

## MANGAZEYA MINING LTD.

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

For the three months ended March 31, 2022

Dated: May 30, 2022

*This MD&A 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, 2022 as well as the audited consolidated financial statements for the year ended December 31, 2021 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 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 2022 HIGHLIGHTS

	1Q 2022	1Q 2021	Change	%
<b>Operational highlights</b>				
Gold production, ounces	20,560	13,397	7,163	53.4%
Refining gold, ounces	22,424	13,573	8,851	65.2%
Gold sales, ounces	23,108	12,506	10,602	84.8%
Ore mined, tonnes	381,001	294,606	86,395	29.3%
Average stripping ratio, m <sup>3</sup> /t	4.85	2.86	1.99	69.6%
Ore processed, tonnes	283,591	156,771	126,820	80.9%
Average gold grade in ore processed, g/t	2.57	2.46	0.11	4.5%
<b>Financial highlights</b>				
Revenue	53,614	27,606	26,008	94.2%
Adjusted EBITDA <sup>1</sup>	39,141	19,197	19,944	103.9%
Total cash cost per ounce Kochkovskoye (TCC), CAD <sup>2</sup>	433	1,008	(575)	(57.0%)
Total cash cost per ounce Nasedkino (TCC), CAD	606	830	(224)	(27.0%)
Average gold price, CAD <sup>3</sup>	2,313	2,136	177	8.3%
Cash balance	27,574	33,436	(5,862)	(17.5%)
Cash flow received from operating activities before changes in working capital	38,748	17,350	21,398	123.3%
Cash flow (used in) / provided by financing activities	(16,369)	(13,269)	(3,100)	23.4%
Cash flow used in investing activities	(10,580)	(7,361)	(3,219)	63.3%

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<sup>1</sup>The Adjusted EBITDA is a non-IFRS measure that is explained and discussed on the page 6 of the present MD&A.

<sup>2</sup> The Total cash cost (TCC) per ounce is a non-IFRS measure that is explained and discussed on the page 3 of the present MD&A.

<sup>3</sup> The Average price of gold is a non-IFRS measure that is explained and discussed on the page 6 of the present MD&A.

### **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, Daltsvetmet LLC, Koryakmining LLC and through Mangazeya Mining LLC a 100% interest in SZM LLC.

Mr. Sergey Yanchukov is the beneficiary owner of the 90.01% of the issued and outstanding securities. Free float is 9.99% of the issued and outstanding securities that are traded on NEX of the Toronto Stock Exchange under symbol MGZ.H.

On May 16, 2022, in conformity with the BVI Business Companies Act, 2004 (as amended) and its articles of association, the Company resolved to redeem the outstanding shares held by the Minority shareholders (see 'Subsequent events' on page 8 for additional information).

### **Strategic Goals and Recent Developments**

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

#### *Political and economic environment*

The deterioration of the geopolitical situation resulting from the conflict in Ukraine rapidly developing since the end of February 2022 has led to severe economic sanctions adopted by the United States, the European Union, the United Kingdom, Canada and other countries against Russian Federation. The already adopted measures and announced future restrictions represent significant challenges and an increased level of uncertainty for the Russian economy in general and specific industries in particular, including the metals and mining sector. The management of the Company has analyzed and identified the main areas of risk that could have significant influence on the financial condition and performance:

- operational risks: the global disruptions in the supply chains represent a challenge both in the shortage of specific items as well as in the increased prices for the goods and services, leading to higher operational and capital costs for the Company. The developments in the macroeconomic environment in general could affect the sales of gold by applying increased discounts to sale prices leading to reduced cash flow from operations.
- liquidity risk: the liquidity position of the Russian banks that act both as liquidity providers as well as the key buyers of the Company's products can be negatively affected by the most strict sanctions imposed on the Russian banking system.
- currency risk: the restrictions adopted by the foreign authorities in respect of the Russian banking system and particular Russian banks may trigger significant fluctuations of the currency exchange rates.

The Company communicates on a regular basis with its banks to ensure that all financial issues resulting from the measures against the financial sector are being properly addressed. The Company, its subsidiaries and the principal shareholders are currently not a subject of any sanctions specifically targeted to them.

