of \$7.0 million) and LLC Intergeo Managing Company became an indirect wholly-owned subsidiary of Intergeo MMC). Mr. Prokhorov remained the ultimate beneficial owner of the Company.

On April 13, 2011, the Company was granted a loan facility from North Financial Overseas Corp. in the amount of \$500,000. The loan bore interest at 3% per annum and was due on April 12, 2012.

Subsequent to December 31, 2011, Intergeo completed a corporate restructuring on February 9, 2012 which converted all shareholder and related entity borrowings to equity, thereby eliminating the working capital deficiency. As the Company's project is in the exploration or economic assessment stage, no funds from operations are expected to be generated prior to the commencement of production. The Company will rely on further shareholder funding and short term bridge financing.

Contractual obligations As at July 18, 2011	Payments Due by Period				
	Total \$	Less than 1 year \$	1 - 3 years \$	4 - 5 years \$	After 5 years \$
Debt	503,205	–	503,205	–	–
Finance lease obligations	–	–	–	–	–
Operating leases	–	–	–	–	–
Purchase obligations ⁽ⁱ⁾	–	–	–	–	–
Other obligations ⁽ⁱⁱ⁾	68,151	68,151	–	–	–
Total contractual obligations	571,356	68,151	503,205	–	–

(i) "Purchase obligations" means an agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

(ii) "Other obligations" means other financial liabilities reflected on the Company's statement of financial position.

Contingencies and commitments

Contingent liabilities

The Company had no contingent liabilities as at July 18, 2011 and December 31, 2010 and 2009.

Capital commitments

At July 18, 2011, and December 31, 2010 and 2009, the Company had no capital commitments.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet transactions.

TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational

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decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties to the Company and its subsidiaries include:

Related Party	Relationship	Period Related
Hillstine Nominees Limited	Shareholder	November 28, 2008 to April 12, 2009
Suffolk Nominees Limited	Shareholder	April 12, 2009 to February 16, 2011
Mr. Maxim Finskiy	Shareholder	February 16, 2011 to July 19, 2011
North Financial Overseas Corp.	Other related party	

Mr. Mikhail Prokhorov is the ultimate beneficial owner of North Financial Overseas Corp.

Unless otherwise noted the parties were related during the entire period covered by the financial statements.

(a) Borrowings from related party

	July 18, 2011 (unaudited)	December 31, 2010	December 31, 2009
	\$	\$	\$
North Financial Overseas Corp.	503,205	–	–

Proceeds from borrowings

	For the period from January 1, to July 18, 2011 (unaudited)	For the 6 months ended June 30, 2010	Year ended December 31, 2010	Year ended December 31, 2009
	\$	\$	\$	\$
North Financial Overseas Corp.				
Principal	500,000	–	–	–
Interest payable	3,205	–	–	–
	503,205	–	–	–

(b) Key management remuneration

Key management of Intergeo consists of officers of the Company and its subsidiaries. Key management received remuneration aggregating \$180,757 for the period from January 1, 2011 to July 18, 2011 during the periods, which was included in general and administrative expenses. No remuneration was paid during the years ended December 31, 2010 and 2009.

FOURTH QUARTER

The Company did not prepare quarterly financial statements in prior years. However, the Company has prepared (unaudited) condensed consolidated interim financial statements for the period from January 1, to July 18, 2011 (immediately prior to its acquisition by Intergeo MMC on July 18, 2011).

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SUBSEQUENT EVENTS

Reorganization Transaction

On February 16, 2011 all of the shares of the Company were transferred to Mr. Maxim Finskiy. On July 19, 2011 the shareholder of the Company changed to Intergeo MMC Ltd (Note 12).

On August 26, 2011 the Company established a wholly owned subsidiary Intergeo Canada Management Services Inc, incorporated under the law of the province of Ontario Canada, and subscribed for 100 shares of CAD1 each.

