

Mangazeya Mining Ltd.

Interim Condensed Consolidated Financial Statements

September 30, 2018

(Unaudited)

Contents

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS	3
Unaudited Interim Condensed Consolidated Statements of Financial Position	4
Unaudited Interim Condensed Consolidated Statements of Comprehensive Income (Loss)	5
Unaudited Interim Condensed Consolidated Statements of Cash Flows	6
Unaudited Interim Condensed Consolidated Statement of Changes in Equity	7
1. Nature of operations and going concern	8
2. Basis of presentation	9
3. Significant accounting policies	12
4. Trade and other receivables	13
5. Loans issued	13
6. Inventories	13
7. Property, plant and equipment	13
8. Exploration and evaluation assets	14
9. Mine properties	14
10. Trade and other payables	14
11. Loans and borrowings	15
12. Equity	16
13. Administrative expenses	16
14. Commitments and contingencies	16
15. Related party transactions	17
16. Subsequent events	18

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements (“the **Financial Statements**”) of Mangazeya Mining Ltd. (the “**Company**”) are the responsibility of the Board of Directors.

The Financial Statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the Financial Statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the Financial Statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as at the date of 30 September 2018 and for the periods presented by the Financial Statements and (ii) the Financial Statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date at 30 September 2018 and for the periods presented by the Financial Statements.

The Board of Directors is responsible for reviewing and approving the Financial Statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the Financial Statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the Financial Statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

November 29, 2018

(signed)
Sergey Yanchukov
Chief Executive Officer

(signed)
Roman Kashuba
Chief Financial Officer

NOTICE TO READER

The management of Mangazeya Mining Ltd. is responsible for the preparation of the accompanying Financial Statements. These Financial Statements have been prepared in accordance with International Financial Reporting Standards applicable to the preparation of interim financial statements, namely IAS 34, *Interim Financial Reporting* and are considered by management to present fairly the financial position, operation results and cash flows of the Company. These Financial Statements have not been audited, reviewed or otherwise verified for accuracy and completeness of information by the auditor of the Company.

Mangazeya Mining Ltd.
Unaudited Interim Condensed Consolidated Statements of Financial Position
(Amounts are presented in thousands of Canadian dollars)

	Notes	September 30, 2018	December 31, 2017
Assets			
Current Assets			
Cash and cash equivalents		1,523	3,850
Trade and other receivables	4	12,776	6,179
Loans issued	5	-	5,900
Inventories	6	33,726	23,857
Financial Instruments	11(b)	836	-
Total Current Assets		48,861	39,786
Non-current Assets			
Property, plant and equipment	7	48,874	40,963
Exploration and evaluation assets	8	28,953	31,318
Mine properties	9	5,506	4,574
Loans issued	5	19,022	14,284
Intangible assets		6	18
Financial Instruments	11(b)	164	-
Deferred tax assets		4,516	2,958
Total Non-current assets		107,041	94,115
Total Assets		155,902	133,901
Liabilities and Shareholders' equity			
Current Liabilities			
Trade and other payables	10	17,661	12,098
Current income tax liabilities		87	637
Provisions		2,500	2,500
Obligation under finance lease		952	-
Loans and borrowings	11(a)	17,505	12,543
Total Current Liabilities		38,705	27,778
Non-current Liabilities			
Loans and borrowings	11(a)	53,590	25,044
Site restoration provision		780	829
Obligation under finance lease		1,410	
Deferred tax liabilities		2,728	556
Total Non-current Liabilities		58,508	26,429
Total Liabilities		97,213	54,207
Shareholders' Equity			
Share capital	12(b)	384,837	384,837
Additional paid-in capital		44,159	44,159
Foreign currency translation reserve		(9,812)	(2,706)
Accumulated losses		(360,495)	(346,596)
Total Equity		58,689	79,694
Total Equity and Liabilities		155,902	133,901

APPROVED ON BEHALF OF THE DIRECTORS

Signed "Liudmila Arutiunian"

Signed "Gerald Rohan"

Liudmila Arutiunian

Gerald Rohan

The accompanying notes form an integral part of these Interim Condensed Consolidated Financial Statements.

