

Mangazeya Mining Ltd.

Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

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MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of 30 September 2020 and for the periods presented by the Financial Statements and (ii) the Financial Statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of 30 September 2020 and for the periods presented by the Financial Statements.

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

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

November 30, 2020

(signed)
Mikhail Gusev
Chief Executive Officer

(signed)
Elena Rudenko
Chief Financial Officer

NOTICE TO READER

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

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

	Notes	September 30, 2020	December 31, 2019
Assets			
Current Assets			
Cash and cash equivalents	7	30,834	23,108
Trade and other receivables	4	20,668	18,780
Loans issued	14(b)	16,416	20,045
Inventories	5	37,488	37,255
Total Current Assets		105,406	99,188
Non-current Assets			
Property, plant and equipment	6	161,959	160,291
Exploration and evaluation assets	8	21,230	33,231
Rights of use assets		6,602	5,646
Mine properties	9	13,898	2,210
Intangible assets		5	10
Deferred tax assets		21,904	4,089
Total Non-current Assets		225,598	205,477
Total Assets		331,004	304,665
Liabilities and Shareholders' equity			
Current Liabilities			
Trade and other payables	10	17,664	24,061
Loans and borrowings	11(a)	29,166	24,216
Derivative financial instruments	11(b)	9,782	1,078
Lease obligation		1,502	908
Current income tax liabilities		1,619	2,359
Provisions		42	42
Total Current Liabilities		59,775	52,664
Non-current Liabilities			
Loans and borrowings	11(a)	244,948	176,249
Derivative financial instruments	11(b)	29,512	-
Lease obligation		4,862	5,134
Provisions		1,448	1,911
Deferred tax liability		1,429	3,573
Total Non-current Liabilities		282,199	186,867
Total Liabilities		341,974	239,531
Shareholders' Equity			
Share capital		384,837	384,837
Additional paid-in capital		44,210	44,210
Foreign currency translation reserve		(13,567)	(6,207)
Accumulated losses		(426,450)	(357,706)
Total Equity		(10,970)	65,134
Total Equity and Liabilities		331,004	304,665

APPROVED ON BEHALF OF THE DIRECTORS

Signed "*Liudmila Arutiunian*"

Liudmila Arutiunian

Signed "*Gerald Rohan*"

Gerald Rohan

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

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

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

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2020	2019	2020	2019
Revenue		45,746	32,191	75,274	42,782
Cost of sales		(21,882)	(14,956)	(35,262)	(22,815)
Gross profit		23,864	17,235	40,012	19,967
Administrative expenses	12	(2,344)	(3,479)	(9,299)	(10,544)
Selling expenses		(239)	-	(553)	-
Mineral and other taxes		(3,349)	(1,450)	(4,783)	(1,966)
Other operating income		172	187	795	532
Income from operating activities		18,104	12,493	26,172	7,989
Other items					
Finance income		600	536	2,804	1,376
Finance expense		4,196	(13,065)	(73,412)	(18,706)
Foreign exchange (loss)/ gain		(35,328)	(1,326)	(42,621)	4,717
Net income loss before income tax		(12,428)	(1,987)	(87,057)	(5,249)
Income tax (expense)/benefit		771	(1,775)	18,313	(1,905)
Net loss for the period		(11,657)	(3,762)	(68,744)	(7,154)
Other comprehensive (loss)/income					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		(2,460)	(743)	(7,360)	2,171
Comprehensive income loss for the period		(14,117)	(4,505)	(76,104)	(4,983)
Weighted average number of shares – basic and diluted		1,288,211,149	1,288,211,149	1,288,211,149	1,288,211,149
Total net loss per share – basic & diluted		\$(0.011)	\$(0.003)	\$(0.059)	\$(0.004)