On April 13, 2011, North Financial Overseas Corp., incorporated in the British Virgin Islands, granted a loan facility of US\$500,000 to the Company. The loan bears an interest rate of 3% annually and the repayment date is April 12, 2012.

On July 25, 2011 and August 29, 2011 North Financial Overseas Corp., granted two additional loan facilities of US\$150,000 and US\$300,000 respectively to the Company. Both loans bear an interest rate of 3% annually and are repayable within one year.

On September 12, 2011 and October 24, 2011 North Financial Overseas Corp., granted another two additional loan facilities of US\$300,000 and US\$500,000 respectively to the Company. Both loans bear an interest rate of 3% annually and are repayable within one year.

On October 7, 2011 and November 17, 2011 North Financial Overseas Corp., granted two additional loan facilities of US\$300,000 and US\$700,000 respectively. Both loans bear an interest rate of 3% annually and are repayable within one year.

In December 2011 the Company issued a promissory note with a face value of US\$2,369,000 for a consideration of US\$2,300,000.

Reorganization transactions – January and February 2012

Background

On February 9, 2012, Intergeo MMC Ltd completed a series of corporate reorganization transactions for the purposes of (i) eliminating the existing related party borrowings owed by LLC Intergeo Managing Company and the Company by a debt to equity conversion and (ii) establishing the ownership structure whereby Intergeo MMC Ltd has a 99.5% indirect interest in LLC Intergeo Managing Company.

Prior to the reorganization transactions, (i) Intergeo MMC Ltd was 100 percent owned by Mr. Mikhail Prokhorov, through Daselina Investments Ltd., (ii) Intergeo MMC Ltd owned 100 percent of the Company, and (iii) a 99.9995% interest in LLC Intergeo Managing Company was directly owned by Mr. Mikhail Prokhorov with the remaining 0.0005% interest being indirectly owned through the Company.

The reorganization was completed as follows:

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On January 19, 2012, all related party loans and promissory notes (including accrued interest) owed by LLC Intergeo Managing Company (approximately \$203.1 million) and the Company (approximately \$5.1 million) were assigned to Daselina Investments Ltd., a company wholly-owned by Mr. Mikhail Prokhorov. Such related party loans and promissory notes (including accrued interest) and cash of approximately \$7.3 million were then assigned by Daselina Investments Ltd. to Intergeo MMC Ltd in exchange for the issue of 100,000,000 common shares of Intergeo MMC Ltd, with the result that Intergeo MMC Ltd continued to be wholly-owned by Daselina Investments Ltd., which is 100 percent owned and controlled by Mr. Mikhail Prokhorov; and

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On January 19, 2012, Intergeo MMC Ltd subscribed for an additional 10,000 new shares in the Company in consideration of (i) assignment by Intergeo MMC Ltd to the Company of all promissory notes (including accrued interest) owed by LLC Intergeo Managing Company to Intergeo MMC Ltd (approximately \$203.1 million), (ii) the set off of all related party loans and promissory notes owed by the Company (approximately \$5.1 million) to Intergeo MMC Ltd, and (iii) cash of approximately \$6.8 million; and

LLC Intergeo Managing Company

On February 9, 2012, the Company contributed cash of approximately \$7.0 million and all the promissory notes (including accrued interest) owed by LLC Intergeo Managing Company to the charter capital of LLC Intergeo Managing Company, thus setting off LLC Intergeo Managing Company's indebtedness, increasing Intergeo MMC Ltd indirect participatory interest in LLC Intergeo Managing Company to 99.5% from 0.0005% and diluting Mr. Mikhail Prokhorov's direct equity interest in LLC Intergeo Managing Company to 0.5% from 99.9995%.

Loss on disposal of Uralmining Ltd. (Bolshoy Seyim property)

On April 9, 2012, the Company (as a result of the restructuring described above), entered into a Subscription Agreement with IRC Limited, who is the owner of 49% of the Bolshoy Seyim property through its 49% interest in Uralmining Ltd. Uralmining Ltd. holds the licence for exploration and extraction of mineral resources at the Bolshoy Seyim deposit in the Amur region of the Russian Federation. The Subscription Agreement provided for Intergeo Management Limited to receive 74,681,360 shares of IRC Limited, in exchange for the Company's 51% interest in Uralmining Ltd.

