

MANGAZEYA MINING LTD.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

For the three and nine months ended September 30, 2018

Dated: November 29, 2018

This quarterly highlights ("QH") of the financial position and results of operations of Mangazeya Mining Ltd. ("Mangazeya Mining Ltd." or the "Company") should be read in conjunction with the unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2018 as well as the annual audited consolidated financial statements for the year ended December 31, 2017 and the corresponding MD&A. Those audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all amounts in this QH are expressed in thousands of Canadian dollars (\$). Information on risks, technical and scientific information under National Instrument 43-101 concerning the Company's mineral resources are contained in the Company's most recent filed annual MD&A and Technical Reports.

THIRD QUARTER AND NINE MONTHS 2018 HIGHLIGHTS

	3Q 2018	3Q 2017	Change	%	9m 2018	9m 2017	Change	%
Operational highlights								
Gold production, ounces	12,177	10,486	1,691	16%	19,149	18,843	306	2%
Gold sales, ounces	8,391	11,405	(3,014)	(26%)	12,012	17,600	(5,588)	(32%)
Ore mined, tonnes	503,375	327,128	176,247	54%	1,000,595	847,487	153,108	18%
Stripping ratio, m ³ /t	3.38	2.74	0.64	23%	4.40	3.91	0.49	12%
Ore stacked, tonnes	455,835	331,330	124,505	38%	811,839	848,268	(36,429)	(4%)
Ore grade in ore stacked, g/t	1.39	1.14	0.25	22%	1.37	1.17	0.20	17%
Financial highlights								
Revenue	13,906	18,978	(5,072)	(27%)	20,215	29,517	(9,302)	(32%)
Adjusted EBITDA ¹	(181)	7,538	(7,719)	(102%)	(11,135)	6,219	(17,354)	(279%)
Total cash cost per ounce (TCC), CAD ¹	553	654	(101)	(15%)	738	814	(76)	(9%)
Average gold price, CAD ¹	1,593	1,602	(10)	(1%)	1,665	1,668	(3)	0%
Cash balance	1,523	1,558	(35)	(2%)	1,523	1,558	(35)	(2%)
Cash flow (used in)/received from operating activities before changes in working capital	(126)	7,544	(7,670)	(102%)	(13,311)	6,224	(19,535)	(314%)
Cash flow (used in)/provided by financing activities	18,688	(965)	19,653	(2,037%)	37,493	25,464	12,029	47%
Cash flow (used in)/provided by investing activities	(6,261)	(10,865)	4,604	(42%)	(13,947)	(27,991)	14,044	(50%)

¹ Throughout this QH we use additional measures of Company performance. These are non-IFRS measures. Please see page 3 for an explanation and discussion of these non-IFRS measures.

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Corporate Overview

Mangazeya Mining Ltd. completed its continuance from the Province of Ontario to the British Virgin Islands under the BVI Business Companies Act, 2004, as amended, effective December 10, 2010, as approved by special resolution of the shareholders of Mangazeya Mining Ltd. at its annual and special meeting held on December 9, 2010. Mangazeya Mining Ltd., through its wholly-owned Cyprus subsidiary, Diascia Investments Limited (“**Diascia**”), owns interest in three wholly-owned subsidiaries Mangazeya Mining LLC (“**Mangazeya Mining LLC**”), Dalsvetmet LLC (“**Dalsvetmet**”), Koryakmining LLC (“**Koryakmining**”). Vostokzvetmet LLC, White Tiger Gold Management LLC and Kalarzvetmet LLC were reorganized and merged to Mangazeya Mining LLC on December 26, 2017.

Approximately 88.7% of the issued and outstanding common shares are owned by Mr. Sergey Yanchukov through Mangazeya Center LLC (1,143,222,462 shares). Other 11.3% of shares trade on NEX of the Toronto Stock Exchange under symbol MGZ.H.

With a strategic focus on the subsoil areas in the Russian Federation, the Company is engaged in exploration for precious metals on prospective areas, the development of ore and placer gold deposits, and the production of precious metals.

