

## MANGAZEYA MINING LTD.

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

For the three and nine months ended September 30, 2020

Dated: November 30, 2020

*This quarterly highlights ("QH") of the financial position and results of operations of Mangazeya Mining Ltd. ("Mangazeya Mining Ltd." or the "Company") should be read in conjunction with the unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2020 as well as the annual audited consolidated financial statements for the year ended December 31, 2019 and the corresponding MD&A. Those audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all amounts in this QH are expressed in thousands of Canadian dollars (\$). Information on risks, technical and scientific information under National Instrument 43-101 concerning the Company's mineral resources are contained in the Company's most recent filed annual MD&A and Technical Reports.*

## THIRD QUARTER AND NINE MONTHS 2020 HIGHLIGHTS

|  | 3Q 2020  | 3Q 2019  | Change    | %        | 9M 2020   | 9M 2019   | Change   | %        |
|--|----------|----------|-----------|----------|-----------|-----------|----------|----------|
| <b>Operational highlights</b>  |          |          |           |          |           |           |          |          |
| Gold production, ounces  | 20,088   | 17,643   | 2,445     | 13.9%    | 34,234    | 26,728    | 7,506    | 28.1%    |
| Refining gold, ounces  | 17,690   | 19,521   | (1,831)   | -9.4%    | 29,663    | 26,315    | 3,348    | 12.7%    |
| Gold sales, ounces   | 17,482   | 16,360   | 1,122     | 6.9%     | 31,004    | 22,386    | 8,618    | 38.5%    |
| Ore mined, tonnes  | 379,187  | 493,584  | (114,397) | (23.2%)  | 1,041,176 | 1,031,815 | 9,361    | 0.9%     |
| Stripping ratio, m <sup>3</sup> /t   | 2.03     | 1.41     | 0.62      | 43.9%    | 1.93      | 1.65      | 0.28     | 17.2%    |
| Ore processed, tonnes  | 561,177  | 393,025  | 168,152   | 42.8%    | 1,014,033 | 804,763   | 209,270  | 26.0%    |
| Ore grade in ore processed, g/t  | 1.45     | 1.95     | (0.50)    | (25.7%)  | 1.47      | 1.78      | (0.31)   | (17.4%)  |
| <b>Financial highlights</b>  |          |          |           |          |           |           |          |          |
| Revenue  | 45,746   | 32,191   | 13,555    | 42.1%    | 75,274    | 42,782    | 32,492   | 75.9%    |
| Adjusted EBITDA <sup>1</sup>   | 22,411   | 13,895   | 8,516     | 61.3%    | 33,464    | 10,394    | 23,070   | 222.0%   |
| Total cash cost per ounce Savkino (TCC), CAD <sup>1</sup>                                  | 1,283    | 1,597    | (313)     | (19.6%)  | 1,452     | 1,520     | (68)     | (4.5%)   |
| Total cash cost per ounce Kochkovskoye (TCC), CAD <sup>1</sup>                             | 1,006    | 1,227    | (222)     | (18.1%)  | 1,165     | 1,686     | (520)    | (30.9%)  |
| Total cash cost per ounce Nasedkino (TCC), CAD <sup>1</sup>                                | 1,229    | -        | 1,229     | -        | 1,229     | -         | 1,229    | -        |
| Average gold price, CAD <sup>1</sup>   | 2,617    | 1,968    | 649       | 33.0%    | 2,428     | 1,911     | 517      | 27.0%    |
| Cash balance   | 30,834   | 7,445    | 23,389    | 314.2%   | 30,834    | 7,445     | 23,389   | 314.2%   |
| Cash flow received from / (used in) operating activities before changes in working capital | 21,230   | (58,287) | 79,517    | (136.4%) | 30,903    | (66,185)  | 97,088   | (146.7%) |
| Cash flow used in by investing activities  | (15,908) | (8,736)  | (7,172)   | 82.1%    | (39,288)  | (40,823)  | 1,535    | (3.8%)   |
| Cash flow provided by financing activities   | 6,144    | 78,940   | (72,796)  | (92.2%)  | 51,690    | 132,156   | (80,466) | (60.9%)  |

<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.

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## Corporate Overview

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

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

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

## Strategic Goals and Recent Developments

### *Trends, risks, demands*

The main strategy of the Company in 2020 year is to start mining at Nasedkino area and to continue production works at Savkinskoye and Zolinsko-Arkiinskaya areas as well as exploration to find new resources in order to improve the Company's resource base.