Mangazeya Mining Ltd.**Unaudited Interim Condensed Consolidated Statements of Comprehensive Income (Loss)**

(Amounts are presented in thousands of Canadian dollars except share and per share amounts)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018	2017	2018	2017
Revenue		13,906	18,978	20,215	29,517
Cost of sales		(5,970)	(8,488)	(11,113)	(16,175)
Gross profit		7,936	10,490	9,102	13,342
Administrative expenses	13	(2,722)	(1,662)	(8,856)	(5,468)
Mineral and other taxes		(913)	(1,172)	(1,444)	(1,897)
Other operating (expenses)/income		(5,811)	(1,159)	(12,190)	(1,616)
(Loss) /Profit from operating activities		(1,510)	6,497	(13,388)	4,361
Other items					
Finance income		889	371	2,247	1,104
Finance expense		(510)	(383)	(2,047)	(873)
Foreign exchange (loss)/gain		(462)	504	(296)	227
Net (loss)/ profit before income tax		(1,593)	6,989	(13,484)	4,819
Income tax recovery/ (expense)		(436)	(1,601)	(415)	(1,357)
(Loss)/ Profit for the period		(2,029)	5,388	(13,899)	3,462
Other comprehensive (loss)/income					
Foreign currency translation differences		(4,338)	(1,338)	(7,106)	(2,322)
Comprehensive (loss)/income for the period		(6,367)	4,050	(21,005)	1,140
Weighted average number of shares – basic and diluted		1,288,211,149	1,288,211,149	1,288,211,149	1,288,211,149
Total net loss per share – basic & diluted		(\$0.0016)	\$0.0042	(\$0.0108)	\$0.0027

The accompanying notes form an integral part of these Interim Condensed Consolidated Financial Statements

Mangazeya Mining Ltd.
Unaudited Interim Condensed Consolidated Statements of Cash Flows
(Amounts are presented in thousands of Canadian dollars)

	For the nine months ended 30 September	
	2018	2017
Cash flows from operating activities		
Net loss for the period	(13,899)	3,462
Adjustments for:		
Depreciation, depletion and amortization	2,253	1,858
Finance expense	2,047	873
Finance income	(2,247)	(1,104)
Gain on disposal of property, plant and equipment	(2,176)	5
Foreign exchange (gain)/ loss	296	(227)
Income tax recovery	415	1,357
Cash flows used in operating activities before changes in working capital	(13,311)	6,224
Inventories	(9,962)	(5,684)
Trade and other receivables	(6,597)	(2,084)
Trade and other payables	5,563	6,431
Cash flows used in operating activities before income taxes	(24,307)	4,887
Income tax paid	(734)	(1,046)
Net cash used in operating activities	(25,041)	3,841
Cash flows used in investing activities		
Acquisition of property, plant and equipment, exploration and evaluation assets, mining assets and intangible assets	(18,023)	(27,263)
Loans repayment from related party	-	6,315
Loan issued to related party	(526)	(7,581)
Interest received	-	511
Proceeds from sale of property, plant and equipment	4,602	27
Net cash used in investing activities	(13,947)	(27,991)
Cash flows from/ (used in) financing activities		
Proceeds from borrowings from third party	49,685	26,195
Proceeds from borrowings from related parties	9,694	-
Repayment of borrowings to third party	(12,511)	-
Repayment of borrowings to related parties	(6,645)	-
Interest paid	(2,730)	(731)
Net cash received from financing activities	37,493	25,464
Net (decrease)/ increase in cash	(1,495)	1,314
Cash and cash equivalents at the beginning of the period	3,850	225
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies	(832)	19
Cash and cash equivalents at the end of the period	1,523	1,558

The accompanying notes form an integral part of these Interim Condensed Consolidated Financial Statements.

Mangazeya Mining Ltd.
Unaudited Interim Condensed Consolidated Statement of Changes in Equity
(Amounts are presented in thousands of Canadian dollars)

	Share capital	Additional Paid-in capital	Foreign currency translation	Accumulated deficit	Total Equity
Balance at January 1, 2017	384,837	44,159	(868)	(343,079)	85,049
<i>Comprehensive loss for the period</i>					
Loss for the period	-	-	-	3,462	3,462
Foreign currency translation differences	-	-	(2,322)	-	(2,322)
Balance at September 30, 2017	384,837	44,159	(3,190)	(339,617)	86,189
Balance at January 1, 2018	384,837	44,159	(2,706)	(346,596)	79,694
<i>Comprehensive loss for the period</i>					
Loss for the period	-	-	-	(13,899)	(13,899)
Foreign currency translation differences	-	-	(7,106)	-	(7,106)
Balance at September 30, 2018	384,837	44,159	(9,812)	(360,495)	58,689

The accompanying notes form an integral part of these Interim Condensed Consolidated Financial Statements.