Strategic Goals and Recent Developments

Trends, risks, demands

The main strategy of the Company in 2017–2018 years is to prepare Nasedkino and Zolinsko-Arkiinskaya areas for production and to continue the exploration of areas at and near Savkinskoye, Nasedkino and Zolinsko-Arkiinskaya to find new resources in order to improve the Company's resource base.

Savkinskoye update

During 2018 the operations of Savkinskoye were carried out in accordance with the development plan. The Company continued mining of Central and South-West parts of the deposit, and started mining of Khlebniy deposit (from February 2017). In the fourth quarter of 2017 the Company developed and sent to the state authority the project on exploration works for reserves of Savkinskoye' flanks (Filevskiy). The positive State Expertise approval was obtained with respect to the project in Q1 2018.

For 9m 2018 on Filevskiy flanks the Company performed 1,486 m of core drilling on 18 drill holes, 17,139 m³ of trenching on 19 tranches, made 1,759 core samplings, 2,138 trench samplings, 3,410 analyses. For 3Q 2018 the Company performed 11,746 m³ of trenching on 15 tranches, made 1,614 trench samplings, 1,127 analyses.

For 9m 2017 on ore areas of the deposit the Company passed 2,057 m of core drilling on 43 drill holes on Khlebniy deposit, 31,170 m³ of trenching on 9 tranches on Filevskiy deposit, made 2,242 core samplings, 1,399 trench samplings and 3,640 analyses were carried out.

Nasedkino update

In August 2017, Wardell Armstrong International Ltd (“WAI”) completed the Technical Report titled “NI 43-101 Compliant Mineral Resource and Ore Reserve Estimates for the Nasedkino Gold Project, Russian Federation” (the “NI 43-101 Technical Report”) for Dalsvetmet. This NI 43-101 Technical Report was prepared as an integral part of the Company's evaluation of the Nasedkino development and additional exploration. This 43-101 Technical Report updates the “43-101 Technical Report for Nasedkino Project, Mogocha, Transbaikal Region, Russian Federation dated October 10, 2012 by SRK Consulting (“SRK”). The report's release with comments was filed and available on SEDAR at www.sedar.com.

On October 20, 2017, the project documentation “Technical Project for Open Pit Mining at Nasedkino Deposit” was approved by the Central Committee for solid mineral deposits development.

During 2018 the Company continued preparation for the construction of a gold plant and start of mining works, completed the water pond and stream channel. Construction of the road from Nasedkino to the nearby railway station Kislyi Klyuch is at the stage of completion. The Company has also started the construction of the field camp, completed the bridge crossing river Bolshoy Urym and finished reconstruction of the fuel storage facility and the dead end siding on the Kislyi Klyuch station. Construction of a backup power transmission line is completed. In Q1 2018, the permit for the construction of gold recovery plant at Nasedkino gold deposit (gold recovery plant and utilities) was obtained. During Q3 2018, construction of stream diversion channel, rotation camp (installation works at the amenities and bath building, dormitory and canteen), main building of gold recovery factory, coarse crushing facility, crushed ore storage and tailings pond was conducted.

In Q3 2018, engineering design “Mining and Processing Plant at Nasedkino Gold Deposit. Mining and Conveying Facilities” with respect to the development of four sites was completed and the design documentation was submitted for Environmental Impact Assessment.

During 9m of 2018 the Company performed 20,387 m³ of trenching on 5 tranches, made 488 analyses and 1,143 trench samplings on Nasedkino site (Malourymskoe). For Q3 2018 the Company performed 20,387 m³ of trenching on 5 tranches, made 1,143 trench samplings.