### *Savkinskoye update*

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.

In Q3 2019, Final Report on Exploration and Evaluation of Ore Gold in Ildikan area was approved by the Scientific-Technical Council of Department of Subsoil use in Zabaikalskiy Krai (protocol № 65 dated 30/09/2019). In Q4 2019, Project on exploration works in Savkinskoye ore deposit in Nerchinsko-Zavodskoy district of Zabaikalskiy Krai was developed (positive expert conclusion of Gosgeolexpertiza № 264-02-11/2019 dated 26/12/2019).

In August 2019, the Company started pilot industrial development of Filevsky site: 65.9 kt of ore with 190.1 kg of gold in ore were mined.

In Q1 2020 Report on results of exploration works took place in 2017-2018 years on Khlebniy-3 site of Savkinskoe deposit with calculation of reserves as of 01/01/2020 was developed and transferred to the state expertise. In Q2 2020 the reserves were recorded on a state balance.

There were no exploration and mining works in the first nine months of 2020 and no exploration works in the first nine months of 2019 year. In 2020 year the Company is processing the ore previously mined in 2019 year.

### *Nasedkino update*

In Q1 2019 laboratory study of data obtained in the course of field geological exploration carried in 2018 was continued.

During 2019 the Company continued exploration works according to the Prospect evaluation survey project for Nasedkino gold deposit flanks (Malouryumskoye). In Q1 2020 the Company continued office works on data obtained during exploration works on this project.

During the first half of 2020 exploration works on the project were continued: the Company performed 8,255 m<sup>3</sup> of trenching on 3 tranches. During the first half of 2019 the Company performed 18,767 m<sup>3</sup> of trenching on 5 tranches, made 1,578 trench samplings on Nasedkino deposit.

During 2019, construction of the main building of gold recovery factory (with installation of equipment), thickeners, coarse crushing facility, crushed ore storage, reagent storage, and other facilities of the mining and processing plant was continued.

In Q4 2019 favourable opinion was obtained on the project documentation for Mining and processing plant on "Nasedkino deposit. Transportation part". In Q1 2020 the permit for the construction of gold recovery plant at Nasedkino gold deposit (transportation part) was obtained.

In Q2 2020 the Company launched mining works on Nasedkino site in accordance with the development plan.

In Q3 6,264 ounces of gold have been produced on Nasedkino site.

#### *Zolinsko-Arkiinskaya update*

##### *Ore 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. Works on the Report and ore samples analysis were continued in Q2 2019. In Q3 2019, Report preparation was continued, and the results on the internal and external geological control of ore sample analysis were received. In Q4 2019, the Report was finished and presented to the Scientific-Technical Council of Department of Subsoil use in Far Eastern district in Zabaikalskiy Krai (protocol № 75 dated 25/12/2019).

In Q2 2020 the Report on Operational changes of reserves on Kochkovskoye ore deposit as of 01/01/2020 was developed, reviewed and the reserves were recorded on a state balance.

In Q1 2020 the Company continued technological works on 3 core samples with total weight 2,500 kg of primary ores of Kochkovskoye. In Q2 2020 the results were obtained. Additional research was made on 2 of them to determine conditions of floatation beneficiation in order to extract gold and sulfides. The research concluded that gravitational method of enrichment is impractical.

During nine months of 2020 and 2019 there were no exploration works.

During nine months of 2020 mining operations of Kochkovskoye deposit were carried out in accordance with the development plan.

##### *Alluvial deposit.*

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 9M 2020 works on placer gold on Srednya river and the Mostovaya river feeder were held according to the technical project "Further development of the remaining assets of placer gold site on Srednya river and the Mostovaya river feeder". In 9M 2020 the Company performed 407.4 thousand m<sup>3</sup> of mining works, 38.2 thousand m<sup>3</sup> of sand was washed and 13.54 kg of placer gold was mined.

During nine months of 2020 and 2019 there were no exploration works.

