

**MANGAZEYA MINING LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the year ended December 31, 2017**

Dated: April 27, 2018

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## Introduction

This management's discussion and analysis ("MD&A") of the financial position and results of operations of Mangazeya Mining Ltd. ("Mangazeya Mining Ltd." or the "Company") is prepared as at April 27, 2018 and should be read in conjunction with the annual audited consolidated financial statements and notes thereto for the year ended December 31, 2017. Those audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all amounts in this MD&A are expressed in thousand Canadian dollars (\$).

With respect to the technical information on Mangazeya Mining Ltd. mineral projects and license areas contained in this MD&A:

- 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 MD&A .

## 1 About Mangazeya Mining

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**”). As at 26 December 2017 Vostokzvetmet LLC, White Tiger Gold Management LLC and Kalarzvetmet LLC were reorganized and merged to Mangazeya Mining LLC.

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.

## 2 2017 Operational and Financial Highlights

### TWELVE MONTHS 2017 HIGHLIGHTS

	2017	2016	Change	%
<b>Operational highlights</b>				
Gold production, ounces	24,317	27,383	(3,066)	(11%)
Gold sales, ounces	24,111	27,551	(3,440)	(12%)
Ore mined, tonnes	951,412	926,445	24,967	3%
Stripping ratio, m <sup>3</sup> /t	4.78	4.90	(0.12)	(2%)
Ore stacked, tonnes	998,679	1,035,677	(36,998)	(4%)
Ore grade in ore stacked, g/t	1.17	1.21	(0.04)	(3%)
<b>Financial highlights</b>				
Revenue	40,246	45,438	(5,192)	(11%)
Adjusted EBITDA <sup>1</sup>	108	13,817	(13,709)	(99%)
Total cash cost per ounce (TCC), CAD <sup>1</sup>	988	834	154	18%
Average gold price, CAD <sup>1</sup>	1,657	1,644	13	1%
Cash balance	3,850	225	3,625	1,611%
Cash flow (used in)/received from operating activities before changes in working capital	(534)	14,155	(14,689)	(104%)
Cash flow from financing activities	34,958	1,656	33,302	2011%
Cash flow (used in)/received from investing activities	(31,877)	(22,531)	(9,346)	41%

<sup>1</sup> Throughout this QH we use additional measures of Company performance. These are non-IFRS measures. Please see paragraph 4-5 for an explanation and discussion of these non-IFRS measures.

### 3 Strategic Goals and Recent Developments

As at December 31, 2017, the Company holds four licenses through the three OpCos (Mangazeya Mining LLC, Dalsvetmet and Koryakmining). All licenses are “exploration and mining licenses”.

The Company's assets are located in the Zabaikalie Territory:

- Savkino deposit (Mangazeya Mining LLC) is an operating company producing gold using the heap leaching technology;
- Nasedkino (Dalsvetmet) deposit is a gold field development project at construction stage;
- Zolinsko-Arkiinskaya area is a prospective licensed area where active geological exploration and preparation to the development of Kochkovskoye deposit take place (Koryakmining).

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 deposit*

Mangazeya Mining LLC holds ChIT 02445 BR license on Ildikanskaya Area in Zabaikalskiy Krai. Mangazeya Mining LLC acquired the exploration and mining rights for the 40.15 km<sup>2</sup> Ildikan license area (including the Savkino Mine) in May 2006. These rights were registered in favor of Mangazeya Mining LLC in July 2006 and are valid until July 2031. The Savkino Mine was the first project that Mangazeya Mining LLC carried from the geological exploration stage through development up to the launch of gold production.

Savkinskoye deposit is the core operating asset of the Company and includes a pit, a crushing and sorting plant, and a heap leaching area, as well as a hydrometallurgical area producing Dore gold bars. Pit development started in 2008. The gold ore deposit is located in Zabaikalie Territory, in 400 km to the east of Chita and in 15 km from the Russian-Chinese border.

The type of mining at Savkinskoye deposit is open-pit. At this stage, the Central pit is being developed and production works at South-West part of the Central pit and Khlebniy deposit are in process. The ore is transported to the ore yard and then to the processing plant located 2 km away from the pit. The overburden dumps are located at the distance of 1 km from the pit. Gold recovery method is heap leaching. The oxide ore is heap leached at the plant with a production capacity of 1 mln. tons per year. Gold recovery ratio in case of heap leaching is 60-70%.

In the fourth quarter of 2013, Micon International Co Limited completed a technical report in accordance with NI 43-101 standards that included the evaluation of resources and reserves at the Savkinskoye deposit. The complete technical report is available on SEDAR at [www.sedar.com](http://www.sedar.com).

In accordance with the reserve audit by Micon International Limited, Savkinskoye deposit contains three types of ores – oxide, transition (complex) and sulfide ores.

During 2016 the Company continued the estimation of reserves of Savkinskoye's flanks (Khlebniy and Filevskiy) for submission to the state authority. In the third quarter of 2016 the Company received state (GKZ) approval on reserves of Savkinskoye's flanks (Khlebniy). The approved reserves were not included in the previously published report prepared in accordance with NI43-101. The Company decided that it is not feasible to update the last

published report. During the fourth quarter of 2016 the Company prepared the plan of development of Savkinskoye's flanks (Khlebniy) and started works in 2017.