During 9 months of 2017 the Company passed 8,894 m³ of trenching and made 250 trench sampling. For Q3 2017 on ore areas of the deposit the Company passed 5,785 m³ of trenching and made 250 trench samplings

Zolinsko-Arkiinskaya update

Ore deposit. In the third quarter of 2017 the Company completed the feasibility report of the Kochkovskiy ore deposit. In the third quarter of 2017 the Company completed the project for assessment and exploration works on ore deposit within the license area, including the Kochkovskiy site. The Company sent to the state authority the feasibility report and the project for assessment and explorations works of the Kochkovskiy ore deposit. In the fourth quarter of 2017, the exploration work project was prepared for the Kochkovskiy ore deposit. The project received a positive opinion from the state geological expertise and included in the State Register.

In Q1 2018, the project for the pilot industrial development of oxide ores of Kochkovskoye deposit was approved by the Central Committee for solid mineral deposits development. In Q1 2018, the deposit was being prepared for development (construction of heap leaching site, field camp, and warehousing facilities was started). In Q1 2018, ground water exploration was conducted for the purposes of water supply for the field camp, 200 m of drilling was performed on 3 holes. Water pumping results showed that the quality and volume of the ground water were sufficient to be used as a potable and domestic water supply.

From April 2018, mining operations started at Kochkovskoye deposit, the operations of Kochkovskoye were carried out in accordance with the development plan. The Savkino production team participates in the trial development of the Kochkovskoye deposit. In Q3 2018, the Company pursued achievement of performance goals and adjusted performance indicators at Kochkovskoye deposit.

During 9m of 2018 the Company performed 8,243 m of core drilling on 60 drill holes, 41,960 m³ of trenching on 48 tranches, 320 m of hydrogeological drilling on 5 drill holes, made 8,539 core samplings, 6,057 trench samplings, 15,171 analyses on Kochkovskoye deposit. For Q3 2018 the Company performed 4,778 m of core drilling on 38 drill holes, 36,702 m³ of trenching on 42 tranches, 120 m of hydrogeological drilling on 2 drill holes, made 4,821 core samplings, 4,413 trench samplings, 9,809 analyses.

During the first half of 2017 were no exploration works, in Q3 2017 the Company passed 5,653 m of core drilling, 26,250 m³ of trenching, made 5,731 core samplings, 2,516 trench samplings and 5,250 analyses were carried out.

Alluvial deposit. In the first quarter of 2017 the Company submitted a Report on exploration results on upstream of Urov river (left bank) and Urumkan river water gap (Tayna feeder), placer gold reserves estimation on Talovka and Kuvshikha locations as at April 1, 2017 to the state authority.

In Q1 2018, subcontractor agreement for the development of placer gold on Srednya river and the Mostovaya river feeder was concluded. In Q2 2018, the Amendments to project "Development of Placer Gold on upstream of Srednya river and the Mostovaya river feeder" was submitted. In Q3 2018, mining allotment design for Srednya river and the the Mostovaya river feeder with the mining allotment certificate, and mining development plan for 2018 were approved by the Rosprirodnadzor bodies. In Q3 2018, Xiaolong company conducted mining at the deposit under a contractor agreement. During 9m of 2017 and 2018 there were no exploration works.

Overall Operating Performance Results

Savkinskoye

The following table shows production and cost information for the Savkinskoye Mine for the three and nine months ended September 30, 2018 and September 30, 2017:

	Ore mined (t)	Ore grade in ore mined (g/t)	Ore stacked (t)	Ore grade in ore stacked (g/t)	Gold produced (oz)	Gold sold (oz)	Total cash cost per ounce of gold sold(\$/Au oz) ¹
Three months ended September 30, 2018	258,740	1.19	298,756	1.14	7,605	4,651	\$939

¹ The Company has included a non-IFRS performance measure, total cash cost per ounce of gold, in this MD&A. In the gold mining industry, this is a common performance measure but does not have any standardized meaning. The Company believes that, in addition to conventional measures, prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it 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. A reconciliation of cash cost to the applicable IFRS measure is shown below.