## **Overall Performance results**

### ***Savkinskoye***

The following table shows production and cost information for the Savkinskoye Mine for the three and nine months ended September 30, 2020 and September 30, 2019:

|  | 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 September 30, 2020</b> | -             | -                            | <b>10,001</b>   | <b>0.53</b>                    | <b>1,739</b>       | <b>731</b>     | <b>\$1,283</b>  |
| Three months ended September 30, 2019        | 75,831        | 2.77                         | 110,741         | 1.69                           | 4,377              | 4,189          | \$1,597   |
| <b>Nine months ended September 30, 2020</b>  | -             | -                            | <b>58,992</b>   | <b>1.03</b>                    | <b>4,781</b>       | <b>5,437</b>   | <b>\$1,452</b>  |
| Nine months ended September 30, 2019         | 140,864       | 2.06                         | 361,518         | 1.27                           | 8,665              | 6,852          | \$1,520   |

### Mining production

- In nine months of 2020, no mining or stripping works were performed due to deposit development and production of gold from earlier mined ore. In nine months of 2019 ore mined was 141 kt, average grade in ore mined was 2.06 g/t, average stripping ratio was 3.14 m<sup>3</sup>/t.

### Processing

- The volume of ore stacked in nine months of 2020 reduced by 83.7% YoY due to lack of mining in nine months of 2020.
- In nine months of 2020, the volume of production reduced by 44.8% YoY. The change was caused by the completion of deposit development. In Q3 2020, the reduction was by 60.3% YoY.

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

- TCC for 9M 2020 decreased by 19.6% as compared to TCC for 9M 2019 as a result of depreciation of ruble. TCC in 9M 2020 decreased by 4.5% compared to 9M 2019.

### Kochkovskoye

The following table shows production and cost information for the Kochkovskoye deposit for the three and nine months ended September 30, 2020 and September 30, 2019:

|  | 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 September 30, 2020</b> | <b>51,966</b>  | <b>1.28</b>                  | <b>370,177</b>  | <b>1.39</b>                    | <b>12,086</b>      | <b>12,696</b>  | <b>\$1,006</b>  |
| <i>Including</i>                             |                |                              |                 |                                |                    |                |   |
| <i>Ore gold</i>                              |                |                              |                 |                                | 11,432             | 12,035         | \$961   |
| <i>Placer gold</i>                           |                |                              |                 |                                | 654                | 661            | \$1,818   |
| <b>Three months ended September 30, 2019</b> | <b>417,753</b> | <b>1.86</b>                  | <b>282,284</b>  | <b>2.05</b>                    | <b>13,266</b>      | <b>12,171</b>  | <b>\$1,212</b>  |
| <i>Including</i>                             |                |                              |                 |                                |                    |                |   |
| <i>Ore gold</i>                              |                |                              |                 |                                | 12,120             | 10,709         | \$1,227   |
| <i>Placer gold</i>                           |                |                              |                 |                                | 1,146              | 1,462          | \$1,088   |
| <b>Nine months ended September 30, 2020</b>  | <b>591,089</b> | <b>1.48</b>                  | <b>774,041</b>  | <b>1.47</b>                    | <b>23,189</b>      | <b>21,513</b>  | <b>\$1,165</b>  |
| <i>Including</i>                             |                |                              |                 |                                |                    |                |   |
| <i>Ore gold</i>                              |                |                              |                 |                                | 22,275             | 20,753         | \$1,142   |
| <i>Placer gold</i>                           |                |                              |                 |                                | 914                | 760            | \$1,810   |
| <b>Nine months ended September 30, 2019</b>  | <b>890,951</b> | <b>2.06</b>                  | <b>443,245</b>  | <b>2.19</b>                    | <b>18,063</b>      | <b>15,534</b>  | <b>\$1,625</b>  |
| <i>Including</i>                             |                |                              |                 |                                |                    |                |   |
| <i>Ore gold</i>                              |                |                              |                 |                                | 15,899             | 13,758         | \$1,686   |
| <i>Placer gold</i>                           |                |                              |                 |                                | 2,164              | 1,777          | \$1,157   |

<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 below.

<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.

**Mining production**

- The volume of mining in 9M 2020 was as follows: total ore mined was 591 tons, gold in ore mined was 873 kg, average grade in ore mined was 1.48 g/t, as compared to 891k tons, 1.835 kg and 2.06 g/t, respectively, in 9M 2019. In Q3 2020, total ore mined was 418k tons, gold in ore mined was 777 kg, average grade in ore mined was 1.86 g/t. The volume of mining reduced in Q3 2020 and 9M as compared to Q3 and 9M 2019 as the volume of oxide ore available at ore storage facilities was sufficient to ensure work of ore beneficiation facilities at full capacity.