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

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

	For the nine months ended 30 September	
	2020	2019 (Revised Note 14)
Cash flows from operating activities		
Net loss for the period	(68,744)	(7,154)
Adjustments for:		
Depreciation, depletion and amortization	4,488	2,405
Finance expense	62,495	5,434
Finance income	(2,804)	(1,376)
Non-cash payments on loan in gold	-	(44,088)
Loss due to difference in gold price on loan payment in gold	10,917	12,447
Loss on disposal of property, plant and equipment	802	17
Change in site restoration provision	(559)	-
Foreign exchange loss / (gain)	42,621	(35,774)
Income tax (recovery)/ expense	(18,313)	1,904
Cash flows received from / (used in) operating activities before changes in working capital	30,903	(66,185)
Change in inventories and other assets	(233)	(10,242)
Change in trade and other receivables	(2,081)	(5,155)
Change in trade and other payables	(5,529)	1,728
Cash flows received from / (used in) operating activities before income taxes	23,060	(79,854)
Interest paid	(13,936)	(5,582)
Income tax paid	(3,338)	-
Net cash received from / (used in) operating activities	5,786	(85,436)
Cash flows used in investing activities		
Acquisition of property, plant and equipment, exploration and evaluation assets, mining assets and intangible assets	(39,288)	(40,823)
Net cash used in investing activities	(39,288)	(40,823)
Cash flows received from financing activities		
Proceeds from borrowings from third parties	310,096	123,112
Repayment of borrowings to third parties	(241,265)	-
Proceeds from borrowings from related parties	-	9,311
Payment on financial instruments	(9,020)	-
Payment of bank commissions	(6,602)	-
Repayment of lease	(1,519)	(267)
Net cash received from financing activities	51,690	132,156
Net increase in cash	18,188	5,897
Cash and cash equivalents at the beginning of the period	23,108	2,291
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies	(10,412)	(743)
Cash and cash equivalents at the end of the period	30,834	7,445

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

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

	Share capital	Additional Paid-in capital	Foreign currency translation reserve	Accumulated losses	Total Equity
Balance at January 1, 2019	384,837	44,159	(9,827)	(365,135)	54,034
<i>Comprehensive income for the year</i>					
Loss for the period	-	-	-	(7,154)	(7,154)
Foreign currency translation differences	-	-	2,171	-	2,171
Other transactions with shareholders	-	51	-	-	51
Balance at September 30, 2019	384,837	44,210	(7,656)	(372,289)	49,102
Balance at January 1, 2020	384,837	44,210	(6,207)	(357,706)	65,134
<i>Comprehensive income for the period</i>					
Loss for the period	-	-	-	(68,744)	(68,744)
Foreign currency translation differences	-	-	(7,360)	-	(7,360)
Balance at September 30, 2020	384,837	44,210	(13,567)	(426,450)	(10,970)

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

Mangazeya Mining Ltd.**Notes to Unaudited Interim Condensed Consolidated Financial Statements****For the nine months ended September 30, 2020**

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

1. Nature of operations and going concern

Mangazeya Mining Ltd. (the “**Company**” or “**Mangazeya Mining**”), the parent company, was incorporated in the Province of Ontario and completed its continuance from the Province of Ontario to the British Virgin Islands under the BVI Business Companies Act, 2004, as amended, effective December 10, 2010. The registered office address is Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands.

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

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

As at September 30, 2020 the Parent Company’s major shareholder was Mangazeya Center LLC (“Mangazeya Center”) with a 88.7% ownership interest (as at December 31, 2019: Mangazeya Center with 88.7%). The ultimate beneficiary of the Parent Company is Mr. Sergey Yanchukov.

Mangazeya Mining, through its wholly-owned Cyprus subsidiary, Diascia Investments Limited (“**Diascia**”), owns interests in three wholly-owned subsidiaries, being Mangazeya Mining LLC, Dalzvetmet LLC, Koryakmining LLC and 99% interest in SZM LLC (together “Group”). These companies are Russian limited liability companies as defined in the Civil Code of the Russian Federation. The Group holds four licenses. All licenses are “exploration and mining licenses”. As at December 26, 2017, three of its wholly-owned subsidiaries, Vostokzvetmet LLC, White Tiger Gold Management LLC and Kalarzvetmet LLC were reorganized and merged to Mangazeya Mining LLC.