(Tabular amounts are presented in thousands of Canadian dollars if otherwise is not stated)

Three months ended September 30, 2017	327,128	1.34	331,330	1.14	10,486	11,405	\$654
Nine months ended September 30, 2018	609,033	1.24	596,098	1.19	14,362	8,272	\$1,038
Nine months ended September 30, 2017	847,487	1.27	848,268	1.17	18,843	17,600	\$814

Mining production

- Total ore mined for 9m 2018 decreased by 28.1% compared to 9m 2017 resulted from the decrease in ore production at the bottom level of Yugo-Zapadny pit due to high water inflow and the high degree of water content, as well as the organization of the additional measures for water removal on mining horizons. In Q3 2018, total ore mined decreased by 21.0% as compared to 3Q 2017.
- The average grade in ore mined was 1.24 g/t for 9m 2018, which was in line with 9m 2017. In Q3 2018, the average grade in ore mined was 1.19 g/t compared to 1.34 g/t in Q3 2017.
- For 9m 2018, the average stripping ratio was 5.86 m³/t, the stripping ratio increased by 50% as compared to 9m 2017. The stripping ratio increase was caused by large volume of stripping in connection with the development of ore areas at Yugo-Zapadny pit. In Q3 2018, the average stripping ratio was 4.91 m³/t, the difference of 79.3% compared to Q3 2017.

Processing

- For 9m 2018, total ore stacked for heap leaching was decreased by 29.7% compared to 9m 2017, with the average gold ratio of 1.19 g/t, which was in line with 9m 2017. The reduction of ore stacked for heap leaching mainly resulted from the reduction of ore mined. Ore stacked in Q3 2018 was lower by 9.8% as compared to Q3 2017, and the average gold ratio in ore stacked was in line with Q3 2017.
- Gold production was 14,362 ounces for 9m 2018, the gold production decreased by 23.8% compared to 9m 2017. The difference has been caused by the decrease in ore stacked for heap leaching compared to 9m 2017. In Q3 2018, gold production was 7,605 ounces, lower by 27.5% compared to Q3 2017.

Total Cash cost of production (TCC)¹

- TCC for 9m 2018 (\$1,038 per ounce) increased by 28% as compared to TCC for 9m 2017 (\$814 per ounce) as a result of a decrease in gold production and in gold sales. TCC in Q3 2018 increased by 44% compared to Q3 2017.

Kochkovskoye

The following table shows production and cost information for the Kochkovskoye deposit for the three and nine months ended September 30, 2018 and September 30, 2017:

	3Q 2018	3Q 2017	Change	%	9m 2018	9m 2017	Change	%
Gold produced (oz)	4,572	-	4,572	100%	4,787	-	4,787	100%
<i>including ore gold</i>	3,456	-	3,456	100%	3,671	-	3,671	100%
<i>placer gold</i>	1,116	-	1,116	100%	1,116	-	1,116	100%
Gold sold (oz)	3,740	-	3,740	100%	3,740	-	3,740	100%
<i>including ore gold</i>	3,096	-	3,096	100%	3,096	-	3,096	100%
<i>placer gold</i>	644	-	644	100%	644	-	644	100%
Ore gold								
	Ore mined (t)	Ore grade in ore mined (g/t)	Ore stacked (t)	Ore grade in ore stacked (g/t)	Gold produced (oz)	Gold sold (oz)	Total cash cost per ounce of gold sold (\$/Au oz)	
Three months ended September 30, 2018	244,635	1.90	157,079	1.87	3,456	3,096	648	
Three months ended September 30, 2017	-	-	-	-	-	-	-	
Nine months ended September 30, 2018	391,562	1.93	215,749	1.88	3,671	3,096	648	
Nine months ended September 30, 2017	-	-	-	-	-	-	-	

The volume of mining in 9m 2018 was as follows: total ore mined was 391,562 t, average grade in ore mined was 1.93 g/t, average stripping ratio was 2.12 m³/t, ore stacked was 215,749 t, average grade in ore stacked for heap leaching was 1.88 g/t, gold production was 3,671 ounces gold, sold was 3,096 ounces. The Company engages a contractor to produce placer gold. For 9m 2018, placer gold production was 1,116 ounces, placer gold sold was 644 ounces. In 2018, the Company was performing the pre-production development aiming at defining process indicators and adjusting process parameters for Kochkovskoye deposit.