During 2017 the operations of Savkinskoye were carried out in accordance with the development plan. The Company continued mining of Central and South-West part 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).

During 2017 the Company performed 2,761 m of core drilling on 52 drill holes, 53,267 m<sup>3</sup> of trenching on 24 tranches, 824 m map drilling on 81 drill holes, made 3,089 core samplings, 3,961 trench samplings and 7,421 analyses on various areas of Savkinskoye deposit. There were no exploration works in 2016.

During the fourth quarter of 2017 the Company passed 703 m of core drilling on 9 drill holes, 22,097 m<sup>3</sup> of trenching on 15 tranches, 824 m map drilling on 81 drill holes, made 847 core samplings, 2,562 trench samplings and 3,781 analyses on various areas of Savkinskoye deposit. There were no exploration works in the fourth quarter of 2016.

#### *Nasedkino deposit*

Dalsvetmet holds the ChIT 01663 BE mining license for exploration and mining in Nasedkino for 10.9 km<sup>2</sup>. The license for Nasedkino was obtained in 2005 and is valid until 2025. The deposit is located in Mogochinsky District, north-west of Zabaikalie Territory of the Russian Federation. The type of mining at Nasedkino deposit is open-pit. Gold recovery method is gravity-cyanidation scheme with gold recovery ratio of around 90%.

In April 2016 the Company received ChIT 02652 BR exploration and mining license for additional areas of Nasedkino for 19.6 km<sup>2</sup>. This license is valid until 2036.

In June 2016 the Company submitted the feasibility report on mineral deposits of Nasedkino including flanks under the new license. In the third quarter of 2016 the state review of the feasibility report was finalized. The Company also prepared the project of evaluation works on the far flanks of Nasedkino. In November 2016, the State Committee for Land Resources (GKZ) approved the feasibility study the estimate of the deposit's reserves.

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, Mogochoa, 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](http://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.

In 2017 the Company passed 8,894 m<sup>3</sup> of trenching and made 250 trench samplings at the deposit, during the fourth quarter of 2017 there were no exploration works. During 2016 there were no exploration works.

During 2017 the Company continued preparation for the construction of a gold plant and start of mining works and has 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 underway.

The Company is planning to start ore mining and processing in 2019.

#### *Zolin-Arkiinsk deposit*

Koryakmining holds the ChIT 01892 BE mining license for geological survey, exploration and mining operations of hard rock and alluvial gold, lead, zinc, antimony and associated components (valid until December 2032). Zolinsko-Arkiinskaya area (863.37 km<sup>2</sup>) is located in Gazimuro-Zavodskoy and Alexandrovo-Zavodskoy Districts of Zabaikalie Territory. At this stage of the project, the company performs research, estimation and exploration of ore gold deposits.

The Zolinsko-Arkiinskaya area contains various deposits, manifestations and points of mineralization of various industrial types. Based on the structural and geological, and minerogenic analysis, the following detailed areas were preliminarily identified within the Zolinsko-Arkiinskaya area: Kochkovsky, Arkiinsky, Zona Yuzhnaya, Yakovlevsky and Shirinsky. The Company performs geological exploration at deposit sites. Geophysical and geochemical exploration at Kochkovsky and Arkiinsky sites was performed, lithochemical, magnetic and electric properties of 79.5 km<sup>2</sup> of surface were studied.

Koryakmining LLC continues to study the resource potential of the area with a focus on Kochkovsky site.

#### *Ore deposit*

In 2016 the Company continued exploration in order to assess the reserves of the deposit. During 2016 the Company started to create the wire frame and block model of the deposit for further estimation. 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.

During 2017, the Company completed 7,132 m of core drilling on 54 drill holes, 25,263 m<sup>3</sup> of trenching, made 9,061 core samplings, 4,314 trench samplings and 13,198 analyses were carried out. In the fourth quarter of 2017 the Company completed 2,178 m of core drilling on 21 drill holes, 14,159 m<sup>3</sup> of trenching, made 3,687 core samplings, 1,598 trench samplings and 7,948 analyses were carried out.

During 2016, the Company completed 15,800 m of core drilling on 111 drill holes, and 168,737 m<sup>3</sup> of trenching, made 16,174 core samples and 15,080 trench samplings. In the fourth quarter of 2016, the Company completed 5,034 m of core drilling on 43 drill holes, and 53,422 m<sup>3</sup> of trenching, made 6,003 core samples and 5,034 trench samplings.

The Savkino production team participates in the trial development of the Kochkovskoye deposit. At the first stage oxide ores will be extracted and processed. Heap leach operations are set to start in 2018 with annual processing capacity of 500 thousand tones. Gold-loaded carbon will be processed at Savkino. Final feasibility study based on exploration results is to be defended in 2019. Stage 2 of deposit development will include construction of Mining and Processing Plant for primary ore processing (floatation and autoclave).

### *Alluvial deposit*

The Company completed evaluation works on the basin of river Urov in 2016. In the second quarter of 2016 the Company submitted a feasibility report on alluvial areas on the basin of river Shirokaya to the state authority. In the third quarter of 2016 the report was approved. 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. There were no exploration works in 2017. In 2016 the Company completed 6,060 m of core drilling on 675 drill holes and made 15,151 of core samples.