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

Management has assessed the impact of the current COVID-19 pandemic. Due to the remote location of the mine site, operations are currently unaffected by the pandemic, but given the uncertainty in the global economic market, Management note it could cause issues with production and sale of gold in the future.

Management monitors the current financial results and strongly believes that the Company will achieve its ongoing business objectives. The Company has incurred losses for the nine months ended September 30, 2020 of \$68,744 thousand, and had accumulated losses of \$426,450 thousand and a working capital of \$45,631 thousand as at September 30, 2020. The loss incurred is attributable to the negative foreign exchange differences and revaluation of derivative financial instruments.

Mangazeya Mining Ltd.**Notes to Unaudited Interim Condensed Consolidated Financial Statements****For the nine months ended September 30, 2020**

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

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

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and were approved by the Board on November 30, 2020. The present interim condensed consolidated financial statements are to be considered together with the annual consolidated financial statements of the Group for the year ended December 31, 2019 that have been prepared in accordance with IFRS.

(b) Consolidation

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

Subsidiary	Country of incorporation	Type of core activity	Ownership interest at	
			September 30, 2020	December 31, 2019
Diascia Investments Limited	Cyprus	Investment and financing	100%	100%
Diascia Holdings (BVI) Ltd	British Virgin Islands	Dormant	100%	100%
Mangazeya Mining LLC	Russian Federation	Mining and production	100%	100%
Dalzetmet LLC	Russian Federation	Exploration	100%	100%
Koryakmining LLC	Russian Federation	Exploration and mining	100%	100%
SZM LLC	Russian Federation	Mining and production	99%	-

All intercompany transactions and balances have been eliminated.

(c) Basis of measurement

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

(d) Functional and presentation currency

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

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

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

Currency	Closing rate as at September 30, 2020	Average rate for 9 months ended September 30, 2020	Closing rate as at December 31, 2019	Average rate for 9 months ended September 30, 2019
RUB / CAD	58.3431	52.4700	47.8469	48.9239

Mangazeya Mining Ltd.**Notes to Unaudited Interim Condensed Consolidated Financial Statements****For the nine months ended September 30, 2020**

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

(e) Critical accounting judgments, estimates and assumptions

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

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

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

(i) Reserve estimates

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

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

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

- Asset carrying amounts, including property, plant and equipment; exploration and evaluation assets; and mine properties might be affected because of changes in estimated future cash flows.
- Depreciation, depletion and amortization charged in the statement of comprehensive income (loss) might change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Overburden removal costs recorded on the statement of financial position or charged to the statement of comprehensive income (loss) may change because of changes in stripping ratios or the units of production basis of depreciation.
- Site restoration provisions might change where changes in estimated reserves affect expectations about the timing or cost of these activities.
- The carrying amount of deferred tax assets might change because of changes in estimates of the likely recovery of the tax benefits.

Mangazeya Mining Ltd.**Notes to Unaudited Interim Condensed Consolidated Financial Statements****For the nine months ended September 30, 2020**

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

(ii) *Exploration and evaluation expenditure*

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

(iii) *Property, plant and equipment, and mine properties*

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

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

(iv) *Provision for site restoration*

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

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

(v) *Taxation*

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

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

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, loan repayment, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions. Judgments are also required about the application of income tax legislation, and tax legislation in the Russian Federation is relatively new and subject to frequent changes. These

Mangazeya Mining Ltd.**Notes to Unaudited Interim Condensed Consolidated Financial Statements****For the nine months ended September 30, 2020**

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

judgments and assumptions are subject to risk and uncertainty hence there is a possibility that changes in circumstances will alter expectations, which might impact the amount of deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, part or all of the carrying amount of recognized deferred tax assets and liabilities might require adjustment, resulting in a corresponding credit or charge to profit or loss.

