

## MANGAZEYA MINING LTD.

## INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

For the three months ended March 31, 2019

Dated: May 30, 2019

*This quarterly highlights (“QH”) of the financial position and results of operations of Mangazeya Mining Ltd. (“Mangazeya Mining Ltd.” or the “Company”) should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019 as well as the annual audited consolidated financial statements for the year ended December 31, 2018 and the corresponding MD&A. Those audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Except as otherwise disclosed, all amounts in this QH are expressed in thousands of Canadian dollars (\$). Information on risks, technical and scientific information under National Instrument 43-101 concerning the Company’s mineral resources are contained in the Company’s most recent filed annual MD&A and Technical Reports.*

## FIRST QUARTER 2019 HIGHLIGHTS

	1Q 2019	1Q 2018	Change	%
<b>Operational highlights</b>				
Gold production, ounces	2,259	1,191	1,068	90%
including Refining gold, ounces	1,717	1,191	526	44%
Gold sales, ounces	1,814	952	862	91%
Ore mined, tonnes	190,033	124,683	65,350	52%
Stripping ratio, m <sup>3</sup> /t	2.81	9.04	(6.23)	(69%)
Ore stacked, tonnes	-	-	-	-
Ore grade in ore stacked, g/t	-	-	-	-
<b>Financial highlights</b>				
Revenue	3,113	1,718	1,395	81%
Adjusted EBITDA <sup>1</sup>	(4,619)	(4,900)	281	(6%)
Total cash cost per ounce Savkino (TCC), CAD <sup>1</sup>	987	1,507	(520)	(35%)
Total cash cost per ounce Kochkovskoye (TCC), CAD	1,406	-	1,406	100%
Average gold price, CAD <sup>2</sup>	1,716	1,676	40	2%
Cash balance	3,586	1,881	1,705	91%
Cash flow from operating activities before changes in working capital	(4,619)	(5,699)	1,080	(19%)
Cash flow from financing activities	25,683	13,014	12,669	97%
Cash flow from investing activities	(13,618)	(4,340)	(9,278)	214%

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

## Corporate Overview

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

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

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

## Strategic Goals and Recent Developments

### *Trends, risks, demands*

The main strategy of the Company in 2019 year is to prepare Nasedkino and Zolinsko-Arkiinskaya areas for production and to continue the exploration of areas at and near Savkinskoye, Nasedkino and Zolinsko-Arkiinskaya to find new resources in order to improve the Company's resource base.

### *Savkinskoye update*

During 2018 the operations of Savkinskoye were carried out in accordance with the development plan. The Company continued mining of Central and South-West parts of the deposit, and started mining of Khlebniy deposit (from February 2017). In the Q4 of 2017 the Company developed and sent to the state authority the project on exploration works for reserves of Savkinskoye' flanks (Filevskiy). The positive State Expertise approval was obtained with respect to the project in Q1 2018.

Based on the results of geological exploration for Filevsky site, in 2019, technological samples shall be taken and examined in order to determine the suitability of recovery technology used at Savkinskoye deposit. It is also planned to prepare a geological report on the results of prospect evaluation survey conducted on the Ildikan ore area and evaluation of gold from hard-rock deposit reserves at Filevsky site.

In Q1 2019 Preparation of Report on Evaluation of gold from hard-rock deposit and Related Compounds on Filevsky Site, Ildikan Ore Area (Filevsky Deposit) started, technological ore sample of 1,139 kg was taken at Filevsky site for technological testing.

During Q1 2019 and Q1 2018 there were no exploration works.

### *Nasedkino update*

In August 2017, Wardell Armstrong International Ltd ("WAI") completed the Technical Report titled "NI 43-101 Compliant Mineral Resource and Ore Reserve Estimates for the Nasedkino Gold Project, Russian Federation" (the "NI 43-101 Technical Report") for Dalsvetmet. This NI 43-101 Technical Report was prepared as an integral part of the Company's evaluation of the Nasedkino development and additional exploration. This 43-101 Technical Report updates the "43-101 Technical Report for Nasedkino Project, Mogocha, Transbaikal Region, Russian Federation dated October 10, 2012 by SRK Consulting ("SRK"). The report's release with comments was filed and available on SEDAR at [www.sedar.com](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 Q4 2018 year the Company started the laboratory study of data obtained in the course of field geological exploration Nasedkino (Malourymskoye). In Q1 2019 laboratory study of data obtained in the course of field geological exploration in 2018 was continued.