The management assumes that the Company will be able to continue its current operational activity and work on the achievement of its business goals, although understanding the fact that the unprecedented sanctions already adopted and possible in the future, and further unpredictable developments of economic and political situation that are out of the Company's control will require the management's constant attention to address promptly any new emerging issues to ensure the sustainability of operations in the long-term perspective.

#### *General overview*

The main strategic objectives of the Company for the year 2022 are to continue mining and production activities at Nasedkino, Kochkovskoye and Savkinskoye deposits, as well as to carry on with exploration and research activities both within existing as well as new resources in order to improve the Company's production and resource base.

#### *Savkinskoye update*

The Savkinskoye deposit is an open-pit deposit located on Ildikanskaya Area in Zabaikalskiy Krai region of the Russian Federation, operated by Mangazeya Mining LLC and SZM LLC. The license has been initially acquired in 2006, and the development of the deposit started from 2008.

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

The deposit was in production until the end of 2019 till the completion of its then available economically viable reserves. In 2020

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 (Tabular amounts are presented in thousands of Canadian dollars unless otherwise stated). and 2021 the Company performed additional studies of geological and economic conditions for consideration of the possibility of further deposit development. The exploration and evaluation works were performed at Yugo-Zapadny and Arbukansky sections of

the licensed area. In the first quarter of 2022 the Company continued with stripping and mining works that were resumed in the end of 2021, the production is planned to be resumed during the year 2022.

#### *Nasedkino update*

The Nasedkino deposit is an open-pit deposit located in the Mogochinsky district of Zabaikalskiy Krai region of the Russian Federation, operated by Dalstvetmet LLC. Currently it is the main asset of the Company in terms of production and sales.

In August 2017, Wardell Armstrong International Ltd (“WAI”) completed a Technical Report in accordance with NI 43-101 standards.

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 is available on SEDAR at [www.sedar.com](http://www.sedar.com). In the first quarter of 2022 the Company engaged an independent appraiser for an update of the reserves estimation according to JORC CODE 2012 that is planned to be completed during 2022.

In the first quarter of 2022 the Company continued with the planned G&G program, performing exploratory drilling works in the total amount of 15 411 meters and selecting 4 590 samples for analysis, as well as with the construction activities within the project of technical capacity extension of the processing plant.

#### *Kochkovskoye update*

The Kochkovskoye ore and alluvial deposits are operated by Koryakmining LLC and located in the Zolinsko-Arkiinskaya area in Zabaikalskiy Krai region of the Russian Federation. The Savkinskoye production facilities (Mangazeya Mining LLC) are partially used for ore processing activities in regard of the ore mined at Kochkovskoye deposit.

#### *Ore deposit.*

This ore deposit contains reserves in various forms such as oxidized and refractory ore. Currently the oxidized ore is being produced. During 1Q 2022 the Company continued with the feasibility study of the project of pressure hydrometallurgical facility preparing the project’s technical documentation and further analysis of its economics.

During 1Q 2022 the mining operations at Kochkovskoye deposit were carried out in accordance with the Company’s plans.

#### *Alluvial deposit.*

The alluvial deposits are located in several parts of the licensed section of the Zolinsko-Arkiinskaya area.

In 1Q 2022 and 1Q2021 there was no gold produced from alluvial deposit.

### **Overall Performance results**

#### ***Savkinskoye***

The following table shows production and cost information for the Savkinskoye Mine for the three months ended March 31, 2022 and March 31, 2021:

	<b>Ore mined (t)</b>	<b>Gold grade in ore mined (g/t)</b>	<b>Ore stacked (t)</b>	<b>Gold grade in ore stacked (g/t)</b>	<b>Gold produced (oz)</b>	<b>Gold sold (oz)</b>	<b>Total cash cost per ounce of gold sold (\$/Au oz)</b>
Three months ended March 31, 2022	<b>39,378</b>	<b>1.18</b>	-	-	-	-	-
Three months ended March 31, 2021	-	-	-	-	-	-	-

#### ***Mining production***

- In 1Q 2022 the Company resumed mining works.

#### ***Processing***

- Processing activity was not performed in 1Q 2022, it is expected to be resumed in the following months during 2022.