**Processing**

- In 9M 2020, ore stacked was 774 tons, or by 74.6% more YoY. The volume of ore stacked increased due to the improved processing flow and the start of ore stacking in March 2020, while in 2019, ore stacking started in May, after completion of construction of crushing-and-screening unit. In Q3 2020, 370k tons of ore were stacked, and in Q3 2019 – 282k tons.
- In 9M 2020, average gold grade in ore stacked reduced by 32.9% YoY (from 2.19 g/t to 1.47 g/t) due to the mining of lower-grade ore.

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

- TCC for ore gold for 9M 2020 was \$1,142 per ounce in comparison with 9M 2019 (\$1,686) due to the decrease in fixed cost share in the cost of sales structure and depreciation of ruble. In Q3 2020 TCC for ore gold decreased to \$967 from \$1,227 for ounce in Q3 2019.
- TCC for placer gold for 9M 2020 was \$1,810 per ounce increased from \$1,157 per ounce in 9M 2019 due to the decrease in sales by 57%.

**Nasedkino**

The following table shows production and cost information for the Nasedkino Mine for the three and nine months ended September 30, 2020 and September 30, 2019:

|  | 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>3</sup> |
|--|---------------|------------------------------|-----------------|--------------------------------|--------------------|----------------|---|
| <b>Three months ended September 30, 2020</b> | 327,221       | 1.22                         | 181,492         | 1.61                           | 6,264              | 4,054          | \$1,229   |
| Three months ended September 30, 2019        | -             | -                            | -               | -                              | -                  | -              | -   |
| <b>Nine months ended September 30, 2020</b>  | 450,087       | 1.24                         | 181,492         | 1.61                           | 6,264              | 4,054          | \$1,229   |
| Nine months ended September 30, 2019         |               |                              |                 |                                |                    |                |   |

**Mining production**

- In Q3 and 9M of 2020 the volume of mined ore was 327k и 450k tons respectively. The average gold grade in ore mined was 1.22 и 1.24 g/t, The average stripping ratio in Q3 and 9M of 2020 was 1.84 и 2.18 m<sup>3</sup>/t respectively.

**Processing**

- In Q3 and 9M of 2020 181 k tonnes of ore have been processed.

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

- In Q3 and 9M of 2020 the total cash cost of gold sold amounted to \$1,229 per ounce.

<sup>3</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.

**Financial results**

The following table presents the results from continuing operations for the three and nine months ended September 30, 2020 and the corresponding period of 2019.

|  | Three months ended September 30, |            | Nine months ended September 30, |            |
|--|----------------------------------|------------|---------------------------------|------------|
|  | 2020                             | 2019       | 2020                            | 2019       |
| Total revenue  | 45,746                           | 32,191     | 75,274                          | 42,782     |
| <i>Savkinskoye</i>   | 1,569                            | 8,147      | 10,383                          | 12,814     |
| <i>Including Gold</i>  | 1,561                            | 8,085      | 10,332                          | 12,735     |
| <i>Kochkovskoye</i>  | 33,068                           | 24,044     | 53,782                          | 29,968     |
| <i>Including Gold from hard rock deposit</i>                           | 31,244                           | 21,166     | 51,669                          | 26,518     |
| <i>Including Gold from placers</i>                                     | 1,764                            | 2,833      | 1,997                           | 3,385      |
| <i>Nasedkino</i>   | 11,109                           | -          | 11,109                          | -          |
| <i>Including Gold</i>  | 11,109                           | -          | 11,109                          | -          |
| <b>Intercompany operations and IFRS adjustments</b>                    | -                                | -          | -                               | -          |
| Cost of sales  | (21,882)                         | (14,956)   | (35,262)                        | (22,815)   |
| <i>Savkinskoye</i>   | (939)                            | (6,693)    | (7,898)                         | (10,421)   |
| <i>Including Gold</i>  | (938)                            | (6,689)    | (7,895)                         | (10,417)   |
| <i>Kochkovskoye</i>  | (13,443)                         | (18,769)   | (26,700)                        | (27,653)   |
| <i>Including Gold from hard rock deposit</i>                           | (12,174)                         | (16,818)   | (25,226)                        | (25,222)   |
| <i>Including Gold from placers</i>                                     | (1,265)                          | (1,947)    | (1,465)                         | (2,427)    |
| <i>Nasedkino</i>   | (7,669)                          | -          | (7,669)                         | -          |
| <i>Including Gold</i>  | (7,669)                          | -          | (7,669)                         | -          |
| <b>Intercompany operations and IFRS adjustments</b>                    | 169                              | 10,506     | 7,005                           | 15,259     |
| Gross profit   | 23,864                           | 17,235     | 40,012                          | 19,967     |
| <i>Savkinskoye</i>   | 630                              | 1,454      | 2,485                           | 2,393      |
| <i>Including Gold</i>  | 623                              | 1,396      | 2,437                           | 2,318      |
| <i>Kochkovskoye</i>  | 20,296                           | 5,275      | 28,698                          | 2,315      |
| <i>Gold from hard rock deposit</i>                                     | 19,678                           | 4,348      | 27,970                          | 1,296      |
| <i>Gold from placers</i>   | 562                              | 886        | 630                             | 958        |
| <i>Nasedkino</i>   | 6,127                            | -          | 6,127                           | -          |
| <i>Including Gold</i>  | 6,127                            | -          | 6,127                           | -          |
| Administrative expenses  | (2,344)                          | (3,479)    | (9,299)                         | (10,544)   |
| Income (loss) from continuing operations                               | (11,657)                         | (3,762)    | (68,744)                        | (7,154)    |
| Adjusted EBITDA <sup>1</sup>   | 22,411                           | 13,895     | 33,464                          | 10,394     |
| (Loss) income per share from continuing operations (basic and diluted) | \$(0.0900)                       | \$(0.0029) | \$(0.0530)                      | \$(0.0055) |