During Q1 2018 and 1Q 2019 there were no exploration works.

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

factory, coarse crushing facility, crushed ore storage and tailings pond was conducted. In 4Q2018 the major construction was conducted at coarse crushing facility, crushed ore storage, main building of gold recovery building, tailings pond dam and stream diversion channel.

In Q1 2018, the permit for the construction of gold recovery plant at Nasedkino gold deposit (gold recovery plant and utilities) was obtained. In Q3 2018, engineering design "Mining and Processing Plant at Nasedkino Gold Deposit. Mining and Conveying Facilities" with respect to the development of four sites was completed and the design documentation was submitted for Environmental Impact Assessment. In Q4 2018, office studies commenced with respect to data obtained during field works for the Prospect evaluation survey project for Nasedkino gold deposit flanks (Malouryumskoye). Favourable opinion was obtained with respect to the project. Additionally, in Q4 2018 the Nasedkino project received positive Opinion of the State Geological Expertise with respect to project documentation for Mining and Processing Plant at Nasedkino gold deposit; Mining Allotment Certificate.

The Company is planning to start ore mining and processing in 2020. In Q1 2019 the Company continued the construction works.

#### *Zolinsko-Arkiinskaya update*

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

In Q1 2018, the project for the pilot industrial development of oxide ores of Kochkovskoye deposit was approved by the Central Committee for solid mineral deposits development. Start of operation at Kochkovskoye deposit is scheduled for Q2 2018. In Q1 2018, the deposit was being prepared for development (construction of heap leaching site, field camp, and warehousing facilities was started). In Q1 2018, ground water exploration was conducted for the purposes of water supply for the field camp, 200 m of drilling was performed on 3 holes. Water pumping results showed that the quality and volume of the ground water were sufficient to be used as a potable and domestic water supply.

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

In Q1 2019 preparation of Report on Exploration and Evaluation of gold from hard-rock deposit and Related Compounds at Kochkovsko-Arkiinsky Site, Zolinsko-Arkiinskaya Ore Area (Kochkovsky Deposit) started. Three technological ore samples totaling 2,500 kg were taken for technological testing.

During Q1 2018 and 1Q 2019 there were no exploration works.

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

In Q1 2018, subcontractor agreement for the development of placer gold on Srednya river and the Mostovaya river feeder was concluded. The start of works is scheduled for Q2 2018. In Q1 2018, the Amendments to project "Development of Placer Gold on upstream of Srednya river and the Mostovaya river feeder" were started to be prepared.

In Q1 2019 engineering design for Development of Kochkovskoye Gold Deposit. Pilot Commercial Development Phase. Supplement 2 was developed and approved by the Central Committee for Solid Mineral Deposits Development.

During Q1 2018 and 1Q 2019 there were no exploration works

## **Overall Operating Performance Results**

### ***Savkinskoye***

The following table shows production and cost information for the Savkinskoye Mine for the three months ended March 31, 2019 and March 31, 2018:

	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>2</sup>
<b>Three months ended March 31, 2019</b>	65,033	1.23	-	-	726	733	\$987
Three months ended March 31, 2018	124,683	1.20	-	-	1,191	952	\$1,507

**Mining production**

- In 1Q2019, total ore mined decreased from 125kt in 1Q2018 to 65kt or by 47.8%. The decrease in ore production was caused by the suspension of mining at Yugo-Zapadny pit from December 2018 and at Khlebny pit from March 2019.
- The average grade in ore mined was 1.23 g/t, an increase of 2.3% in 1Q2019 compared to 1Q2018. The average grade in ore mined in Q1 2019 was in line with Q1 2018.
- In 1Q 2019, the average stripping ratio was 4.10 m<sup>3</sup>/t as compared to 9.04 m<sup>3</sup>/t in 1Q2018, an decrease 54.7% increase compared to 1Q2018. The reduction was caused by the final extraction of reserves at Khlebny pit and, as a result, lack of necessity in preceding stripping, and by the suspension of mining at Yugo-Zapadny pit.

**Processing**

- In Q1 2019 and Q1 2018 there was no ore stacked.
- Gold production was 0.73 koz in 1Q 2019, a decrease of 39% compared to 1Q2018. The difference has been caused by the decrease in the amount of gold in ore stacked in Q4 2018 YoY - the amount of gold in ore stacked reduced by 39.1%.