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

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

(vii) ***Other provisions***

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

(viii) ***Impairment***

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

An impairment loss, recognized for the assets in prior years is reversed if there has been a change in the assumptions and estimates used to determine the recoverable amount. As at September 30, 2020, management did not find indications of impairment and there are no changes in estimates and assumptions that might lead to reversal of the impairment loss recognized in the prior years.

3. Significant accounting policies

The accounting policies applied in these unaudited interim condensed consolidated financial statements are the same as those applied in the audited consolidated financial statement as at and for the year ended 31 December 2019.

4. Trade and other receivables

Receivables as at September 30, 2020 and December 31, 2019 consisted of the following:

	September 30, 2020	December 31, 2019
Receivables from related parties (Note 14(b))	8,583	6,634
Advances to suppliers	3,987	1,046
Value-added and sales tax recoverable	7,414	10,795
Other receivables	684	305
Total account receivable	20,668	18,780

As at September 30, 2020, a provision for expected credit losses of \$303 thousand (December 31, 2019 – \$401 thousand) was recognized.

Mangazeya Mining Ltd.
Notes to Unaudited Interim Condensed Consolidated Financial Statements
For the nine months ended September 30, 2020
(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)

5. Inventories

Inventories as at September 30, 2020 and December 31, 2019 comprised the following:

	September 30, 2020	December 31, 2019
Raw materials and consumables	8,083	6,495
Work in process	28,830	28,597
Finished goods	575	2,163
Total inventories	37,488	37,255

As at September 30, 2020, a provision for slow-moving raw materials of \$72 thousand (December 31, 2019 – \$93 thousand) was recognized.

6. Property, plant and equipment

<i>Cost</i>	Buildings	Plant and equipment	Transport and other	Construction in progress	Total
Balance at December 31, 2019	21,501	13,779	18,096	146,772	200,148
Additions	-	-	-	38,615	38,615
Disposals	-	(127)	(75)	(19)	(221)
Transfers	78,019	32,557	4,502	(115,078)	-
Foreign currency translation	(11,722)	(5,743)	(3,701)	(18,706)	(39,872)
Balance at September 30, 2020	87,798	40,466	18,822	51,584	198,670
<i>Accumulated depreciation</i>					
Balance at December 31, 2019	(6,036)	(11,191)	(16,164)	(6,466)	(39,857)
Depreciation	(2,606)	(1,594)	(464)	-	(4,664)
Disposal	-	115	75	-	190
Transfers	(841)	(179)	1,020	-	-
Foreign currency translation	1,433	2,180	2,844	1,163	7,620
Balance at September 30, 2020	(8,050)	(10,669)	(12,689)	(5,303)	(36,711)
<i>Net book value</i>					
As at December 31, 2019	15,465	2,588	1,932	140,306	160,291
As at September 30, 2020	79,748	29,797	6,133	46,281	161,959

For the nine months ended September 30, 2020, depreciation of \$4,214 thousand (\$756 thousand for the corresponding period of 2019) is included in cost of sales.

As at September 30, 2020, depreciation directly attributable to work in process of \$73 thousand (\$319 thousand as at December 31, 2019) is capitalized in the cost of work in process inventory.

As at September 30, 2020, depreciation directly attributable to construction in progress is \$377 thousand (\$132 thousand as at December 31, 2019).

7. Cash and cash equivalents

Cash and cash equivalents as at September 30, 2020 and December 31, 2019 consisted of the following:

	September 30, 2020	December 31, 2019
Bank accounts in RUB	357	1,152
Bank accounts in currencies other than RUB	54	3,998
Deposits in RUB	30,423	17,958
Total	30,834	23,108

The weighted average interest rate on cash deposits in roubles for the nine months ended September 30, 2020 is 3.90% (5.77% for the corresponding period of 2019 year).