In Q3 2018, mining at Kochkovskoye deposit continued. The volume of mining in Q3 2018 was as follows: total ore mined was 244,635 t, average grade in ore mined was 1.90 g/t, average stripping ratio was 1.76 m³/t, ore stacked for heap leaching was 157,079 t, average grade in ore stacked was 1.87 g/t, gold production was 3,456 ounces, gold sold was 3,096 ounces. The contractor produced 1,116 ounces of placer gold, and placer gold sold was 644 ounces.

Total Cash cost of production (TCC)¹

- TCC for 9m was \$648 per ounce of gold sold.

Financial results

The following table presents the results from continuing operations for the three and nine months ended September 30, 2018 and the corresponding period of 2017.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Total revenue	13,906	18,978	20,215	29,517
<i>Savkinskoye</i>	7,667	18,978	13,976	29,517
<i>Kochkovskoye</i>	6,239	-	6,239	-
<i>ore gold</i>	5,141	-	5,141	-
<i>placer gold</i>	1,098	-	1,098	-
<i>Intercompany operations</i>	-	-	-	-
Cost of sales	(5,970)	(8,488)	(11,113)	(16,175)
<i>Savkinskoye</i>	(5,666)	(8,488)	(10,809)	(16,175)
<i>Kochkovskoye</i>	(2,716)	-	(2,716)	-
<i>ore gold</i>	(2,030)	-	(2,030)	-
<i>placer gold</i>	(686)	-	(686)	-
<i>Intercompany operations</i>	2,412	-	2,412	-
Gross profit	7,936	10,490	9,102	13,342
<i>Savkinskoye</i>	2,001	10,490	3,167	13,342
<i>Kochkovskoye</i>	3,523	-	3,523	-
<i>ore gold</i>	3,111	-	3,111	-
<i>placer gold</i>	412	-	412	-
<i>Intercompany operations</i>	2,412	-	2,412	-
Administrative expenses	(2,722)	(1,662)	(8,856)	(5,468)
Income (loss) from continuing operations	(2,029)	5,388	(13,899)	3,461
Adjusted EBITDA ¹	(181)	7,538	(11,135)	6,219
(Loss) income per share from continuing operations (basic and diluted)	(\$0.0016)	\$0.0042	(\$0.0108)	\$0.0027

- For 9m 2018 the revenue decreased by 32% comparing to 9m 2017, the company sold 12,012 ounces of gold and 10,572 ounces of silver (9m 2017 – 17,600 ounces of gold and 7,503 ounces of silver). In Q3 2018 revenue decreased by 27% comparing to Q3 2017, the company sold 8,391 ounces of gold and 1,909 ounces of silver (Q3 2017 – 11,405 oz of gold). The difference mainly resulted from the performance of contractual obligations under the gold loan agreement.
- The average gold price was on the same level \$1,665 for 9m 2018, \$1,668 for 9m 2017 per ounce (increased from 1,276 USD for 9m 2017 to 1,293 USD per ounce or 2% for 9m 2018). Silver is a by-product and the Company sold silver occasionally.
- Gross profit margin was 45% for 9m 2018 and stayed on the same level as for 9m 2017. The gross profit margin in Q3 2018 was 57% comparing to 55% in Q3 2018. Gross profit decreased by 32% for 9m 2018 comparing to 9m 2017 due to decrease of revenue and gold sold.
- Administrative expenses for 9m 2018 increased by 62% compared to 9m 2017 due to active construction and

(Tabular amounts are presented in thousands of Canadian dollars if otherwise is not stated)

- exploration works in Nasedkino and Zolinsko-Arkiinskaya areas and resulting increase in management service fees.
- As a result the Company increased the negative adjusted EBITDA for 2018 (\$11,135k) comparing with the positive adjusted EBITDA for 9m 2017 \$6,219k.