Mangazeya Mining Ltd.**Notes to Unaudited Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2018**

(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)

1. Nature of operations and going concern

Mangazeya Mining Ltd. (the “**Company**” or “**Mangazeya Mining**”), the parent company, was incorporated in the Province of Ontario and 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. The registered office address is Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands.

The Company is engaged in mineral exploration, development and production with a strategic focus on mineral properties in the Russian Federation with demonstrated potential for hosting economic mineral deposits consisting primarily of gold. All of the Company’s operations and assets that support those operations are located in the Russian Federation and all of the Company’s revenues are derived from operations in the Russian Federation.

Mangazeya Mining Ltd is listed on NEX of the Toronto Stock Exchange under the symbol MGZ.H.

As at September 30, 2018 the Parent Company’s major shareholder was Mangazeya Center LLC (“Mangazeya Center”) with a 88.7% ownership interest (as at December 31, 2017: Mangazeya Center with 88.7%). The ultimate beneficiary of the Parent Company is Mr. Sergey Yanchukov, the Chief Executive Officer.

Mangazeya Mining, through its wholly-owned Cyprus subsidiary, Diascia Investments Limited (“**Diascia**”), owns interests in three wholly-owned subsidiaries, being Mangazeya Mining LLC, Dalsvetmet LLC, Koryakmining LLC (together “Group”). These companies are Russian limited liability companies as defined in the Civil Code of the Russian Federation. The Group holds four licenses. All licenses are “exploration and mining licenses”. As at December 26, 2017, three of its wholly-owned subsidiaries, Vostokzvetmet LLC, White Tiger Gold Management LLC and Kalarzvetmet LLC were reorganized and merged to Mangazeya Mining LLC.

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. Management monitors the current financial results and strongly believes that the Company will achieve its ongoing business objectives. The Company has incurred losses for the nine months ended September 30, 2018 of \$13,899 thousand, and had accumulated losses of \$ 360,495 thousand and a working capital surplus of \$ 10,156 thousand as at September 30, 2018.

Mangazeya Mining Ltd.**Notes to Unaudited Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2018**

(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)

2. Basis of presentation**(a) Statement of compliance**

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and were approved by the Board on November 29, 2018.

(b) Consolidation

The Financial Statements set out the assets, liabilities, revenues, expenses, and cash flows of the Company and its controlled subsidiaries, namely:

Subsidiary	Country of incorporation	Type of core activity	Ownership interest at	
			September 30, 2018	December 31, 2017
Diascia Investments Limited	Cyprus	Investment and financing	100%	100%
Diascia Holdings (BVI) Ltd	British Virgin Islands	Dormant	100%	100%
Mangazeya Mining LLC	Russian Federation	Mining and production	100%	100%
Dalsvetmet LLC	Russian Federation	Exploration	100%	100%
Koryakmining LLC	Russian Federation	Mining and production	100%	100%

Intercompany transactions and balances have been eliminated.

(c) Basis of measurement

The Financial Statements have been prepared on the historical cost basis unless otherwise explained in the following notes.

(d) Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the “**Functional Currency**”). The Functional Currency of Mangazeya Mining is the Canadian dollar (“**CAD**” or \$). The Functional Currency of Diascia Investment Ltd. is the United States dollar (“**US\$**”). For all subsidiaries domiciled in Russia, the Functional Currency is the Russian Ruble (“**RUB**”).

These Financial Statements are presented in CAD. The assets and liabilities of subsidiaries with functional currencies other than CAD are translated to CAD at the closing balance sheet rate. Foreign exchange gains or losses resulting from this translation are recognized in the consolidated statement of comprehensive loss and included in the foreign currency translation reserve in shareholders' equity.