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

- TCC for 1Q 2019 (\$987 per ounce) decreased by 35% as compared to TCC for Q1 2018 (\$1,507 per ounce) as a result of a decrease in basic and auxiliary materials, fuels and lubricants, electricity, other production materials due to cost per unit regulation adoption, stronger budget control procedures and write-off norms revision.

**Kochkovskoye**

The following table shows production and cost information for the Kochkovskoye deposit for the three and nine months ended March 31, 2019 and March 31, 2018:

	1Q 2019	1Q 2018	Change	%
Gold produced (oz)	1,533	-		100%
<i>including</i>				
<i>gold from hard rock deposit</i>	1,533	-		100%
<i>gold from placers</i>	-	-		100%
Gold sold (oz)	1,082	-		100%
<i>including</i>				
<i>gold from hard rock deposit</i>	1,082	-		100%
<i>gold from placers</i>	-	-		100%

**Gold from hard rock deposit**

	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)
<b>Three months ended March 31, 2019</b>	125,000	2.36	-	-	1,533	1,082	\$1,406
Three months ended March 31, 2018	-	-	-	-	-	-	-

<sup>2</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 below.

The volume of mining in Q1 2019 was as follows: total ore mined was 125 kt, average grade in ore mined was 2.36 g/t, average stripping ratio was 2.14 m<sup>3</sup>/t, there was no ore stacked, gold from hard rock deposit production was 1.53 koz, gold sold was 1.08 koz.

#### **Total Cash cost of production (TCC)1**

- TCC for 3m 2019 was \$1,406 per ounce of gold sold due to seasonal fluctuation in COS (gold production and sales in 1Q are lower comparing to the remaining quarters) and high proportion of permanent production costs in COS. The proportion of permanent production costs will decrease as gold production and sales increase till the end of 2019.

#### **Financial results**

The following table presents the results from continuing operations for the three months ended March 31, 2019 and the corresponding period of 2018.

	<b>Three months ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Total revenue	<b>3,113</b>	1,718
<i>Savkinskoye</i>	1,258	1,718
<i>Kochkovskoye</i>	1,855	-
<i>gold from hard rock deposit</i>	1,855	-
<i>Intercompany operations</i>	-	-
Cost of sales	<b>(1,101)</b>	(1,731)
<i>Savkinskoye</i>	(723)	(1,731)
<i>Kochkovskoye</i>	(1,613)	-
<i>gold from hard rock deposit</i>	(1,613)	-
<i>Intercompany operations</i>	1,235	-
Gross profit	<b>2,012</b>	(13)
<i>Savkinskoye</i>	535	(13)
<i>Kochkovskoye</i>	242	-
<i>gold from hard rock deposit</i>	242	-
<i>Intercompany operations</i>	1,234	-
Administrative expenses	<b>(3,451)</b>	(3,713)
Income (loss) from continuing operations	<b>(2,444)</b>	(5,286)
Adjusted EBITDA <sup>1</sup>	<b>(4,619)</b>	(4,900)
(Loss) income per share from continuing operations (basic and diluted)	\$ (0.0019)	\$ (0.004)

- For 1Q2019, revenue increased by 81% compared to 1Q2018, the Company sold 1,814 ounces of gold (1Q2018: 952 ounces of gold and 5,763 ounces of silver). The Revenue increased due to the start of operations at Kochkovskoye.
- The average gold price increased from \$1,676 per ounce in 1Q2018 to \$1,716 in Q1 2019 or by 2% (US\$1,325 per ounce in 1Q2018 and US\$1,291 per ounce in Q12019). Silver is a by-product and the Company sold silver occasionally.
- Gross profit increased from negative \$ 13 in 1Q2018 to positive \$2,012 in 1Q 2019 due to increase of revenue and decrease in TCC. The gross profit margin increased from (1%) in 1Q 2018 to 65% in Q1 2019.
- Administrative expenses during 1Q2019 decreased by 7% compared to 1Q2018. High administrative expenses explained by the active construction and exploration works in Nasedkino and Zolinsko-Arkiinskaya areas..
- Other operating expenses increased by 122% in Q1 2019 compared to Q12018. Mangazeya Mining LLC production team participates in the trial development of the Koryakming LLC and provides the mining operational services. Operational service expenses is the direct expenses Mangazeya Mining LLC in accordance with the Operational agreement between Mangazeya Mining LLC and Koryakming LLC.
- As a result the Company decreased the negative adjusted EBITDA in Q1 2019 (\$4,619k) comparing with the negative adjusted EBITDA in Q1 2018 (\$4,900k).