## 4 Overall Operating Performance Results

	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) <sup>1</sup>
<b>Three months ended December 31, 2017</b>							
Savkinskoye	103,925	1.19	150,411	1.19	5,474	6,511	\$1,458
<b>Three months ended December 31, 2016</b>							
Savkinskoye	150,907	1.29	81,952	1.23	6,108	8,139	\$1,226
Zolin-Arkiinsk	-	-	-	-	30	30	\$728
<b>Year ended December 31, 2017</b>							
Savkinskoye	951,412	1.26	998,679	1.17	24,317	24,111	\$988
<b>Year ended December 31, 2016</b>							
Savkinskoye	926,445	1.10	1,035,677	1.21	27,353	27,521	\$834
Zolin-Arkiinsk	-	-	-	-	30	30	\$728

### *Production activities at Savkinskoye Mine*

#### *Mining production*

- Total ore mined in 2017 increased by 3% compared to 2016 due to the development of the new areas (South-West part of the Central pit and Khlebnii deposit). However, ore mined in the fourth quarter of 2017 decreased by 31% compared to the fourth quarter of 2016, as mining at the North-Eastern part of the Central pit was at its final stage.
- The grade in ore mined increased by 14.6% in 2017 compared to 2016. Average grade in ore mined was higher than planned, due to development of areas with higher grading (South-West part of the Central pit). The grade of mined ore decreased by 7.5% in the fourth quarter of 2017 compared to the fourth quarter of 2016 due to development of areas with lower grading (North-Eastern part of the Central pit).
- The stripping ratio decreased from 4.9 m<sup>3</sup>/t in 2016 to 4.78 m<sup>3</sup>/t in 2017 or by 2% and increased from 9.2 m<sup>3</sup>/t in the fourth quarter of 2016 to 11.88 m<sup>3</sup>/t in the fourth quarter of 2017 or by 29%. Stripping and the stripping ratio decreased due to redistribution of the mining works to deliver the maximum results thereafter.

#### *Processing*

- Ore stacked decreased by 4% in 2017 compared to 2016. Ore stacked increased by 83.5% in the fourth quarter of 2017 compared to the corresponding period of 2016. This increase is due to the experimental

<sup>1</sup> 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 in section 5 "Financial results".

placing of ore without agglomeration during winter period of 2017. The grade of stacked ore decreased by 3.3% in 2017 and decreased by 2.5% in the fourth quarter of 2017 compared to corresponding period of 2016. The grade of stacked ore depends on the grade of ore mined.

- In 2017, gold production decreased by 11.3% compared to 2016, gold production in the fourth quarter of 2017 was 10.3% lower compared to the corresponding period of the previous year. The decrease in production level was due to the decrease in the amount of gold contained in ore stacked as well as to the fact that stacking in 2017 continued until mid-December (compared to mid-October in 2016) decreasing the average leaching period for ore stacked.

#### **Total Cash cost of production (TCC)<sup>1</sup>**

- TCC increased by 18% in 2017 compared to 2016 mainly as a result of currency rate fluctuation (average RUB/CAD currency rate decreased by 11% compared to 2016) as well as growth in general expenses, expenses for fuels and lubricants and other expenses included into COGS. TCC increased by 19% in the fourth quarter of 2017 compared to the fourth quarter of 2016 due to the same reasons.

## **5 Financial Results**

### *Selected financial results*

Results from continuing operations for the three months ended December 31, 2017 and 2016 and years ended December 31, 2017, 2016, and 2015 are presented in the following table.

	Three months ended December 31,		Year ended December 31,		
	2017	2016	2017	2016	2015 (restated)
<b>Total net revenue</b>	<b>10,729</b>	<b>13,130</b>	<b>40,246</b>	<b>45,438</b>	<b>50,455</b>
Savkinskoye	10,729	13,083	40,246	45,391	50,439
Zolin-Arkiinsk	-	47	-	47	16
<b>Cost of sales</b>	<b>(10,778)</b>	<b>(11,356)</b>	<b>(26,953)</b>	<b>(25,378)</b>	<b>(26,500)</b>
Savkinskoye	(10,778)	(11,335)	(26,953)	(25,356)	(26,487)
Zolin-Arkiinsk	-	(21)	-	(22)	(13)
<b>Gross profit</b>	<b>(49)</b>	<b>1,774</b>	<b>13,293</b>	<b>20,060</b>	<b>23,955</b>
Savkinskoye	(49)	1,729	13,293	20,035	23,952
Zolin-Arkiinsk	-	45	-	25	3
Administrative expenses	(3,170)	(510)	(8,638)	(2,409)	(5,065)
Net (Loss)/income from continuing operations	(6,979)	676	(3,517)	10,791	(24,362)
Net Income (loss) from discontinued operations	-	-	-	-	8,603
Total (Loss)/income from operations	(6,979)	676	(3,517)	10,791	(15,759)
Net (loss)/income per share from continuing operations (basic and diluted)	(0.005)	(0.001)	(0.003)	0.01	(0.06)
Net Income (loss) per share from discontinued operations (basic and diluted)	-	-	-	-	0.02
Net (loss)/income per share (basic and diluted)	(0.005)	(0.001)	(0.003)	0.01	(0.05)
Adjusted EBITDA*	(6,111)	(1,432)	108	13,817	31,614
Total assets	133,901	99,128	133,901	99,128	67,095
Total non-current financial liabilities	26,429	1,874	26,429	1,874	105,441

\*EBITDA is non IFRS performance measure

The following selected financial information is derived from the audited consolidated financial statements (the "Financial Statements") of the Company for the years ended December 31, 2017 and December 31, 2016, each of which was prepared in accordance with IFRS.