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

The Total Cash Cost (TCC) is a non-IFRS measure that is used by the Company to evaluate and analyze its performance and for comparison purposes between own assets as well as with other companies in the industry. The Total Cash Cost represents the cost of sales of gold including all cost items that are eventually incurred by the Company in form of cash outflows and excluding non-cash items, such as depreciation, depletion and amortization. The details of the calculation of this measure for all Company’s assets are presented on the page 6 of the present MD&A.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 (Tabular amounts are presented in thousands of Canadian dollars unless otherwise stated).

**Kochkovskoye**

The following table shows production and cost information for the Kochkovskoye deposit for the three months ended March 31, 2022 and March 31, 2021:

	Ore mined (t)	Gold grade in ore mined (g/t)	Ore stacked (t)	Gold grade in ore stacked (g/t)	Gold produced (oz)	Gold sold (oz)	TCC per ounce of gold sold (\$/Au oz)
<b>Three months ended March 31, 2022</b>	<b>121,854</b>	<b>1.54</b>	<b>13,781</b>	<b>1.30</b>	-	<b>628</b>	<b>\$433</b>
<i>Including:</i>							
<i>Ore gold</i>					-	350	\$657
<i>Placer gold</i>					-	278	\$151
<b>Three months ended March 31, 2021</b>	<b>46,861</b>	<b>1.51</b>	-	-	<b>1,083</b>	<b>1,886</b>	<b>\$1,008</b>
<i>Including Ore gold</i>					1,083	1,886	\$1,008

**Mining production**

- The volume of mining in 1Q 2022 was 122k tons, which is by 160% more than in 1Q 2021, as the mining activities in 2021 were started in the end of February, while in 2022 they are being performed in accordance with the plan since the start of the year.

**Processing**

- In 1Q 2021 there was no ore stacked, as the planned start of this activity was scheduled to April of 2021. In 2022 it is also planned to process the main volume of the ore mined in 1Q 2022 in the second quarter.

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

- TCC for gold for 1Q 2022 of \$433 per ounce, which represents a 57% decrease in comparison with 1Q 2021 (\$1,008), was due to the decrease of sales volumes as well as depreciation of the functional currency (Russian Ruble) in which the major part of costs is incurred against CAD.
- The total cost of sales of the gold produced at Kochkovskoye include processing costs that are incurred by Mangazeya Mining LLC, a 100% subsidiary of the Group, and then transferred to Koryakmining LLC, also a 100% subsidiary of the Group. Those costs have been included in the estimation of the final TCC for Kochkovskoye with the purpose of complete and adequate measurement of this parameter separately for Kochkovskoye deposit. The transactions between Mangazeya Mining LLC and Koryakmining LLC are eliminated in full amount in the consolidated financial statements.

**Nasedkino**

The following table shows production and cost information for the Nasedkino Mine for the three months ended March 31, 2022 and March 31, 2021:

	Ore mined (t)	Gold grade in ore mined (g/t)	Ore processed (t)	Gold grade in ore processed (g/t)	Gold produced (oz)	Gold sold (oz)	TCC per ounce of gold sold (\$/Au oz)
Three months ended March 31, 2022	219,769	3.56	269,810	2.63	20,560	22,480	\$606
Three months ended March 31, 2021	247,745	1.38	156,771	2.46	12,314	10,620	\$830

**Mining production**

- In 1Q 2022 the volume of mined ore was 220 tons which is by 11% less than in 1Q2021, as the ore mined in 1Q2022 was richer in gold that enabled to achieve the planned production amount with lesser volumes of extraction.

**Processing**

- In 1Q 2022 270k tonnes of ore have been processed that is by 72% higher than in 1Q2021 due to processing of the ore mined in the current period as well as the volumes remaining in stock mined in the previous quarter.

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

- In 1Q 2022 the total cash cost of gold sold amounted to \$606 per ounce representing a decrease of 27% compared to 1Q2021 (\$830) due to depreciation of the functional currency (Russian Ruble) in which the major part of costs is incurred against CAD.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 (Tabular amounts are presented in thousands of Canadian dollars unless otherwise stated).