Cash Cost per Ounce Reconciliation for Savkinskoye Mine

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cost of Sales	5,666	8,488	10,809	16,175
Less: Depreciation and Amortization included in cost of sales	(1,301)	(1,034)	(2,222)	(1,842)
Cost of sales less Depreciation and Amortization	4,365	7,454	8,587	14,333
Gold sold (oz)	4,651	11,405	8,272	17,600
Total Cash Cost per ounce of gold sold	\$939	\$654	\$1,038	\$814

Cash Cost per Ounce Reconciliation for Kochkovskoye Mine (ore gold)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cost of Sales	2,030	-	2,030	-
Less: Depreciation and Amortization included in cost of sales	(24)	-	(24)	-
Cost of sales less Depreciation and Amortization	2,006	-	2,006	-
Gold sold (oz)	3,096	-	3,096	-
Total Cash Cost per ounce of gold sold	\$648	-	\$648	-

Adjusted EBITDA

EBITDA represents net loss from continuing operation before: (1) interest income (expense) net, (2) income tax provision, (3) depreciation and depletion, and (4) amortization. Adjusted EBITDA represents EBITDA as further adjusted for non-cash impairment and foreign exchange loss. The management believes that foreign exchange loss is primarily connected to loans received from related party and should be excluded from EBITDA calculation in the same way as interest expenses.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net profit (loss) (continuing operations)	2,029	5,388	13,899	3,462
Interest (income) / expense, net	(379)	12	(200)	(231)
Income tax provision	436	1,601	415	1,357
Depreciation, depletion and amortization	1,329	1,041	2,253	1,858
Foreign exchange gain	462	(504)	296	(227)
Adjusted EBITDA	(181)	7,538	(11,135)	6,219

Summary of Quarterly Results (prepared in accordance with IFRS)

The Company's quarterly results are affected by, among other things, the severe climatic variations in Eastern Russia. Higher revenues and operating profits are generally expected during the second half of the year than during the first half of the year

because of the seasonal nature of operations. This variation is reflected in the results shown in the table below for the quarters ending December 31, 2016 to September 30, 2018:

	2018			2017				2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Gold production (oz)	12,177	5,781	1,191	5,474	10,486	6,758	1,599	6,138
Gold sales (oz)	8,391	2,669	952	6,511	11,405	4,841	1,354	8,139
Revenue	13,906	4,591	1,718	10,729	18,978	8,156	2,383	13,130
Gross Profit	7,936	1,179	(13)	(49)	10,490	1,938	914	1,774
Net income (loss)	(2,029)	(6,584)	(5,286)	(6,979)	5,388	(613)	(1,313)	676
Earnings (loss) per share (Basic and Diluted)	(0,0016)	(0,0051)	(0,0041)	0.0054	0.0042	(0,0005)	(0,001)	(0,001)
Cash provided by (used in) continuing operating activities	(11,068)	(3,427)	(10,545)	(3,262)	12,479	(580)	(8,058)	4,942

Financial condition and liquidity

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net cash (used in) provided by operating activities before working capital	(126)	7,544	(13,311)	6,224
Net cash (used in) provided by operating activities after working capital	(11,068)	12,479	(25,040)	3,841
Net cash (used in) provided by investing activities	(6,261)	(10,865)	(13,947)	(27,991)
Net cash (used in) provided by financing activities	18,688	(965)	37,493	25,464
Loans and borrowings				
- Short-term	17,505	10,175	17,505	10,175
- Long-term	53,590	17,601	53,590	17,601
Cash and cash equivalents	1,523	1,558	1,523	1,558
Working capital	10,156	30,775	10,156	30,775

(a) Cash flow and capital resources

Working capital

The working capital decreased by 15% or \$1,852k as at September 30, 2018 compared to December 31, 2017 as a result of increase of total current assets by 23% in accounts receivables by 107% and inventories by 41% and increase of total current liabilities by 39% in trade payables by 46% and in loans and borrowings by 40%.