- For 2017, revenue decreased by 11% compared to 2016, the company sold 24,111 ounces of gold and 13,177 ounces of silver (2016: 27,551 ounces of gold and 9,650 ounces of silver). In the fourth quarter of 2017 revenue was 18% lower than the comparative quarter of 2016, the company sold 6,511 ounces of gold (the fourth quarter of 2016: 8,169 ounces of gold).
- The average gold price increased from \$1,644 per ounce in 2016 to \$1,657 in 2017 or by 1% (from US\$1,239 to US\$1,268 per ounce or by 2%). Silver is a by-product and the Company sold silver occasionally.
- The gross profit margin decreased from 44% for 12 months 2016 to 33% for 12 months 2017.
- Administrative expenses during 2017 increased by 259% due to active construction and exploration works in Nasedkino and Zolinsko-Arkiinskaya areas and resulting increase in management service fees.

*Total Cash Cost per Ounce Reconciliation for Savkinskoye Mine*

	Three months ended December 31,		Year ended December 31,		
	2017	2016	2017	2016	2015 (restated)
Cost of Sales	10,778	11,335	26,953	25,356	26,487
Less: Depreciation and Amortization included in cost of sales	(1,286)	(1,355)	(3,128)	(2,396)	(877)
Cost of sales less Depreciation and Amortization	9,492	9,980	23,825	22,960	25,610
Gold sold (oz)	6,511	8,139	24,111	27,521	33,590
<b>Total Cash Cost per ounce of gold sold, CAD</b>	<b>\$1,458</b>	<b>\$1,226</b>	<b>\$988</b>	<b>\$834</b>	<b>\$762</b>

**Adjusted EBITDA**

EBITDA represents net result from continuing operation before: (1) net interest income (expense), (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 gain (loss). The management believes that foreign exchange gain (loss) is primarily associated with loans received from related party and should be excluded from the EBITDA calculation in the same way as interest expenses.

	Three months ended December 31,		Year ended December 31,		
	2017	2016	2017	2016	2015 (restated)
Net (loss) profit (continuing operations)	(6,979)	676	(3,517)	10,791	(15,759)
Interest expense (income), net	552	(315)	321	512	22,048
Income tax expense (recovery)	(725)	(2,816)	632	616	(878)
Depreciation, depletion and amortization	1,274	1,165	3,132	2,256	905
Write off of obsolete inventory	-	-	-	-	8,599
Foreign exchange (gain) loss	(233)	(142)	(460)	(358)	16,699
<b>Adjusted EBITDA</b>	<b>(6,111)</b>	<b>(1,432)</b>	<b>108</b>	<b>13,817</b>	<b>31,614</b>

**6 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 March 31, 2016 to December 31, 2017.

	fourth quarter of 2017	third quarter of 2017	second quarter of 2017	first quarter of 2017	fourth quarter of 2016	third quarter of 2016	second quarter of 2016	first quarter of 2016
Revenue	10,729	18,978	8,156	2,383	13,130	21,509	8,773	2,026
Gross Profit	(49)	10,490	1,938	914	1,774	13,044	4,346	896
Net income (loss)	(6,979)	5,388	(613)	(1,313)	676	9,079	1,938	(902)
Earnings (loss) per share (Basic and Diluted)	0.0054	0.0042	(0.0005)	(0.001)	(0.001)	0.0071	0.0015	(0.0013)
Cash provided by (used in) continuing operating activities	(3,262)	12,479	(580)	(8,058)	4,942	14,760	2,702	(4,257)
Gold production (oz)	5,474	10,486	6,758	1,599	6,138	13,135	6,260	1,850
Gold sales (oz)	6,511	11,405	4,841	1,354	8,139	12,780	5,475	1,127

## 7 Capital expenditures (incl. Design and Exploration)

Property, plant and equipment expenditures amounted to \$29,893k in the year ended December 31, 2017 (2016: \$14,535k). The significant increase relates to construction of Nasedkino. As at December 31, 2017, the Company had commitments to purchase equipment in the amount of \$7,698k (2016:\$10,151k).

Deposits' exploration and assets' evaluation expenditures amounted to \$2,754k in the year ended December 31, 2017 (2016: \$5,782k).