Mangazeya Mining Ltd.**Notes to Unaudited Interim Condensed Consolidated Financial Statements****For the three and nine months ended September 30, 2018**

(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)

The Group normally uses average RUB/CAD exchange rates to translate its results for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). The principal CAD exchange rates used in the preparation of these consolidated financial statements are as follows:

Currency	Closing rate as at September 30, 2018	Average rate for 9 months ended September 30, 2018	Closing rate as at December 31, 2017	Average rate for 9 months ended September 30, 2017
RUB / CAD	50.6842	47.7822	45.9770	44.6455

(e) Critical accounting judgments, estimates and assumptions

The preparation of the Financial Statements in conformity with IFRS requires management of the Group 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 may differ from these estimates under different assumptions and conditions.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The Group has identified the following critical accounting judgments in which significant estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

(i) Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to evaluate reserves, estimates are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape, depth, metal content, density and recovery of metals in the ore body/bodies or field/fields to be determined by analyzing geological data such as drilling samples. This process might require complex and difficult geological judgments to interpret the data.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves might change from period to period. Changes in reported reserves could affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying amounts, including property, plant and equipment, exploration and evaluation assets and mine properties might be affected because of changes in estimated future cash flows.
- Depreciation, depletion and amortization charged in the statement of comprehensive loss might change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

Mangazeya Mining Ltd.**Notes to Unaudited Interim Condensed Consolidated Financial Statements****For the three and nine months ended September 30, 2018**

(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)

- Overburden removal costs recorded on the statement of financial position or charged to the statement of comprehensive loss may change because of changes in stripping ratios or the units of production basis of depreciation.
- Site restoration provisions might change where changes in estimated reserves affect expectations about the timing or cost of these activities.
- The carrying amount of deferred tax assets might change because of changes in estimates of the likely recovery of the tax benefits.

(ii) *Exploration and evaluation expenditure*

The Group's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalized for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions might change as new information becomes available. If, after having capitalized the expenditure under the policy, a judgment is made that recovery of the expenditure is unlikely, the relevant capitalized amount will be written off and recognized in profit or loss.

(iii) *Property, plant and equipment, and mine properties – recoverable amount*

In accordance with the Group's accounting policy, each asset or cash generating unit is evaluated every reporting period to determine whether there are any indication of impairment. If any such indication exists, a formal estimate of the recoverable amount is performed and an impairment loss recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves (see "Reserve estimates" above), operating costs and future capital expenditure.

These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in profit or loss.

(iv) *Provision for site restoration*

The Group's accounting policy for the recognition of site restoration provisions requires significant estimates and assumptions such as requirements of the relevant legal and regulatory framework; the magnitude of possible contamination and the timing, extent and costs of required closure and rehabilitation activity. These uncertainties might result in future actual expenditure differing from the amounts currently provided.

The provision recognized is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognized in the balance sheet by adjusting both the closure and rehabilitation asset and provision.

(v) *Taxation*

The Group's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet.

Mangazeya Mining Ltd.**Notes to Unaudited Interim Condensed Consolidated Financial Statements****For the three and nine months ended September 30, 2018**

(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)

Deferred tax assets, including those arising from unused tax losses, capital losses and temporary differences, are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognized unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, loan repayment, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions. Judgments are also required about the application of income tax legislation, and tax legislation in the Russian Federation is relatively new and subject to frequent changes. These judgments and assumptions are subject to risk and uncertainty hence there is a possibility that changes in circumstances will alter expectations, which might impact the amount of deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, part or all of the carrying amount of recognized deferred tax assets and liabilities might require adjustment, resulting in a corresponding credit or charge to profit or loss.

(vi) ***Work in process inventory***

The quantity of recoverable gold in process on leach pads or in circuit is estimated on the base of the expected grade and recovery of gold from the ore placed on the leach pad or entering the milling process. The nature of the leaching and milling processes inherently limits the ability to monitor inventory levels precisely. However, the estimate of recoverable gold placed on the leach pad or entered into the milling process is reconciled to actual production, and the estimates are refined based on actual results over time.

(vii) ***Other provisions***

The Group has recognized a provision for certain liabilities associated with its loss of control of its interest in Century Mining Corporation ("Century") in 2012. These provisions are management's best estimate of expected future liabilities associated with its interest in Century based on available information. The amount payable, if any, is dependent on the outcome of the disposition of the assets of Century by Group the receiver, confirmation by the counter parties to these liabilities and assessment by the Group's insurer with respect to certain directors' and officers' insurance claims submitted by the Group.

(viii) ***Impairment***

The Group tests mining operations and exploration and evaluation assets for impairment at least annually as well as when there are any indications that such assets may be impaired. The recoverable amount for the cash-generating unit is determined by discounting future cash flows generated by the cash-generating unit.