**Financial results**

The following table presents the results from continuing operations for the three months ended March 31, 2022 and March 31, 2021:

	<b>Three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Total revenue</b>	<b>53,614</b>	<b>27,606</b>
<i>Savkinskoye</i>	-	-
<i>Including Gold</i>	-	-
<b>Kochkovskoye</b>	<b>1,313</b>	<b>4,419</b>
<i>Including Gold from hard rock deposit</i>	706	3,676
<i>Including Gold from Placers</i>	561	-
<b>Nasedkino</b>	<b>52,301</b>	<b>23,187</b>
<i>Including Gold</i>	52,191	23,034
<b>Cost of sales</b>	<b>(18,010)</b>	<b>(13,679)</b>
<i>Savkinskoye</i>	-	-
<i>Including Gold</i>	-	-
<b>Kochkovskoye</b>	<b>(863)</b>	<b>(2,577)</b>
<i>Including Gold from hard rock deposit</i>	(725)	(2,577)
<i>Including Gold from Placers</i>	(134)	-
<b>Nasedkino</b>	<b>(17,872)</b>	<b>(11,821)</b>
<i>Including Gold</i>	(17,771)	(11,821)
<b>Intercompany operations*</b>	<b>725</b>	<b>719</b>
<b>Gross profit</b>	<b>35,604</b>	<b>13,927</b>
<i>Savkinskoye</i>	-	-
<i>Including Gold</i>	-	-
<b>Kochkovskoye</b>	<b>450</b>	<b>1,842</b>
<i>Including Gold from hard rock deposit</i>	(19)	1,099
<i>Including Gold from Placers</i>	427	-
<b>Nasedkino</b>	<b>34,429</b>	<b>11,366</b>
<i>Including Gold</i>	34,420	11,213
Administrative expenses	(2,149)	(2,214)
Income from continuing operations	499	3,087
Adjusted EBITDA <sup>1</sup>	39,141	19,197
Income per share from continuing operations (basic and diluted)	\$0.0004	\$0.0023

\* The operations between the Group companies include processing services provided by one Group company to another, that form a part of the total cost of sales of gold of a particular subsidiary, which are eliminated in full in the consolidation process. The amounts of cost of sales for each individual subsidiary represent their own actual total cost of sales, including the services received from other subsidiaries. The line Intercompany operations is therefore for the purpose of reconciliation of the sum of cost of sales of individual entities to the consolidated amount presented in the profit and loss and other comprehensive income statement in the Company's financial statements.

- In 1Q 2022 the total revenue of the Group increased by 94% as compared to 1Q 2021. The increase in the volume of product sold by 85% was the key factor, enhanced by the increase in the average price of gold sold by 15% as compared to 1Q2021. The average price of sales is a non-IFRS measure that is used for analytical purposes and represents the total revenue from the sales of gold divided by the total amount of units sold.

The following table presents the sales variance analysis for the revenue from sales of gold in 1Q2022 in respect to 1Q2021:

	<b>1Q2022</b>	<b>1Q2021</b>	<b>Change</b>	<b>Change, %</b>
Revenue from gold sales, thousand CAD	53,458	26,710	26,748	100%
incl.				
<i>Volume factor</i>			22,643	85%
<i>Price factor</i>			4,105	15%
Sales volume, thousand oz.	23,108	12,506	10,602	85%
Average price CAD/oz.	2,313	2,136	177	8%

The increase in the volume of sales is attributed both to the sales of the gold that remained in stock at the beginning of the year as well as the growth of production by around 53% due to a much higher amount of ore processed in 1Q2022 than in 1Q2021.

- The Company's sales include also silver and gold/silver concentrate sold occasionally, forming around 1% of the total sales.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 (Tabular amounts are presented in thousands of Canadian dollars unless otherwise stated).

- The gross profit for 1Q 2022 increased by 156% compared to 1Q2021 due to higher revenue as well as the reduction of the fixed costs share in the cost of sales structure of Nasedkino due to higher amount of volumes produced and sold.
- Administrative expenses in 1Q 2022 have remained at the level of 1Q2021.
- As a result, the Company's positive adjusted EBITDA in 1Q2022 was \$39,141 thousand which represents an increase of 104% compared to 1Q2021.