- In 9M 2020 revenue increased by 76% as compared to 9M 2019 due to the increase in production volume by 38.5% and average gold price per ounce by 27%. The Company sold 31,004 ounces of gold: 30,244 ounces of ore gold and 760 ounces of placer gold and 5,768 ounces of silver (22,386 ounces of gold: 20,609 ounces of ore gold and 1,777 ounces of placer gold and 6,854 ounces of silver in 9M 2019).  
The increase in revenue is connected with the start of sales at Nasedkino deposit and increased turnovers of production and sales at Kochkovskoye deposit by 40.1% and 38.5% respectively.
- The average gold price increased from \$1,911 in 9M 2019 to \$2,428 in 9M 2020 per ounce or by 27% (from 1,437 USD to 1,793 USD per ounce or 24.8%). Silver is a by-product and the Company sold silver occasionally.
- Gross profit increased twice from \$19,967 thousand in 9M 2019 to \$40,012 thousand in 9M 2020 due to higher revenue and decrease in TCC. In Q3 2020 gross profit was \$23,864 thousand and in Q3 2019 it was \$17,235 thousand.
- Administrative expenses in 9M 2020 decreased by 12% compared to 9M 2019.

- Other operating expenses increased by 49% in 9M 2020 compared to 9M 2019.
- As a result the Company has positive adjusted EBITDA in 9M 2020 of \$33,464 thousand comparing with \$10,344 thousand in 9M 2019.

As at September 30, 2020 *Current assets* increased by \$6,218k or 6% compared to December 31, 2019. The change of total current assets resulted from increase in cash by \$7,726.

As at September 30, 2020 *Non-current assets* increased by \$20,121k or 10% compared to December 31, 2019 mainly due to increase in deferred tax assets.

As at September 30, 2020 *Current liabilities* increased by \$7,111 k or 14% compared to December 31, 2019 mainly as a result of the increase in derivative financial instruments of \$8,704k.

As at September 30, 2020 *Non-current liabilities* increased by \$95,332k or 51% compared to December 31, 2019 mainly due to the increase in secured bank loan by \$68,699k or 38% and increase in derivative financial instruments of \$29,512k.