As at March 31, 2019 *Current assets* increased by \$7,018k or 17% compared to December 31, 2018. The change of total current assets resulted in increase of inventories by 24% or \$5,861k. (mainly due to increase in gold in work in progress by 30%), cash and cash equivalents by 57% or \$1,295k.

As at March 31, 2019 *Non-current assets* increased by \$20,711k or 17% compared to December 31, 2018 mainly due to additions of PPE and EEA described above.

As at March 31, 2019 *Current liabilities* increased by \$8,789k or 21% compared to December 31, 2018 as a result of the increase in short-term loans and borrowings by \$9,350k or 45%.

As at 31 March 2019 *Non-current liabilities* increased by \$19,147k or 24% compared to December 31, 2018 mainly due to long-term debt under the loan agreement with VTB bank (PJSC), by \$17,957k or 24%.

#### **Cash Cost per Ounce Reconciliation for Savkinskoye Mine**

	Three months ended March 31,	
	2019	2018
Cost of Sales	723	1,731
Less: Depreciation and Amortization included in cost of sales	-	(296)
Cost of sales less Depreciation and Amortization	723	1,435
Gold sold (oz)	733	952
<b>Total Cash Cost per ounce of gold sold</b>	<b>\$987</b>	<b>\$1,507</b>

#### **Cash Cost per Ounce Reconciliation for Kochkovskoye Mine (gold from hard rock deposit)**

	Three months ended March 31,	
	2019	2018
Cost of Sales	1,613	-
Less: Depreciation and Amortization included in cost of sales	(92)	-
Cost of sales less Depreciation and Amortization	1,521	-
Gold sold (oz)	1,082	-
<b>Total Cash Cost per ounce of gold sold</b>	<b>\$1,406</b>	<b>-</b>

#### **Adjusted EBITDA**

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

	Three months ended March 31,	
	2019	2018
Net loss (continuing operations)	(2,444)	(5,286)
Interest expense, net	1,124	441
Income tax recovery	288	(448)
Depreciation, depletion and amortization	92	297
Foreign exchange gain/(loss)	(3,679)	96
<b>Adjusted EBITDA</b>	<b>(4,619)</b>	<b>(4,900)</b>

#### **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

MANGAZEYA MINING LTD.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS for the three months ended March 31, 2019  
(Tabular amounts are presented in thousands of Canadian dollars if otherwise is not stated)

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because of the seasonal nature of operations. This variation is reflected in the results shown in the table below for the quarters ending June 30, 2017 to March 31, 2019.

	2019	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<b>Gold production (oz)</b>	2,259	8,523	12,177	5,781	1,191	5,474	10,486	6,758
<b>Gold sales (oz)</b>	1,814	10,233	8,391	2,669	952	6,511	11,405	4,841
<b>Revenue</b>	3,113	16,996	13,906	4,591	1,718	10,729	18,978	8,156
<b>Gross Profit</b>	2,012	4,338	7,936	1,179	(13)	(49)	10,490	1,938
<b>Net income (loss)</b>	(2,444)	(12,245)	(2,029)	(6,584)	(5,286)	(6,979)	5,388	(613)
<b>Earnings (loss) per share (Basic and Diluted)</b>	(0.0019)	(0.0095)	(0,0016)	(0,0051)	(0.0041)	0.0054	0.0042	(0.0005)
<b>Cash provided by (used in) continuing operating activities</b>	(10,375)	(2,022)	(12,256)	(4,970)	(10,545)	(3,873)	12,238	(923)

### Financial condition and liquidity

	Three months ended March 31,	
	2019	2018
Net cash (used in) provided by operating activities before working capital	(4,619)	(5,699)
Net cash (used in) provided by operating activities after working capital	(10,375)	(10,545)
Net cash (used in) provided by investing activities	(13,618)	(4,340)
Net cash (used in) provided by financing activities	25,683	13,014
Loans and borrowings		
- Short-term	30,182	13,514
- Long-term	92,296	38,933
Cash and cash equivalents	3,586	1,881
Working capital	(830)	16,481

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

##### Working capital

The working capital decreased by 188% or \$1,771k as at March 31, 2019 compared to December 31, 2018 as a result of increase of total current liabilities by 21% in loans and borrowings by 45%.