## 8 Cash Flow, Liquidity and Capital Resources

The following table summarizes the Company's consolidated cash flows and cash on hand from continuing operations:

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Cash and cash equivalents	3,850	225	3,850	225
Cash provided by (used in) operating activities before changes in working capital	(6,758)	(2,256)	(534)	14,155
Cash provided by (used in) operating activities after changes in working capital	(3,262)	4,942	579	18,147
Cash provided by (used in) investing activities	(3,886)	(6,456)	(31,877)	(22,531)
Cash provided by (used in) financing activities	9,494	(10,768)	34,958	1,656
Working capital	12,008	32,476	12,008	32,476
Debt	37,587	2,598	37,587	2,598
- <i>Current</i>	<b>12,543</b>	2,598	<b>12,543</b>	2,598
- <i>non-current</i>	25,044	-	25,044	-

**(a) Cash flow and capital resources**

**Working capital**

The working capital decreased by 63% or \$20,468k as at December 31, 2017 compared to December 31, 2016 as a result of increase of total current liabilities by 128% in loans and borrowings (by 383%) and trade and other payables (by 110%).

Main changes in cash flows are:

**Operating activities**

- The negative effect from loss in operations during 2017 resulted in the cash outflow from operating activities before changes in working capital;

**Investing activities**

- During 2017 the repayment of loans from related party amounted to \$6,368k and the loans issue to related party was \$7,929k. During 2016 year the repayment of loans by related party amounted to \$10,340k and the loans issue to related party was \$10,654k;

- The Company invested \$33,975k in 2017 compared to \$22,565k in 2016.

PPE –\$29,893k (Savkinskoye – \$10,147k; Nasedkino – \$18,865k mainly on construction of infrastructure; Zolinsko-Arkiinskaya area – \$881k);

Mine assets – \$1,298k (\$204k on alluvial deposit of Zolinsko-Arkiinskaya area and \$1,094k on Savkinskoye);

Exploration and evaluation assets – \$2,754k (Nasedkino – \$1,120k, Zolinsko-Arkiinskaya area – \$1,634k);

Intangible assets – \$30k for different licenses.

- For the same period of 2016 the Company invested \$22,565k. PPE investments amounted to \$14,535k (Savkinskoye – \$7,273k; Nasedkino - \$7,011k; Zolinsko-Arkiinskaya area - \$33k). Mining property investment amounted to \$837k mainly on Alluvial deposit of Zolinsko-Arkiinskaya area. Exploration and evaluation assets investment amounted to \$5,594k (Nasedkino - \$2,161k, Zolinsko-Arkiinskaya area - \$3,401k and Savkinskoye - \$32k).

**Financing activities**

- During 2017 the Company received loans in the amount of \$64,588k under the loan agreement with Sberbank and the gold loan agreement with VTB Bank (PJSC), \$1,342k accrued interest was repaid. The loan from Sberbank was repaid in the total amount of \$28,326k.

- For 2016 the Company received loans of \$16,902k loan under the loan agreement with Sberbank, \$14,860k of Sberbank loan was repaid, \$356k accrued interest was repaid. \$30k used in the period was related to costs for issue of shares within conversion of the loans to equity.

### **Going concern**

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue to operate in the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations as they come due. The management monitors the current financial results and strongly believes that the Company will achieve its ongoing business objectives. The Company has sustained losses of \$3,517 for the year ended December 31, 2017, and had an accumulated loss of \$346,596 and a working capital deficiency of \$12,008 at December 31, 2017.

### **(b) Financial position**

As at December 31, 2017 *current assets* decreased by 11% or \$4,895k compared to December 31, 2016. Cash and cash equivalents increased by 1,611% or \$3,625k (mainly due to the opening of deposits in 2017 in the amount of \$3,698k), inventories increased by 15% or \$3,024k (mainly due to increase in gold-in-process by 12% and raw materials by 27%) and increase of accounts receivable by 36% or \$1,619k.

Non-current assets increased by 73% or \$39,668k mainly due to addition of PPE, EEA, MA described above and loans issued to related parties.

*Current liabilities* increased by 128% compared to the end of 2016. There were significant changes of current liabilities due to increase in trade and other payables by 110% or \$6,337k (mainly due to increase in trade payables by 56%, and accounts payables to related parties) and increase in current maturity of long-term debt under the loan agreement with VTB Bank (PJSC) by 383% or \$9,945k. Current taxes payable decreased by 43.0% from \$1,119k in 2016 to \$637k in 2017.

*Non-current liabilities* increased by 1310% (14x times) correspondingly due to long-term debt under the loan agreement with VTB Bank (PJSC).

### **Subsequent events**

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

Under the gold loan agreement with VTB Bank (PJSC) The Company received additional tranches in the amount of \$5,118k in February 2018, \$7,627k in March 2018, and \$4,686k in April 2018 (at the exchange rate as at December 31, 2017).

In April 2018 the Group entered into the lease agreement for the equipment in the amount of \$2,928k, the equipment is to be used at the Kochkovskiy deposit.

## **9 Related Party Transactions**

The policy of the Company assumes that all transactions and settlement of accounts with related parties are on market terms and conditions in the ordinary course of business.

You can find all of the Company's related party transactions in Note 24 of the consolidated financial statements for the year ended December 31, 2017.

## **10 Critical Accounting Estimates**

The preparation of the Financial Statements in conformity with IFRS requires the 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.

Significant judgments are used in the Company's assessment of going concern that is more fully described in Note 1 to the consolidated financial statements and elsewhere in this MD&A, the determination of cash generating units for impairment purposes and the determination of functional currency.

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

You can find all of the Company's significant accounting policies in Note 3 of the consolidated financial statements for the year ended December 31, 2017.