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

|   | Three months ended September 30, |                | Nine months ended September 30, |                |
|---|----------------------------------|----------------|---------------------------------|----------------|
|   | 2020                             | 2019           | 2020                            | 2019           |
| Cost of Sales   | 938                              | 6,689          | 7,895                           | 10,417         |
| Less: Depreciation and Amortization included in cost of sales | -                                | -              | -                               | -              |
| Cost of sales less Depreciation and Amortization              | 938                              | 6,689          | 7,895                           | 10,417         |
| Gold sold (oz)  | 731                              | 4,189          | 5,437                           | 6,852          |
| <b>Total Cash Cost per ounce of gold sold</b>                 | <b>\$1,283</b>                   | <b>\$1,597</b> | <b>\$1,452</b>                  | <b>\$1,520</b> |

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

|   | Three months ended September 30, |                | Nine months ended September 30, |                |
|---|----------------------------------|----------------|---------------------------------|----------------|
|   | 2020                             | 2019           | 2020                            | 2019           |
| Cost of Sales   | 12,174                           | 16,818         | 25,226                          | 25,222         |
| Less: Depreciation and Amortization included in cost of sales | (608)                            | (1,883)        | (1,527)                         | (2,031)        |
| Cost of sales less Depreciation and Amortization              | 11,566                           | 14,935         | 23,699                          | 23,191         |
| Gold sold (oz)  | 12,035                           | 12,171         | 20,753                          | 13,758         |
| <b>Total Cash Cost per ounce of gold sold</b>                 | <b>\$961</b>                     | <b>\$1,227</b> | <b>\$1,142</b>                  | <b>\$1,686</b> |

#### **Cash Cost per Ounce Reconciliation for Kochkovskoye Mine (placer gold)**

|   | Three months ended September 30, |                | Nine months ended September 30, |                |
|---|----------------------------------|----------------|---------------------------------|----------------|
|   | 2020                             | 2019           | 2020                            | 2019           |
| Cost of Sales   | 1,265                            | 1,947          | 1,465                           | 2,427          |
| Less: Depreciation and Amortization included in cost of sales | (63)                             | (357)          | (89)                            | (372)          |
| Cost of sales less Depreciation and Amortization              | 1,202                            | 1,590          | 1,376                           | 2,055          |
| Gold sold (oz)  | 661                              | 1,462          | 760                             | 1,777          |
| <b>Total Cash Cost per ounce of gold sold</b>                 | <b>\$1,818</b>                   | <b>\$1,088</b> | <b>\$1,810</b>                  | <b>\$1,157</b> |

**Cash Cost per Ounce Reconciliation for Nasedkino Mine**

|   | Three months ended September 30, |          | Nine months ended September 30, |                |
|---|----------------------------------|----------|---------------------------------|----------------|
|   | 2020                             | 2019     | 2020                            | 2019           |
| Cost of Sales   | 7,669                            | -        | 7,669                           | 7,669          |
| Less: Depreciation and Amortization included in cost of sales | (2,687)                          | -        | (2,687)                         | (2,687)        |
| Cost of sales less Depreciation and Amortization              | 4,982                            | -        | 4,982                           | 4,982          |
| Gold sold (oz)  | 4,054                            | -        | 4,054                           | 4,054          |
| <b>Total Cash Cost per ounce of gold sold</b>                 | <b>\$1,229</b>                   | <b>-</b> | <b>\$1,229</b>                  | <b>\$1,229</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 September 30, |               | Nine months ended September 30, |               |
|---|----------------------------------|---------------|---------------------------------|---------------|
|   | 2020                             | 2019          | 2020                            | 2019          |
| Net profit (loss) (continuing operations) | (11,657)                         | (3,762)       | (68,744)                        | (7,154)       |
| Interest (income) / expense, net          | (4,196)                          | 11,689        | 73,412                          | 17,330        |
| Income tax provision                      | (771)                            | 1,775         | (18,313)                        | 1,905         |
| Depreciation, depletion and amortization  | 3,707                            | 2,242         | 4,488                           | 2,405         |
| Foreign exchange gain                     | 35,328                           | 1,326         | 42,621                          | (4,717)       |
| <b>Adjusted EBITDA</b>                    | <b>22,411</b>                    | <b>13,895</b> | <b>33,464</b>                   | <b>10,394</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 because of the seasonal nature of operations. This variation is reflected in the results shown in the table below for the quarters ending September 30, 2020 to December 31, 2018.