The transaction closed on July 24, 2012 and in accordance with the terms of the Subscription Agreement the Company received 74,681,360 shares of IRC Limited as consideration for its 51% interest in Uralmining Ltd.

On July 24, 2012, the 74,681,360 shares of IRC Limited had an aggregate market value of \$6,546 thousand, and consequently the Company recorded a loss on sale of Uralmining Ltd. in the amount of \$1,184 thousand. In 2013 all of these shares were disposed of.

Subscription Agreements

On October 26, 2012 the Company increased its authorized share capital from €12,000 divided into 12,000 shares of €1 each to 13,000 shares of €1 each, by creating of 1,000 additional shares.

On October 26, 2012 the Company and Intergeo MMC Ltd entered in to a subscription agreement whereby Intergeo MMC Ltd agreed to purchase 1,000 common shares in the Company for aggregate consideration of \$24,000,000. A promissory note in the amount of \$357,330 and cash of \$23,642,670 were transferred to the Company in exchange for the issue of 1,000 common shares of the Company.

On February 4, 2013 the Company increased its authorized share capital from €13,000 divided into 13,000 shares of €1 each to 15,000 shares of €1 each, by creating of 2,000 additional shares.

On February 4, 2013, the Company increased its issued share capital from €13,000 divided into 13,000 shares of €1 each to 15,000 shares of €1 each and Intergeo MMC Ltd subscribed for an additional 2,000 new shares in the

Company for a total consideration of \$45million that was settled by (i) the set off of loan dated January 23, 2013 owed by the Company (\$8 million) to Intergeo MMC Ltd, and (ii) cash of \$37 million.

On February 5, 2013, the Company contributed cash of approximately \$27.3 million and two loans of total value \$13mln (including accrued interest) owed by LLC Intergeo Managing Company to the charter capital of LLC Intergeo Managing Company, thus setting off LLC Intergeo Managing Company's indebtedness, increasing Intergeo MMC Ltd indirect participatory interest in LLC Intergeo Managing Company to 99.5000025% from 99.5% with effect from March 22, 2013.

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There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

Critical accounting estimates and 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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Income taxes

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments are comprised of financial liabilities and financial assets. The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- currency risk

Management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies employed by the Company to manage these risks are discussed below.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk due to the nature of its activities.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising

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from various currency exposures primarily with respect to the Euro for the year ended December 31, 2010. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The majority of the Company's capital had been sourced from debt and equity provided by related parties.

Outstanding Share Data

The share capital of the Company is comprised of ordinary shares.

	Number of shares outstandin g	Share Capital	Share Premium	Total Share capital and share premium
		\$	\$	\$
Balance, January 1, 2009, December 31, 2009 and 2010 and July 18, 2011	2,000	3,185	—	3,185
Issued as a result of the Reorganization Transaction on January 19, 2012	10,000	12,911	214,995,089	215,008,000
Issued on October 26, 2012	1,000	1,312	23,998,699	24,000,011
Issued on February 4, 2013	2,000	2,710	44,997,313	45,000,023
Balance on December 13, 2013	15,000	20,118	283,991,101	284,011,219

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining internal controls over financial reporting, and disclosure controls and procedures. Management is currently reviewing both of these areas and is establishing a work plan in order to meet the requirements for Intergeo MMC Ltd's future reporting periods.

The Intergeo MMC Ltd's Audit Committee Mandate will require the Audit Committee to oversee management's review of the adequacy of internal controls and to oversee management's disclosure controls and procedures.

Please direct all inquiries to:

Questions and Further Assistance

If you have any questions about the information contained in this document or require assistance in completing your proxy form, please contact our proxy solicitation agent at:



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Outside North America Call Collect: 1-781-575-2421
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