## 11 Changes in Accounting Standards

You can find all Changes in Accounting Standards in Note 4 of the consolidated financial statements for the year ended December 31, 2017.

## 12 Financial Instruments and Other Instruments

Management believes that the carrying values of the Company's cash and cash equivalents, loans and receivables, and trade and other payables approximate their fair value due to their short terms to maturity. The carrying value of obligations under finance lease approximates its fair value based on market rates of interest. Under the loan agreement the Company entered into two hedging agreements with VTB Bank (PJSC) to hedge 13,389 of gold ounces by forward agreement and 13,389 of gold ounces by put and call option agreement. The operations under the hedging agreements with VTB Bank (PJSC) will start in 2018 year.

## 13 Internal Controls

No changes were made to the Company's internal control over financial reporting during the period beginning on January 1, 2017 and ending on December 31, 2017 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

## 14 Disclosure of Outstanding Share Data

The following details the Company's share capital structure as at December 31, 2017:

	Number of Mangazeya Mining Ltd. common shares
Total number of fully diluted Mangazeya Mining Ltd. common shares	1,288,211,149

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

## 15 Risks and Uncertainties

Mangazeya Mining Ltd. is subject to a number of risk factors because of the nature of the business in which it is engaged and its stage of development. The operations of Mangazeya Mining Ltd. are speculative because of the high-risk nature of its business which is the acquisition, exploration, development and operation of mineral projects. These risk factors could materially affect Mangazeya Mining Ltd.'s future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to Mangazeya Mining Ltd. Mangazeya Mining Ltd. might face additional risks and uncertainties other than the factors listed below, including risks and uncertainties that are unknown or risks and uncertainties that are believed to be unimportant as at the date hereof, that could have a material adverse effect on the future cash flows, earnings, results of operations and financial condition of Mangazeya Mining Ltd. If any of the following risks actually occur, the business, financial condition or results of operations of Mangazeya Mining Ltd. could be negatively affected.

### (a) Exploration, Development and Operating Risks

The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge might not eliminate. While the discovery of an ore body might result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses might be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that future exploration or development programs planned by Mangazeya Mining Ltd. will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; minerals prices that are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors might result in Mangazeya Mining Ltd. not receiving an adequate return on the invested capital.

Mining operations generally involve a high degree of risk. Mangazeya Mining Ltd. operations are subject to all the hazards and risks normally encountered in the exploration, development and production of minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material or the drilling and removal of overburden and ore mining, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Natural disasters, operator errors, or other occurrences or accidents, might result in spills of hazardous chemicals, fires and equipment failure that can injure or kill people, damage or destroy pits, mines, equipment or production facilities, damage property and the environment. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas that might result in environmental pollution and consequent liability that could have a material adverse effect on the future cash flows, earnings, results of operations and financial condition of Mangazeya Mining Ltd.

### (b) Liquidity and Continuation as a Going Concern

In 2017 the financial position of the Company was stable. The financial statements for 2017 year have been prepared on a going concern basis, which assumes that the Company will continue to operate in the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course

of operations as they come due. Management aware the current financial results and strongly believes that the Company will achieve its ongoing business objectives. The Company has sustained losses of \$3,517k for the year ended December 31, 2017, and had an accumulated loss of \$346,596k and a working capital deficiency of \$12,008k at December 31, 2017.

**(c) Insurance and Uninsured Risks**

Mangazeya Mining Ltd. business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Mangazeya Mining Ltd. properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Mining insurance in Russia is relatively undeveloped and, accordingly, the available local coverage is relatively limited. Many forms of insurance designed to protect against the above noted perils, common in other parts of the world, are not yet generally available in some of the areas where Mangazeya Mining Ltd. operates. Mangazeya Mining Ltd. does not have full coverage for all of its facilities, for business interruption, for third-party liability in respect of property damage, or for environmental damage arising from accidents on its property or relating to its operations. Until Mangazeya Mining Ltd. is able to obtain full insurance coverage on acceptable terms, there is a risk that losses and liabilities arising from such events could significantly increase its costs and have a material adverse effect on its future cash flows, earnings, results of operations and financial condition.

**(d) Replacement of Reserves**

Mangazeya Mining Ltd. ability to maintain or increase its annual production will depend largely on its ability to bring new mines into production and to expand mineral reserves at its current mine. Once a site with mineralization is discovered, it might take several years from the initial phases of drilling until production is possible, during that time the economic feasibility of production might change. Substantial expenditures will be required to establish mineral reserves and to construct mining and processing facilities. As a result of these uncertainties, there is no assurance that current or future exploration programs might be successful. There is a risk that depletion of reserves will not be offset by discoveries. As a result, the reserve base of Mangazeya Mining Ltd. might decline if reserves are mined without adequate replacement and Mangazeya Mining Ltd. might not be able to sustain production beyond the current life-of-mine at its mine, based on current production rates, that could have a material adverse effect on Mangazeya Mining Ltd. future cash flows, earnings, results of operations and financial condition.