|   | 2020      |         |           | 2019    |           |           |           | 2018      |
|---|-----------|---------|-----------|---------|-----------|-----------|-----------|-----------|
|   | Q3        | Q2      | Q1        | Q4      | Q3        | Q2        | Q1        | Q4        |
| <b>Gold production (oz)</b>                                       | 20,088    | 9,129   | 3,386     | 17,635  | 17,643    | 6,826     | 2,259     | 8,523     |
| <b>Gold sales (oz)</b>  | 17,482    | 10,279  | 3,243     | 19,127  | 16,360    | 4,212     | 1,814     | 10,233    |
| <b>Revenue</b>  | 45,746    | 22,115  | 7,413     | 37,143  | 32,191    | 7,478     | 3,113     | 16,996    |
| <b>Gross Profit</b>   | 23,864    | 12,323  | 3,825     | 16,213  | 17,235    | 1,955     | 778       | 1,274     |
| <b>Net income (loss)</b>  | (11,657)  | 2,090   | (59,293)  | 14,583  | (3,762)   | (2,684)   | (708)     | (11,941)  |
| <b>Earnings (loss) per share (Basic and Diluted)</b>              | \$(0.090) | \$0.002 | (\$0.046) | \$0.011 | (\$0.003) | (\$0.002) | (\$0.001) | (\$0.009) |
| <b>Cash provided by (used in) continuing operating activities</b> | 20,088    | 9,129   | 3,386     | 17,635  | 17,643    | 6,826     | 2,259     | 8,523     |

**Financial condition and liquidity**

|  | Three months ended<br>September 30, |          | Nine months ended<br>September 30, |          |
|--|-------------------------------------|----------|------------------------------------|----------|
|  | 2020                                | 2019     | 2020                               | 2019     |
| Net cash (used in) provided by operating activities before working capital | 21,230                              | (58,287) | 30,903                             | (66,186) |
| Net cash (used in) provided by operating activities after working capital  | 22,271                              | (65,298) | 5,786                              | (85,437) |
| Net cash (used in) provided by investing activities                        | (15,908)                            | (8,736)  | (39,288)                           | (40,823) |
| Net cash (used in) provided by financing activities                        | 6,144                               | 78,940   | 51,690                             | 132,156  |
| Loans and borrowings   |                                     |          |                                    |          |
| - Short-term   | 29,166                              | 12,782   | 29,166                             | 12,782   |
| - Long-term  | 244,948                             | 172,171  | 244,948                            | 172,171  |
| Cash and cash equivalents  | 30,834                              | 7,445    | 30,834                             | 7,455    |
| Working capital  | 45,631                              | 53,898   | 45,631                             | 53,898   |

**Cash flow and capital resources****Working capital**

The working capital decreased by 2% or \$893k as at September 30, 2020 compared to December 31, 2019.

Main changes in cash flow are:

**Operating activities**

- The positive effect from income in operations during 9M and Q3 2020 resulted in the positive cash inflow from operating activities before changes in working capital.

**Investing activities**

- The Company invested \$39,288k in 9M 2020 compared to \$40.823k in 9M 2019.

For 9M 2020 year the Company invested \$32,616k: PPE - \$32,128k (Nasedkino: mainly to CIP), in Exploration and evaluation assets - \$6,672k (mainly Nasedkino).

For 9M 2019 year the Company invested \$40,823k: PPE - \$39,801k (Nasedkino: mainly to CIP- \$30,787k, 4,765k to advances and 1,466k to equipment for installation, Zolinsko-Arkiinskaya area - 2,787k mainly to CIP), in Exploration and evaluation assets - \$1,022k (\$683k in Zolinsko-Arkiinskaya area and \$339k Nasedkino).

- Capital Commitments

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

**Financing activities**

- During 9M 2020 the Company received \$292,121k under the loan agreement with PJSC Bank "Finance Corporation Otkrytie" and received \$17,895k and repaid \$241,265k under the loan agreement with VTB Bank (PJSC). \$6,602k of bank commission and \$1,519k of lease liabilities were repaid, payment on financial instruments amounted to \$9,020k.

During 9M 2019 the Company received \$123,112k loan under the loan agreement with VTB Bank (PJSC) and \$9,123k loan from related parties.

**Going concern**

These Financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. The Company has incurred losses for the nine months ended September 30, 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.

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

### **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 Related Parties Transactions" of the consolidated financial statements for the period ended September 30, 2020.

### **Subsequent events**

In the fourth quarter of 2020 the Company continued to receive financing under credit line agreement with the bank FK "Otkrytie".

### **Critical Accounting Estimates**

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

A detailed summary of critical accounting estimated is included in Note 2(e) of the Company's interim condensed consolidated financial statement for the period ended September 30, 2020.

### **Significant Accounting Policies**

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

### **Internal Controls**

No changes were made to the Company's internal control over financial reporting during the period beginning on January 1, 2020 and ending on September 30, 2020 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.