As at March 31, 2022 the Current assets increased by \$2,409k or by 2% compared to December 31, 2021, mainly due to the short-term loans granted to the related parties in the amount of \$1,950k.

As at March 31, 2022 the Non-current assets decreased by \$17,343k or 7% compared to December 31, 2021 mainly due to foreign currency revaluation effect of PPE and mine properties due to depreciation of ruble against CAD.

As at March 31, 2022 the Current liabilities increased by \$15,509k or 18% compared to December 31, 2021 mainly as a result of the increase in the current portion of the long-term loan in the amount of \$14,320k.

As at March 31, 2022 the Non-current liabilities decreased by \$20,181k or 9% compared to December 31, 2021 mainly due to the reclassification of a part of long-term bank loan to current portion in the amount of \$19,745k.

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

	Three months ended March 31,	
	2022	2021
Cost of Sales	725	2,577
Less: Depreciation and Amortization included in cost of sales	(495)	(676)
Cost of sales less Depreciation and Amortization	230	1,901
Gold sold (oz)	350	1,886
<b>Total Cash Cost per ounce of gold sold</b>	<b>\$657</b>	<b>\$1,008</b>

**Cash Cost per Ounce Reconciliation for Kochkovskoye Mine (gold from placers)**

	Three months ended March 31,	
	2022	2021
Cost of Sales	134	-
Less: Depreciation and Amortization included in cost of sales	(92)	-
Cost of sales less Depreciation and Amortization	42	-
Gold sold (oz)	278	-
<b>Total Cash Cost per ounce of gold sold</b>	<b>\$151</b>	<b>-</b>

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

	Three months ended March 31,	
	2022	2021
Cost of Sales	17,771	11,821
Less: Depreciation and Amortization included in cost of sales	(4,152)	(3,002)
Cost of sales less Depreciation and Amortization	13,619	8,819
Gold sold (oz)	22,480	10,620
<b>Total Cash Cost per ounce of gold sold</b>	<b>\$606</b>	<b>\$830</b>

**Adjusted EBITDA**

The adjusted EBITDA is a non-IFRS measure used by the Company to analyze its performance in regard to its ordinary operational activity excluding non-recurring and irregular items and also for comparison purposes with the other companies in the industry. The adjusted EBITDA is calculated as a net income/loss from continuing operations adjusted for interest expenses, income tax provision, depreciation depletion, and amortization, impairment losses on non-current assets, valuation of inventory and current assets, foreign exchange gain/loss as well as one-off non-recurring items that are not related to the Company's ordinary operations.

	Three months ended March 31,	
	2022	2021
Net profit from continuing operations	499	3,087
Interest expense	8,214	5,612
Income tax provision (recovery)	542	(272)
Depreciation, depletion, amortization and impairment	5,165	4,334
Foreign exchange loss	24,721	6,436
<b>Adjusted EBITDA</b>	<b>39,141</b>	<b>19,197</b>

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 (Tabular amounts are presented in thousands of Canadian dollars unless otherwise stated).

**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 June 30, 2020 to March 31, 2022:

	first quarter of 2022	fourth quarter of 2021	third quarter of 2021	second quarter of 2021	first quarter of 2021	fourth quarter of 2020	third quarter of 2020	second quarter of 2020
Gold production (oz)	20,560	37,048	19,838	17,583	13,397	17,328	20,088	10,760
Gold sales (oz)	23,108	36,817	19,876	16,716	12,506	20,991	17,482	10,279
Revenue	53,614	83,897	44,570	37,246	27,606	53,087	45,746	22,115
Gross Profit	35,604	54,581	18,988	15,608	13,927	20,757	23,864	12,323
Net income (loss)	499	32,303	4,832	11,618	3,087	45,830	(11,657)	2,206
Earnings (loss) per share (Basic and Diluted)	\$0.0004	\$0.0251	\$0.0038	\$0.0090	\$0.0024	\$0.0356	(\$0.0090)	\$0.0017

The Net income (loss) and Earnings (loss) per share parameters experience fluctuations, the main influences of which have been: the volume of gold produced and sold, the gold market price, foreign currency gains (losses) due to fluctuations of the USD and CAD against RUB as well as the fair value reassessment of the derivative financial instruments.