Main changes in cash flow are:

Operating activities

- The negative effect from loss in operations during for 9m 2018 resulted in the cash outflow from operating activities before changes in working capital;

Investing activities

- The Company invested \$18,023k for 9m2018 compared to \$27,263k in 9m 2017.

For 9m 2018 year the Company invested \$18,023k: PPE - \$14,484k (Savkinskoye - \$919 k mainly to advances for PPE and CIP; Nasedkino: mainly to CIP- \$10,186k; Zolinsko-Arkiinskaya area - \$3,379k mainly to CIP); In Mine properties - \$1,979k on Savkinskoye; In Exploration and evaluation assets - \$1,560k (Zolinsko-Arkiinskaya area).

For the same period of 2017 the Company invested \$27,263k In PPE - \$24,959k (Savkinskoye - \$704k; Nasedkino - \$24,238k; Zolinsko-Arkiinskaya area - \$18k), in Mine properties – \$212k (\$132k on alluvial deposit of Zolinsko-Arkiinskaya area and \$80k on Savkinskoye); in Exploration and evaluation assets - \$2,062k (Nasedkino - \$828k, Zolinsko-Arkiinskaya area - \$1,234k) and IA - \$30k for different licenses.

- During 9m 2018 proceeds from sale of property, plant and equipment were \$4,602k resulted in cash inflow from investing activities;
- During 9m 2018 the loans issue to related party amounted to \$526k. During 9m 2017 the repayment of loans by related party amounted to \$6,315k and the loans issue to related party was \$7,581k;

Financing activities

- During 9m 2018 the Company received \$49,685k loan under the loan agreements with VTB Bank (PJSC) (Gold Loan agreement Tranche 4 on Savkinskoye and Loan Facility agreement on Nasedkino), and repaid \$12,511k of loan (Gold Loan agreement on Savkinskoye). During 9m 2018 the Company received \$9,694k loan from related parties and repaid \$6,645 k. Interest repaid for 9m 2018 was \$2,730k. During 9m 2017 the Company received \$26,195k loan under the loan agreement with Sberbank PLC, \$731k accrued interest was repaid.

Going concern

These Financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. The Company has incurred losses for the nine months ended September 30, 2018 of \$13,899k, and had accumulated losses of \$360,495k and a working capital surplus of \$10,156k as at September 30, 2018.

Commitments

As at September 30, 2018, the Company had commitments to purchase equipment totaling \$29,204k.

(b) Financial position

As at September 30, 2018 Current assets increased by \$9,075k or 23% compared to December 31, 2017. The change of total current assets was due to increase of accounts receivable by 107% or \$6,597k and inventories by 41% or \$9,869k. (Mainly due to increase in gold in circuit by 37% and finished goods by 2,605%).

As at September 30, 2018 Non-current assets increased by \$12,926k or 14% compared to December 31, 2017 mainly due to additions of PPE, MA and EEA described above.

As at September 30, 2018 Current liabilities increased by \$10,927k or 39% compared to December 31, 2017 as a result of significant changes in trade and other payables by \$5,563k or 46%. As at 30 September 2018 Non-current liabilities increased by \$32,079k or 121% compared to December 31, 2017 due to long-term debt under the loan agreement with VTB bank (PJSC) and long-term obligation under finance lease on Koryakmining.

Related Party Transactions

It is the policy of the Company to conduct all transactions and settle balances with related parties on market terms and conditions in the normal course of business. You can find all of the Company's related party transactions in Note 16 of the consolidated financial statements for the period ended September 30, 2018.

Critical Accounting Estimates

The preparation of the Financial Statements in conformity with IFRS requires management of the Company to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and the disclosure of

contingent liabilities at the date of the Financial Statements, and the reported revenue and expenses during the periods presented therein. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances. Actual results might differ from these estimates under different assumptions and conditions.