An impairment loss, recognized for the assets in prior years is reversed if there has been a change in the assumptions and estimates used to determine the recoverable amount. As at September 30, 2018, management did not find indications of impairment and there are no changes in estimates and assumptions that might lead to reversal of the impairment loss recognized in the prior years.

3. Significant accounting policies

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

Mangazeya Mining Ltd.
Notes to Unaudited Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2018
(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)

4. Trade and other receivables

Receivables as at September 30, 2018 and December 31, 2017 consisted of the following:

	September 30, 2018	December 31, 2017
Receivables from related parties (Note 15(b))	6,717	2,138
Advances to suppliers	972	1,215
Value-added and sales tax recoverable	4,173	2,601
Other receivables	914	225
Total account receivable	12,776	6,179

As at September 30, 2018, a provision for uncollectible accounts receivable of \$498 thousands (December 31, 2017 – \$341 thousands) was recognized.

5. Loans issued

	September 30, 2018	December 31, 2017
Short-term loans issued to related parties (Note 15(b))	-	5,900
Long-term loans issued to related parties (Note 15(b))	19,022	14,284
	19,022	20,184

6. Inventories

Inventories as at September 30, 2018 and December 31, 2017 comprised the following:

	September 30, 2018	December 31, 2017
Raw materials and consumables	5,270	5,043
Finished goods	2,894	107
Work in process	25,562	18,707
Total inventories	33,726	23,857

As at September 30, 2018, a provision for slow-moving raw materials of \$86 thousand (December 31, 2017 – \$102 thousand) was recognized.

7. Property, plant and equipment

	Buildings	Plant and equipment	Other	Construction in progress	Equipment under Finance Lease	Total
<i>Cost</i>						
Balance at December 31, 2017	12,010	11,553	19,094	31,779	-	74,436
Additions	-	-	-	17,687	3,299	20,986
Disposals	(9)	(453)	(5,404)	(29)	-	(5,895)
Transfers	835	1,102	1,920	(3,857)	-	-
Foreign currency translation	(1,163)	(1,111)	(1,573)	(3,142)	(189)	(7,178)
Balance at September 30, 2018	11,673	11,091	14,037	42,438	3,110	82,349
<i>Accumulated depreciation and accumulated impairment losses</i>						
Balance at December 31, 2017	(4,938)	(10,221)	(11,848)	(6,466)	-	(33,473)
Depreciation	(778)	(877)	(3,606)	-	(220)	(5,481)
Disposals	5	8	2,803	-	-	2,816
Foreign currency translation	501	1,005	1,145	-	12	2,663
Balance at September 30, 2018	(5,210)	(10,085)	(11,506)	(6,466)	(208)	(33,475)
<i>Net book value</i>						
As at December 31, 2017	7,072	1,332	7,246	25,313	-	40,963
As at September 30, 2018	6,463	1,006	2,531	35,972	2,902	48,874

Mangazeya Mining Ltd.**Notes to Unaudited Interim Condensed Consolidated Financial Statements****For the three and nine months ended September 30, 2018**(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)

For the three and nine months ended September 30, 2018, depreciation of \$ 1,192 thousand and \$1,970 thousand respectively (\$745 thousand and \$1,407 thousand for the corresponding period of 2017) is included in cost of sales.

As at September 30, 2018, depreciation directly attributable to work in process of \$2,584 thousand (\$1,008 thousand for the corresponding period of 2017) is included in the cost of work in process inventory.

8. Exploration and evaluation assets

Balance at December 31, 2017	31,318
Additions	1,097
Transfer to mine property	(521)
Foreign currency translation	(2,941)
Balance at September 30, 2018	28,953

During the three and nine months ended September 30, 2018, depreciation of property, plant and equipment directly attributable to exploration and evaluation assets of Nil thousand (\$160 thousand and \$349 thousand for the corresponding period of 2017), was included in the cost of exploration and evaluation assets.

9. Mine properties

Balance at December 31, 2017	19,033
Change in site restoration provision	(1)
Additions	1,458
Transfer from exploration and evaluation assets	521
Foreign currency translation	(1,881)
Balance at September 30, 2018	19,130
Accumulated depreciation at December 31, 2017	(14,459)
Depreciation	(539)
Foreign currency translation	1,374
Accumulated depreciation at September 30, 2018	(13,624)
Net book value at December 31, 2017	4,574
Net book value at September 30, 2018	5,506

During the three and nine months ended September 30, 2018, depreciation of \$130 thousand and \$266 thousand respectively (\$289 thousand and \$435 thousand respectively for the corresponding periods of 2017) was charged to cost of sales.