**Financial condition and liquidity**

	Three months ended March 31,	
	2022	2021
Net cash provided by / (used in) operating activities before changes in working capital	38,748	17,350
Net cash provided by / (used in) operating activities after changes in working capital	20,004	7,981
Net cash used in investing activities	(10,580)	(7,361)
Net cash provided by / (used in) financing activities	(16,369)	(13,269)
Loans and borrowings		
- Short-term,	76,627	43,710
- Long-term	153,377	209,881
Cash and cash equivalents	27,574	33,436
Working capital	30,502	41,085

**Cash flow and capital resources**

**Working capital**

The working capital decreased by 26% or \$13,100k as at March 31, 2022 compared to December 31, 2021 (\$43,602) mainly as a result of the increase in the short-term portion of the bank loan by \$14,320k.

The Main changes in cash flow are:

**Operating activities**

- The positive effect from increased sales volumes and favorable gold prices facilitated the positive cash inflow from operating activities.

**Investing activities**

- In 1Q 2022 the Company invested \$6,325 in PPE and \$1,976k in exploration and evaluation assets (1Q 2021 - \$5,387k in PPE and \$1,310k in exploration and evaluation assets).

**Capital Commitments**

- As at March 31, 2022 the Group had commitments to purchase equipment totaling \$2,358 thousand. As at December 31, 2021, the Company had commitments to purchase equipment totaling \$3,707k.

**Financing activities**

- During 1Q 2022 the Company repaid \$8,190k under the loan agreements with PJSC Bank "Finance Corporation Otkritie" (\$9,656 in 1Q2021), \$898k of lease liabilities were repaid (\$1,148 in 1Q 2021) and the payment on financial instruments amounted to \$7,281k (\$2,465 in 1Q 2021).

## INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 (Tabular amounts are presented in thousands of Canadian dollars unless otherwise stated).

### **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 a net income for the three months ended March 31, 2022 of \$499 thousand, and had accumulated losses of \$328,281 thousand and a working capital of \$30,502 thousand as at March 31, 2022.

The management of the Group continues to monitor the impact of the global pandemic (COVID-19) and to implement the required measures to protect the health of its employees and ensure the sustainability of the Group's operations.

The recent developments in relation to the geopolitical environment since the end of February 2022 have resulted in serious sanction measures imposed by the United States, Canada, European and other countries on Russian governmental institutions and businesses, resulting in major fluctuation of the exchange rates and devaluation of Russian assets on financial markets. These actions eventually lead to reduced access to capital markets, weakening of the currency, disruptions in supply-chains, increased operational and capital costs and other economic outcomes that adversely affect the financial position of the Group. The management takes into consideration the highly increased political and economic risks in the analysis of the going concern and for the further planning of its business activities, although the precise impact on the financial position and operations of the Group of these already adopted and further announced measures is difficult to be determined at present with a high degree of certainty.

### **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 to the unaudited interim condensed consolidated financial statements for the period ended March 31, 2022.

### **Subsequent events**

On May 16, 2022, in conformity with the BVI Business Companies Act, 2004 (as amended) and its articles of association, the Company resolved to redeem the outstanding shares held by the Minority shareholders that comprise approximately 9.99% of the share capital of the Company at a proposed redemption price of 0.045 CAD per share, which represents a fair market price determined by an independent appraiser firm FBK LLC.

### **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 estimates is included in Note 2(e) to the Company's unaudited interim condensed consolidated financial statements for the period ended March 31, 2022.

### **Significant Accounting Policies**

The significant accounting policies applied in the preparation of the consolidated financial statements are disclosed in Note 3 to the Company's consolidated financial statements for the period ended December 31, 2021.

### **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.

### **Risks and uncertainties**

All Company's assets and business operations are located in the jurisdiction of Russian Federation. Operating in Russian Federation exposes the Company to various degrees of political, economic and other risks and uncertainties.

Key members of the Company's management and board of directors have extensive experience running business operations of mining companies in Russia.