**(e) Production Estimates**

No assurance can be given that production estimates for Mangazeya Mining Ltd. mine and projects will be achieved. These production estimates are based on, among other things, the following factors: the accuracy of reserve estimates; the accuracy of assumptions regarding ground conditions and physical characteristics of ores, such as the presence or absence of particular metallurgical characteristics; and the accuracy of estimated rates and costs of mining and processing. The life-of-mine estimates for Mangazeya Mining Ltd. mine and projects are based on a number of factors and assumptions and might prove incorrect.

**(f) Mangazeya Mining Ltd. Projects**

As part of its strategy, Mangazeya Mining Ltd. continues its existing efforts to develop new mineral projects. A number of risks and uncertainties are associated with the development of these types of projects, including political, regulatory, design, construction, labor, operating, technical and technological risks, and uncertainties related to capital and financing risk. The failure to develop one or more of Mangazeya Mining Ltd. projects could have an adverse effect on the financial position and results of operations of Mangazeya Mining Ltd.

**(g) Shortages and Price Volatility of Commodities**

Mangazeya Mining Ltd. is dependent on various commodities (such as heavy fuel oil, diesel fuel, electricity, steel, concrete and cyanide) and equipment to conduct its mining operations and development projects. A shortage of such commodities, equipment and parts or a significant increase in their cost could have a material adverse effect on Mangazeya Mining Ltd. ability to carry out its operations and therefore limit or increase the cost of production. An increase in the cost, or decrease in the availability, of input commodities, equipment or parts might affect the timely conduct and cost of Mangazeya Mining Ltd. operations and development projects. Market prices of commodities can be subject to volatile price movements that can be material, occur over short periods of time and are affected by factors beyond the control of Mangazeya Mining Ltd. If the costs of certain commodities consumed or otherwise used in connection with Mangazeya Mining Ltd. operations and development projects were to increase significantly, and remain at such levels for a substantial period, Mangazeya Mining Ltd. might determine that it is not economically feasible to continue commercial production at some or all of its operations or the development of some or all of its current projects, that could have a material adverse effect on Mangazeya Mining Ltd. future cash flows, earnings, results of operations and financial condition.

**(h) Additional Capital**

The exploration and development of Mangazeya Mining Ltd. properties, including continuing exploration and development projects, and the construction of mining facilities and commencement of mining operations, will require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production of any or all of Mangazeya Mining Ltd. properties or even a loss of a property interest. Other than the proceeds from the sale of gold produced at its Savkinskoye Mine, the only source of funds now available to Mangazeya Mining Ltd. is through the sale of equity capital, properties, royalty interests or the entering into joint ventures. Additional financing might not be available when needed or if available, the terms of such financing might not be favorable to Mangazeya Mining Ltd. and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on Mangazeya Mining Ltd. future cash flows, earnings, results of operations and financial condition. Global securities markets have and might continue to experience volatility, that might result in difficulty in raising equity capital and market forces might render it difficult or impossible for Mangazeya Mining Ltd. to secure investors to purchase any new share issuances at prices that will not lead to severe dilution to existing shareholders.

**(i) Restricted Rights to Sell Gold**

Currently, under Russian legislation, the Gokhran (a body within the Federal Ministry of Finance) and regional authorities (regional funds for precious metals) have a preferential right to purchase gold and silver bullion bars from the producers of precious metals, provided preliminary sale and purchase agreements have been concluded and advance payments on account of payments made under these agreements. In the case of sales by producers to the Gokhran and/or regional authorities, such state agencies buy at prices that are based on international market prices.

Historically, there were serious delays in payment for domestic sales where the state was involved. In the case where entities that have a first priority right have not used such right, producers might sell gold and silver bars in Russia only to Russian authorized banks. In addition to selling gold and silver bars on the domestic Russian market and provided that the above noted first priority right is waived annually, producers might be able to export their gold and silver bullion bars through Russian authorized banks and/or directly to offshore purchasers

**(j) Gold Price**

The profitability of Mangazeya Mining Ltd. gold operations is dependent upon the market price of gold. The price of gold fluctuates and is affected by numerous factors beyond the control of Mangazeya Mining Ltd. The level of interest rates, the rate of inflation, the world supply of gold and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of gold has fluctuated widely in recent years, and future price declines could cause commercial production to become impracticable, thereby having a material adverse effect on Mangazeya Mining Ltd. future cash flows, earnings, results of operations and financial condition.

In addition, declining gold prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment might be the result of a management decision or might 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 might cause substantial delays or might interrupt operations until the reassessment can be completed.

**(k) Taxes**

Russian tax legislation is subject to varying interpretations and constant change. Mangazeya Mining Ltd. interpretation of tax legislation might not coincide with that of Russian tax authorities. As a result, transactions might be challenged by tax authorities and Mangazeya Mining Ltd. Russian operations could be subject to significant additional taxes, penalties and/or interest that could have a material adverse effect on Mangazeya Mining Ltd. future cash flows, earnings, results of operations and financial condition.

**(l) Title**

Although Mangazeya Mining Ltd. believes that its title is secure, there is no guarantee that title to the properties in which Mangazeya Mining Ltd. has a material interest will not be challenged or impugned.

**(m) Expropriation and Nationalization**

As a consequence of the international financial crisis an increased intervention of the Russian government has been observed in the private sector. The government has (through its relevant governmental bodies or state-owned enterprises) acquired, directly or indirectly, controlling interests in various companies experiencing financial difficulties or facing insolvency. It has been speculated in the press that in some of these cases state intervention was not only aimed at assisting ailing businesses but also at furthering the aims of business groups closely associated with the state. In some instances, the price of such distressed acquisitions was unilaterally imposed by the state on the sellers.