A detailed summary of critical accounting estimated is included in Note 2(e) of the Company's interim condensed consolidated financial statement for the period ended September 30, 2018.

Significant Accounting Policies

The accounting policies applied in these unaudited interim condensed consolidated financial statement are the same as those applied in the consolidated financial statement as at and for the year ended 31 December 2017.

Internal Controls

No changes were made to the Company's internal control over financial reporting during the period beginning on January 1, 2018 and ending on September 30, 2018 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

Off Balance Sheet Arrangements

The Company does not enter into off-balance sheet arrangements in the normal course of its business and there were none at the date of this MD&A.

Qualified person

Mr. Alexander Lazarev, a member of the Australian Institute of Geoscientists who through education, training and experience is qualified to be the Company's independent "qualified person" ("QP") as defined in National Instrument 43-101 ("NI 43-101"), has reviewed, verified and approved the technical information included in this QH.

Cautionary Statement on Forward Looking Information

The following MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws (collectively, "forward-looking statements") relating, but not limited to, Mangazeya Mining Ltd. expectations, intentions and beliefs (including, without limitation, statements regarding Mangazeya Mining Ltd.'s mines, projects and license areas, exploration and development plans (including the projected cost and timing thereof) and potential, anticipated ore and gold production, exploration results, future plans and objectives of Mangazeya Mining Ltd., the Loan transactions (as defined herein), including the proposed terms thereof and potential financing initiatives. Words such as "might", "will", "should", "anticipate", "plan", "expect", "believe", "estimate" and similar terminology are used to identify forward-looking statements. Such statements are based on assumptions, estimates, opinions and analysis made by management of Mangazeya Mining Ltd. in light of its experience, current conditions and its expectations of future developments as well as other factors which they believe to be reasonable and relevant. No assurance can be given as to whether these assumptions will prove to be correct. These assumptions should be considered carefully by investors. Investors are cautioned not to place undue reliance on the forward-looking information and statements or the assumptions on which the Company's forward-looking information and statements are based.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that might cause actual results to differ materially from those expressed or implied in the forward-looking statements. Risks and uncertainties that might cause actual results to vary include but are not limited to: changes in equity and debt markets; inflation; uncertainties relating to the availability and costs of financing needed to complete exploration, development and production activities; failure to establish estimated mineral resources or mineral reserves (Mangazeya Mining Ltd. mineral resource and mineral reserve figures are estimates and no assurances can be given that the indicated levels of gold will be produced); failure to complete potential financing initiatives; failure to obtain any regulatory and/or shareholder approvals required to complete any financing initiatives; the ability to demonstrate compliance with NEX listing requirements exploration costs varying significantly from estimates; delays in the exploration and development of, and/or commercial production from, the properties in which Mangazeya Mining Ltd. has an interest; unexpected geological or hydrological conditions; the speculative

nature of mineral exploration and development, including the uncertainty of reserve and resource estimates; operational and technical difficulties, including the failure of major mining and/or milling equipment; the availability of suitable financing alternatives to Mangazeya Mining Ltd.; the ability of Mangazeya Mining Ltd. to service its existing debt facilities; fluctuations in gold and other commodity prices; the existence of undetected or unregistered interests or claims, whether in contract or in tort, over the property of Mangazeya Mining Ltd.; success of future exploration and development initiatives; competition; operating performance of facilities; environmental and safety risks, including increased regulatory burdens, seismic activity, weather and other natural phenomena; inability to, or delays in, obtaining necessary permits and approvals from government authorities; risks relating to labor; and other exploration, development and operating risks; changes to and compliance with applicable laws and regulations, including environmental laws; political, economic and other risks arising from Mangazeya Mining Ltd. activities in Russia; fluctuations in foreign exchange rates; as well as other risks. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results might vary materially from those described in forward-looking statements.

Any forward-looking statement speaks only as at the date on which it is made and, except as might be required by applicable laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements because of the inherent uncertainty therein.