As at September 30, 2018, depreciation directly attributable to work in progress of \$273 thousand (\$184 thousand for the corresponding period of 2017) was included in the cost of gold in progress inventory.

10. Trade and other payables

Trade and other payables as at September 30, 2018 and December 31, 2017 consisted of the following:

	September 30, 2018	December 31, 2017
Trade payables	10,647	6,784
Payables to employees	713	198
Taxes other than income tax payable	1,101	1,034
Other payments and accrued expenses	1,867	1,386
Other accounts payable to related party (Note 15(b))	3,333	2,696
Total trade and other payables	17,661	12,098

Mangazeya Mining Ltd.**Notes to Unaudited Interim Condensed Consolidated Financial Statements****For the three and nine months ended September 30, 2018**(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)

11. Loans and borrowings**(a) Loans and borrowings**

	September 30, 2018	December 31, 2017
Current liabilities		
Unsecured loan from related parties (Note 15(b))	2,920	48
Secured bank loan	14,585	12,495
Total current liabilities	17,505	12,543
Non-current liabilities		
Secured bank loan	53,590	25,044
Total loan and borrowings	71,095	37,587

As at September 30, 2018 and December 31, 2017 the carrying value of the Group's loans approximate their fair value.

On October 23, 2017 Mangazeya Mining LLC. signed gold loan agreement with VTB Bank (PJSC) to enter into senior secured term loan facility of up to 800,000 grams of fine weight (Eight Hundred Thousand grams of gold) to fund the Company's production, development and exploration activities. The deal was approved by the Board of Directors of the Company on October 20, 2017. The funds are to be made available in three tranches – Tranche 1 size: max US\$ 22 million or max 600,000 grams of gold, Tranche 2 size: max US\$ 8 million or max 230,000 grams of gold, Tranche 3 size: max US\$ 5 million or max 80,000 grams of gold.

The Bank shall transfer the metal to the ownership of the Borrower under the terms and conditions as set forth in the Agreement, and the Borrower shall undertake to return the equal volume of metal (and, in case of the Creditor's exercising its contractual rights, the RUB equivalent of such volume of metal), to pay interest on Loan and perform other contractual obligations. Final repayment shall be on the date falling One Thousand Ninety Five (1,095) calendar days after the date of the Agreement. The Loan repayment in metal shall be made by the Borrower in unallocated metal of the same kind as has been provided to the Borrower by the Bank.

On February 5, 2018 Mangazeya Mining LLC signed additional agreement to gold loan with VTB Bank (PJSC). The funds are to be made available in Tranche 4 size: max RUB 910 million or max 400,000 grams of gold.

On July 20, 2018 Dalsvetmet LLC signed a senior secured term loan facility of up to US\$ 118.5 million with VTB Bank (PJSC) to fund the remaining capital expenditures of the Nasedkino project. The loan has an effective tenor of 7 years, with the repayment starting in March 2020. The Borrower's obligations under Facility Agreement will be secured by the pledge of shares in the Russian companies owned by Mangazeya Mining Ltd and guarantees of such companies.

Under the term of the loan agreements the Group pledged the 100% shares of Diascia Investments Limited, Mangazeya Mining LLC, Dalsvetmet LLC, and Koryakmining LLC. As at September 30, 2018 management considers that the Group was compliant with all covenants terms.

(b) Financial instruments

On 20 October 2017, the Group entered into an option and forward transaction with a barrier condition with VTB of Russia in connection with raising a gold loan agreement with VTB Bank. This instrument economically hedges the risks of gold price fluctuations. The Group has no policy regarding hedge accounting. The fair value of the financial asset at 30 September 2018 was \$1,000 thousand.

Option and forward transaction are recognized as financial instruments carried at fair value and revalued at each reporting date with changes recognized as financial expenses within profit and

Mangazeya Mining Ltd.
Notes to Unaudited Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2018
(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)

loss in accordance with IFRS requirements. The DCF and Black-Scholes models are applied to determine the fair value using the market data such as forward rates for the respective periods sell and buy amounts, and implied volatility.

12. Equity

(a) **Authorized Common Shares**

Unlimited common shares without par value.