Although Russian government officials, including the Russian Prime Minister, have on several occasions in the past noted that state intervention measures are temporary and limited to companies with significant social obligations, the scope and scale of the Russian state's further intervention in the private sector might not be predicted with certainty.

The Russian government has enacted legislation to protect property against expropriation and nationalization. Furthermore, in the event that Mangazeya Mining Ltd. property is expropriated or nationalized, legislation provides for fair compensation to be paid to Mangazeya Mining Ltd. However, there can be no certainty that such protections will be enforced. This uncertainty is caused by several factors, including the lack of an independent judicial system, sufficient mechanisms to enforce judgments and corruption among Russian state 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, Mangazeya Mining Ltd. might not be able to obtain proper redress in the courts and might not receive adequate compensation if, in the future, the Russian government decides to nationalize or expropriate some or all of Mangazeya Mining Ltd. assets. The expropriation or nationalization of any of Mangazeya Mining Ltd assets without fair compensation might have a material adverse effect on Mangazeya Mining Ltd. future cash flows, earnings, results of operations and financial condition.

**(n) Governmental Regulation**

Regulatory standards continue to change, making the review and due diligence processes longer, more complex and more costly.

Operations, development and exploration on Mangazeya Mining Ltd. properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labor; (ii) mining law reform; (iii) restrictions on production, price controls and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulations, if any, will not adversely affect Mangazeya Mining Ltd. operations. Changes in such regulations could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution of shareholders' equity and restrictions and delays in operations, the extent of that cannot be predicted. Mangazeya Mining Ltd. draws on the expertise and commitment of its management team, advisors, employees and contractors to ensure compliance with current laws and encourages open communication and cooperation with regulatory bodies.

Exploration of Mangazeya Mining Ltd. properties requires responsible best exploration practices to comply with Mangazeya Mining Ltd. policy, government regulations, maintenance of claims and tenure. If any of Mangazeya Mining Ltd. projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labor

standards, environmental protection, mine safety and other matters. In addition, new laws or regulations governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that Mangazeya Mining Ltd. might possess.

**(o) Environmental Matters**

The Company has a mining operation and several active exploration projects in Russia. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner that requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

There is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards might exist on the properties that are unknown to the Company at present and might have been caused by previous or existing owners or operators of the properties.

The Company has adopted an environmental policy designed to ensure that it continues to comply with or exceeds all environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation. The Company strives for its operations to have minimal environmental impact.

**(p) Litigation**

Legal proceedings might arise from time to time in the course of Mangazeya Mining Ltd. business. Any future litigation against Mangazeya Mining Ltd. or any of its subsidiaries cannot be prevented. There have been occasions where litigation has been used as a means of creating difficulties for companies operating in the natural resources sector including by environmental activists or persons with competing business interests. Defense and settlement costs can be substantial, even with respect to claims that have no merit. There can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on Mangazeya Mining Ltd. future cash flows, earnings, results of operations and financial condition because of the inherent uncertainty of the litigation process.

**(q) Competitive Conditions**

The mining industry is intensely competitive in all of its phases and Mangazeya Mining Ltd. competes with many companies possessing greater financial and technical resources. Competition in the precious metals industry is primarily for properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labor to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals but conduct refining and marketing operations on a global basis. Such competition might result in Mangazeya Mining Ltd. being unable to acquire desired properties or to obtain the capital necessary to fund its operations and develop its properties.

**(r) Management**

Mangazeya Mining Ltd. is dependent on the services of key executives, its directors and certain highly skilled and experienced individuals. Mangazeya Mining Ltd. is dependent on management's knowledge and expertise and its ability to operate mines and identify and advance attractive projects and targets from exploration through development and into production, as well as to secure the necessary financing to fund these activities.

While it is impossible to eliminate all of the risks associated with exploration, development and mining, it is management's intention to manage its affairs, to the extent possible, to ensure that Mangazeya Mining Ltd. assets are protected and that its efforts will result in increased value for Mangazeya Mining Ltd. shareholders. Mangazeya Mining Ltd. assesses and minimizes risks by applying high operating standards, including careful management and planning of its facilities, hiring qualified personnel, establishing and maintaining internationally recognized standards and performing independent audits.

The loss of these persons or Mangazeya Mining Ltd.'s inability to attract and retain additional highly skilled employees or consultants might adversely affect its business and future operations.

**(s) Conflicts of Interest**

Certain directors and officers of Mangazeya Mining Ltd. also serve as directors, officers and members of management of other companies involved in natural resource exploration and development, consequently there exists the possibility for such directors and officers to be in a position of conflict. The directors of Mangazeya Mining Ltd. are required by law to act honestly and in good faith with a view to the best interest of Mangazeya Mining Ltd. and to disclose any interests that they might have in any project or opportunity of Mangazeya Mining Ltd. If a conflict of interest arises at a meeting of the Mangazeya Mining Ltd. board of directors, any director in a conflict is required to disclose his interest.

## **16 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.