Mangazeya Mining Ltd.
Notes to Unaudited Interim Condensed Consolidated Financial Statements
For the nine months ended September 30, 2020
(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)

8. Exploration and evaluation assets

Balance at December 31, 2019	33,231
Additions	1,503
Transfer to mine properties	(8,200)
Foreign currency translation	(5,304)
Balance at September 30, 2020	21,230

During the nine months ended September 30, 2020, depreciation of exploration and evaluation assets was not included in the cost of sales.

9. Mine properties

Balance at December 31, 2019	23,975
	5,169
	8,200
Change in site restoration provision	559
Foreign currency translation	(5,715)
Balance at September 30, 2020	32,188

Accumulated depreciation at December 31, 2019	(21,765)
Depreciation	(489)
Foreign currency translation	3,964
Accumulated depreciation at September 30, 2020	(18,290)
Net book value at December 31, 2019	2,210
Net book value at September 30, 2020	13,898

During the nine months ended September 30, 2020, depreciation of \$452 thousand (\$1,646 for the corresponding period of 2019) was charged to cost of sales.

As at September 30, 2020, depreciation directly attributable to work in progress of \$37 thousand (\$2,246 thousand for the corresponding period of 2019) was included in the cost of work in progress inventory.

10. Trade and other payables

Trade and other payables as at September 30, 2020 and December 31, 2019 consisted of the following:

	September 30, 2020	December 31, 2019
Trade payables	8,127	10,613
Other accounts payable to related party (Note 14(b))	5,339	9,771
Taxes other than income tax payable	2,975	1,725
Payables to employees	805	730
Other payments and accrued expenses	418	1,222
Total trade and other payables	17,664	24,061

11. Loans and borrowings, financial instruments

(a) Loans and borrowings

	September 30, 2020	31 December 2019
Current liabilities		
Secured bank loan	29,166	24,216
Total current liabilities	29,166	24,216

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Non-current liabilities		
Secured bank loan	233,828	162,950
Unsecured loan from related parties (Note 14(b))	11,120	13,299
Total non-current liabilities	244,948	176,249
Total loan and borrowings	274,114	200,465

As at September 30, 2020 and December 31, 2019 the carrying value of the Group's loans approximate their fair value.

On 20 March 2020, Dalzvetmet LLC signed off Credit line agreement with PJSC Bank "Finance Corporation Otkrytie". The credit line is provided in US dollars with the following limits: US\$ 180 million from March 21, 2020 to March 31, 2020 and US\$ 200 million from April 1, 2020 to December 31, 2025. Final repayment date of the funds received on the credit line is December 31, 2025. According to the conditions of the above agreement the Companies of the Group have repaid loans to VTB Bank (PJSC) in full. Due to \$US dollar exchange rate growth in the first quarter of 2020 year the Company had incurred forex losses on recalculation of \$US dollar loans of Dalzvetmet LLC to the functional currency (rubles). Management of the Group believes that this loss is formal and has no effect on activities of the Company.

Under the terms of the new credit line agreement the Group pledged the 100% shares of Diascia Investments Limited, Mangazeya Mining LLC, Dalzvetmet LLC, and Koryakmining LLC.

As at September 30, 2020, the Loans received from related parties were \$2,957 thousand from Mangazeya Zoloto LLC, \$7,727 thousand from Mangazeya Development LLC and \$436 thousand from Mangazeya Center LLC. As at December 31, 2019, the loans received from related parties were \$3,605 thousand from Mangazeya Zoloto LLC, and \$9,423 thousand from Mangazeya Development LLC as well as \$271 thousand from Mangazeya Center LLC.

(b) Derivative financial instruments

On 20 October 2017, the Group entered into an option and forward transaction with a barrier condition with VTB Bank (PJSC) in connection with raising a gold loan agreement with VTB Bank (PJSC).

Under the loan agreement the Group entered into two hedging agreements with VTB Bank (PJSC) to hedge 13,389 ounces of gold by forward agreement and 13,389 ounces of gold by put and call option agreement. The operations under the hedging agreements with VTB Bank (PJSC) start in 2018 year. This instrument economically hedges the risks of gold price fluctuations. The Group has no policy regarding hedge accounting. The fair value of financial liability as at 31 December 2019 was \$86 thousand.