(b) **Issued and outstanding**

	September 30, 2018		December 31, 2017	
	Number of shares	Amount	Number of shares	Amount
Balance at the beginning of period	1,288,211,149	384,837	1,288,211,149	384,837
Conversion of the debt to shares	-	-	-	-
Balance at the end of period	1,288,211,149	384,837	1,288,211,149	384,837

13. Administrative expenses

Administrative expenses for the three and nine months ended September 30, 2018 and September 30, 2017 comprise the following:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Wages and salaries	32	35	98	253
Social taxes	1	2	4	19
Depreciation	2	4	5	9
Audit, accounting, advisory and legal fees	21	9	50	56
Operating lease expenses	30	37	102	113
Materials	1	3	4	6
Travel	-	-	-	2
Services, investor relations, and other expenses	430	25	475	98
Management services from related party (Note 15(b))	2,205	1,547	8,118	4,912
Total administrative expenses	2,722	1,662	8,856	5,468

14. Commitments and contingencies

The Group does not have full coverage in the Russian Federation for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's activities. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's activities and financial position.

From time to time, the Group is involved in various litigation matters arising in the ordinary course of business. The Group accrues for such items when a liability is both probable of being incurred and a reliable estimate can be made. The Group is currently defending a claim by a contractor for breach of a repayment schedule related to services performed. At this time, the outcome of the litigation cannot be predicted with any certainty. In the opinion of management, other than this claim, there are no other matters which might have an adverse effect on the financial statements of the Group.

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

Operating lease commitments

The Group's commitments at September 30, 2018 and December 31, 2017 are presented below:

Mangazeya Mining Ltd.**Notes to Unaudited Interim Condensed Consolidated Financial Statements****For the three and nine months ended September 30, 2018**

(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)

	September 30, 2018	December 31, 2017
Less than one year	519	377
Between one and five years	1,609	769
Over five years	1,716	825
	3,844	1,971

The Group leases office premise and other premises under operating leases. The leases typically run for an initial period of one to one and a half years, with an option to renew the lease after that date. Lease commitments over one year represent lease of land.

As at September 30, 2018 lease expense of \$102 thousand (\$113 thousand for the corresponding period of 2017), was recognized in respect of operating leases.

15. Related party transactions**(a) Management remuneration**

The key management personnel is defined as the executive management. The members of the executive management individually support the General Director of the Group in the leadership, management, coordination and control of operations and performance. The key management personnel received the following remuneration during the period, which is included in personnel costs:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Salaries and bonuses	450	302	1,254	796
Social contributions	81	76	291	216
Total management remuneration	531	378	1,545	1,012

(b) Transactions with other related parties

	Transactions for the nine months ended		Balance outstanding	
	September 30, 2018	September 30, 2017	September 30, 2018	December 31, 2017
Loans and borrowings (Note 11)				
Company under common control Controlling shareholder or entities under common control of the controlling shareholder			2,920	48
Administrative services (Note 13)				
Company under common control	8,118	4,912		
Other operating expenses (income)				
Company under common control	101	91		
Trade and other payables (Note 10)				
Company under common control			3,333	2,696
Other receivables (Note 4)				
Company under common control Controlling shareholder or entities under common control of the controlling shareholder			4,924	816
			1,793	1,322
Loans issued to related party (Note 5)				
Company under common control Controlling shareholder or entities under common control of the controlling shareholder			9,552	9,745
			9,470	10,439

Mangazeya Mining Ltd.**Notes to Unaudited Interim Condensed Consolidated Financial Statements****For the three and nine months ended September 30, 2018**

(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)

Interest income

Company under common control	603	325
Controlling shareholder or entities under common control of the controlling shareholder	621	759

All transactions with related parties are carried out on an arm's length basis.

Administrative expenses are connected to the Management Services Agreement with Mangazeya Zoloto LLC. Under this Agreement Mangazeya Zoloto LLC provides full scope of administrative and managerial services including powers of the sole executive body, operational management, geological supervision, full accounting, legal and IT support for all operating units of the group. The predominant part of the group's management and administrative personnel (not directly involved in on-field operations) is hired and retained through Mangazeya Zoloto LLC.

For nine months ended September 30, 2018 the assets purchased from related parties were recognized in the amount of \$375 thousand as work in process, \$42 thousand as construction in process, \$1,616 thousand as materials, \$70 thousand of interest expenses were capitalized in work in progress.

16. Subsequent events

As at November 29, 2018, Dalsvetmet LLC received under the loan agreement with VTB Bank (PJSC) \$11,838 thousand (at the exchange rate as at September 30, 2018).