Main changes in cash flow are:

##### Operating activities

- The negative effect from loss in operations during 1Q2019 resulted in the cash outflow from operating activities before changes in working capital;

##### Investing activities

- The Company invested \$13,618k in 1Q2019 compared to \$5,821k in 1Q2018.

For Q1 2019 year the Company invested \$13,618k: PPE - \$13,599k (Savkinskoye - \$37 k mainly to advances for PPE and equipment; Nasedkino \$12,410k: mainly to CIP- \$9,737k and advances \$4,718, others \$82); Zolinsko-Arkiinskaya area - \$1,153k mainly to CIP\$832k and advances \$320); EEA - \$18k (Nasedkino).

For Q1 2018 year the Company invested \$5,821k: PPE - \$2,115k (Savkinskoye - \$478 k mainly to advances for PPE and CIP; Nasedkino: mainly to CIP- \$112k; Zolinsko-Arkiinskaya area - \$1,525k mainly to CIP); MA - \$1,845k on Savkinskoye; EEA - \$1,861k (Nasedkino - \$363k and Zolinsko-Arkiinskaya area - \$1,498k).

- **Capital Commitments**

As at March 31, 2019, the Company had commitments to purchase equipment totaling \$36,107k.

**Financing activities**

- During Q1 2019 the Company received \$18,370k loan under the loan agreement with VTB Bank (PJSC), the Company paid interest \$1,337k in Q1 2019. During Q1 2018 the Company received \$13,024k loan under the loan agreement with VTB Bank (PJSC), and didn't pay interest.

**Going concern**

These Financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. The Company has incurred losses for the three months ended March 31, 2019 of \$2,444k, and had accumulated losses of \$375,184k and a working capital deficit of \$830k as at March 31, 2019.

**Related Party Transactions**

It is the policy of the Company to conduct all transactions and settle balances with related parties on market terms and conditions in the normal course of business. You can find all of the Company's related party transactions in Note 15 of the consolidated financial statements for the period ended March 31, 2019.

**Subsequent events**

**Critical Accounting Estimates**

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

A detailed summary of critical accounting estimated is included in Note 2(e) of the Company's interim condensed consolidated financial statement for the period ended March 31, 2019.

**Significant Accounting Policies**

The accounting policies applied in these unaudited interim condensed consolidated financial statement are the same as those applied in the consolidated financial statement as at and for the year ended 31 December 2018.

**Internal Controls**

No changes were made to the Company's internal control over financial reporting during the period beginning on January 1, 2019 and ending on March 31, 2019 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

### **Off Balance Sheet Arrangements**

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

### **Qualified person**

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

### **Cautionary Statement on Forward Looking Information**

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

Forward-looking statements involve known and unknown risks, uncertainties and other factors that might cause actual results to differ materially from those expressed or implied in the forward-looking statements. Risks and uncertainties that might cause actual results to vary include but are not limited to: changes in equity and debt markets; inflation; uncertainties relating to the availability and costs of financing needed to complete exploration, development and production activities; failure to establish estimated mineral resources or mineral reserves (Mangazeya Mining Ltd. mineral resource and mineral reserve figures are estimates and no assurances can be given that the indicated levels of gold will be produced); failure to complete potential financing initiatives; failure to obtain any regulatory and/or shareholder approvals required to complete any financing initiatives; the ability to demonstrate compliance with NEX listing requirements exploration costs varying significantly from estimates; delays in the exploration and development of, and/or commercial production from, the properties in which Mangazeya Mining Ltd. has an interest; unexpected geological or hydrological conditions; the speculative nature of mineral exploration and development, including the uncertainty of reserve and resource estimates; operational and technical difficulties, including the failure of major mining and/or milling equipment; the availability of suitable financing alternatives to Mangazeya Mining Ltd.; the ability of Mangazeya Mining Ltd. to service its existing debt facilities; fluctuations in gold and other commodity prices; the existence of undetected or unregistered interests or claims, whether in contract or in tort, over the property of Mangazeya Mining Ltd.; success of future exploration and development initiatives; competition; operating performance of facilities; environmental and safety risks, including increased regulatory burdens, seismic activity, weather and other natural phenomena; inability to, or delays in, obtaining necessary permits and approvals from government authorities; risks relating to labor; and other exploration, development and operating risks; changes to and compliance with applicable laws and regulations, including environmental laws; political, economic and other risks arising from Mangazeya Mining Ltd. activities in Russia; fluctuations in foreign exchange rates; as well as other risks. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results might vary materially from those described in forward-looking statements.

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