Option and forward transactions are recognized as financial instruments carried at fair value and revalued at each reporting date with changes recognized as financial expenses within profit and loss in accordance with IFRS requirements. The DCF and Black-Scholes models are applied to determine the fair value using the market data such as forward rates for the respective periods sell and buy amounts, and implied volatility.

On 11 October 2018, the Group entered into a hedge agreement with VTB (PJSC) in connection with Facility agreement with VTB Bank. The fair value of the financial liability on this agreement as at 31 December 2019 was \$992 thousand.

On March 20, 2020 due to the gold loan repayment to VTB Bank (PJSC) all derivative financial instruments agreements were terminated. On the same date the Group entered into the forward agreements with PJSC Bank "Finance Corporation Otkrytie" to hedge 17,500 ounces of gold with Koryakmining LLC and 175,000 ounces of gold with Dalzvetmet LLC. The new agreement has the same nature as forward agreement with VTB Bank (PJSC) and the consistent accounting approach is applied. The fair value of the financial liability on these agreements as at 30 September 2020 was \$39,294 thousand.

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12. Administrative expenses

Administrative expenses for the three and nine months ended September 30, 2020 and September 30, 2019 comprise the following:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Management services from related party (Note 15(b))	2,208	3,347	8,996	10,087
Service, investor relations, and other expenses	21	102	85	312
Wages and salaries	37	8	98	14
Audit, accounting, advisory and legal fees	78	22	120	131
Total administrative expenses	2,344	3,479	9,299	10,544

13. Commitments and contingencies

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

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

(a) Capital commitments

As at September 30, 2020, the Group had commitments to purchase equipment totaling \$5,796 thousand. As at December 31, 2019, the Group had commitments to purchase equipment totaling \$23,822 thousand.

14. Related party transactions

(a) Management remuneration

The key management personnel is defined as the executive management. The members of the executive management are responsible for management, coordination and control of operations and performance. The key management personnel received the following remuneration during the period, which is included in personnel costs:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Salaries and bonuses	254	290	874	858
Social contributions	43	35	210	192
Total management remuneration	297	325	1,084	1,050

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(b) Transactions with other related parties

	Transactions for the three months ended		Transactions for the nine months ended		Balance outstanding	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	September 30, 2020	December 31, 2019
Loans and borrowings (Note 11)						
Company under common control	-	-	-	-	10,684	13,028
Controlling shareholder or entities under common control of the controlling shareholder	-	-	-	-	436	271
Administrative services (Note 12)						
Company under common control	2,208	3,347	8,996	10,087	-	-
Other operating expenses (income)						
Company under common control	(199)	814	214	53	-	-
Trade and other payables (Note 10)						
Company under common control	-	-	-	-	4,739	9,725
Controlling shareholder or entities under common control of the controlling shareholder	-	-	-	-	591	37
Other related parties	-	-	-	-	9	9
Other receivables (Note 4)						
Company under common control	-	-	-	-	5,408	3,715
Controlling shareholder or entities under common control of the controlling shareholder	-	-	-	-	3,175	2,919
Loans issued to related party						
Company under common control	-	-	-	-	8,189	10,013
Controlling shareholder or entities under common control of the controlling shareholder	-	-	-	-	8,227	10,032
Interest income						
Company under common control	131	298	554	704	-	-
Controlling shareholder or entities under common control of the controlling shareholder	179	183	566	606	-	-
Interest expense						
Company under common control	244	1,119	420	2,550	-	-
Controlling shareholder or entities under common control of the controlling shareholder	4	-	17	-	-	-

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

During nine months ended September 30, 2020 the Group capitalized exploration services rendered by related party of \$1,050 thousand and construction works of \$18,883 thousand.

15. Subsequent events

During the fourth quarter of 2020 the Group continued to receive funds under the credit line agreement with the bank "FK "Otkrytie".