Mr. Mikhail Gusev – Chief Executive Officer of the Company – has years of experience in the gold mining industry. He joined Mangazeya Group in 2020 as General Director of Mangazeya Zoloto, LLC. Prior to that he held various key positions at Group Renova and Geosolutions – independent mining and geological service company.

Ms. Elena Rudenko – Chief Financial Officer of the Company – possesses extensive financial expertise in the gold mining industry. Ms. Rudenko joined Mangazeya Group in 2020 as Deputy General Director for Finance and Economics of Mangazeya Zoloto, LLC. Prior to that Ms. Rudenko worked as CFO at Susumanzoloto, PJSC and at Artel Starateley "Amur", OJSC.

## INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 (Tabular amounts are presented in thousands of Canadian dollars unless otherwise stated).

Ms. Liudmila Arutyunyan – Chairman of the Board of Directors – has previously acted as the Company's CFO and has years of experience in finance. Prior to joining Mangazeya Group in 2014, Ms. Arutiunian served as the Head of Financial department in JSC Cryogas.

Dmitry Karelin – member of the Board of Directors – possesses extensive legal expertise in the mining industry and previously worked at ZAO Soyuzmetallresurs, OAO Zhirekensky Mining Processing Plant. Dmitry Karelin joined Mangazeya Group in 2014 as the Head of Legal Department.

The Board of Directors, as well as management, are actively involved in technical activities, risk assessments and progress reports in connection with the Company's mining activities. The Board of Directors and management work directly with local contractors in an operational capacity, and are familiar with the laws, business culture and standard practices in Russia.

### *Risks associated with the political factors*

The political and economic turmoil in the region, including the developments in Ukraine have had and may continue to have a negative impact on the Russian economy. The Company has no assets or operations in Ukraine, however, the USA, EU, UK and a number of other states have imposed targeted sanctions on a number of Russian individuals and companies. This includes sectoral sanctions on a number of large Russian financial institutions. As the Company's production assets are located in the Russian Federation, any sectoral sanctions if expanded to the companies in the metals and mining sector, might cause difficulties for the Company in the implementation of investment projects.

Political risks also relate to political unrest, invalidation of government orders, permits or property rights, corruption, military repression, civil disturbances, criminal and terrorist acts, arbitrary changes in laws, expropriation, nationalization, renegotiation or nullification of existing agreements, and changes to monetary or taxation policies. The occurrence of any of the above risks might adversely affect the mining industry, mineral exploration and mining activities in general and, inter alia, might result in the impairment or loss of mineral concessions or other rights.

Prospecting, exploration, development or production may also be affected in a varying degree by government (both federal and regional) regulations with respect to, but not limited to, restrictions on future exploitation and production, price controls, export controls, sanctions, restrictions on conduct of operations and movement of personnel related to pandemics and other epidemiological reasons, income taxes, labour and immigration, and by delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, limitations on foreign ownership, expropriation of property, ownership of assets, environmental legislation, labour relations, limitations on repatriation of income and return of capital, high rates of inflation, increased financing costs and site safety.

Any shifts in political attitudes or changes in laws that may result in, among other things, significant changes to mining laws or any other national legal body of regulations or policies, which is beyond the control of the Company and may adversely affect its business. Under the Currency Law, residents conducting foreign trade operations must, subject to certain exemptions stipulated by the Currency Law, repatriate to accounts in authorized Russian banks all roubles and foreign currency payable to them under foreign trade contracts. In accordance with countermeasures implemented by the Russian government all Russian entities are obliged to convert 80% of currency payable to them under foreign trade contracts in Russian roubles.

The Russian government has adopted an array of special measures aiming at decreasing the pressures on the Russian Economy generated by the international sanctions. Some of such measures have a non-direct impact on the Company:

- Any disbursements in a foreign currency to non-residents under both the current and the new loan agreements are prohibited unless the parties have received a prior approval by the Government Commission on Control for Effectuation of Foreign Investments (the "Government Commission"), which may be granted conditionally;
- Prepayments / advance payments exceeding 30% of the contract by residents to non-residents under certain types of contracts (e.g. providing services) are prohibited;
- The Ministry of Economic Development is preparing a draft law that will allow for mandatory delisting of depository receipts for securities of Russian companies from foreign markets with subsequent conversion into Russian securities. For today, the draft law is not publicly disclosed and we do not have the opportunity to assess its impact on the Company, and as such, it may be possible that the law might have effect on non-resident companies that are controlled by Russian residents;
- The permission of the Bank of Russia is required for a resident of Russia to pay for a share, contribution, share in the property (authorized or share capital, unit of fund) of a non-resident legal entity;
- The place of incorporation of the Company is the British Virgin Islands. The British Virgin Islands is included in the Unfriendly Corporate Non-Residents list adopted by the Russian government. Thus, the persons and entities residing in the British Virgin Islands are prohibited – unless the parties have received a prior approval by the Government Commission (which may be granted conditionally) – to enter into the following transactions:
  - All transactions relating to transfer of title to securities and real estate;
  - Provision of rouble-denominated loans.

As of today, such restrictions are not applied to the Company, because the beneficial owner of the Company is a resident of the Russian Federation. However, considering the current political situation, the Russian legislation and/or implementation thereof might be altered substantially.

### *Risks associated with the legal system*

Russia is still developing the legal framework typically required by a market economy. The implementation of much of the Russian Federation's legislation and the rapid evolution of the Russian legal system place the enforceability and underlying constitutionality of some laws in doubt and result in ambiguities, inconsistencies and anomalies and many new laws remain untested.

In addition, Russian legislation often leaves substantial gaps in the regulatory infrastructure and delays may occur in the production

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of necessary ancillary or subordinate legislation.

There are few weaknesses in the Russian legislation associated with judicial system:

- (a) lack of independence in the judicial system;
- (b) limited judicial and administrative guidance on interpreting the Russian legislation;
- (c) conflicting views and judgments as regard the interpretation of and the effect of the Russian law in a number of key areas which affect investment in the Russian Federation;
- (d) the relative inexperience of judges in interpreting the new Russian business legislation, particularly relating to capital markets, companies, corporate governance and investor protection; and
- (e) the difficulty in enforcing court judgments in practice.

All of these weaknesses could affect the Company's ability to enforce its rights under licenses, contracts or statutes, or to defend itself against claims, which could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

*Risks associated with the expropriation and nationalization*

The Russian government has enacted legislation to protect property against expropriation and nationalization. In the event that our properties were to be expropriated or nationalized, legislation provides for fair compensation. It is possible, due to a lack of experience in enforcing such provisions or due to any political change, that the legislative protection may not be enforced in the event of an attempted expropriation or nationalization. The concept of property rights is not well developed in Russia and there is little experience in enforcing legislation enacted to protect private property against nationalization and expropriation. As a result, we may not be able to obtain proper redress in the courts, and may not receive adequate compensation if, in the future, the state decides to nationalize or expropriate some or all of our assets. Expropriation or nationalization of any of our assets, potentially with little or no compensation, would have a material adverse effect on our business and financial condition.

*Risks associated with the corruption, bribery, and civil unrest*

The local and international press have reported that significant criminal activity, including organized crime, has arisen, particularly in large metropolitan centres. In addition, the local press and international press have reported high levels of official corruption in the locations where we conduct our business, including bribery and using investigative or procedural powers for corrupt purposes. Further incidents of crime, corruption could materially adversely affect the Company's business and the value of investments in Russia.

*Risks associated with the ownership of the assets*

All transactions with the Company's assets, including transactions with shares of subsidiaries, were subject to a pre-conclusion review procedure, during which the Company uses its' own resources or involve external consultants, if such a decision was made by the directors or officers of the Company. The strictly vertical ownership structure of the Company's subsidiaries allows the directors and officers of the Company to exercise control over the decisions and actions of subsidiaries, to control the use and disposal of the property of such subsidiaries. There are no expert reports (including title opinions) as the control over the Company's assets is conducted through the exercise of corporate rights by the directors and officers of the Company. There are no laws and/or customs of the Russian Federation that limit the Company's ability to exercise its ownership rights over the property interests (or assets) in the Russian Federation. Measures that were adopted in the Russian Federation as a response to international sanctions do not contain any provisions that limit the Company's ownership rights over the property interests (or assets) in the Russian Federation. Due to the Company's assets being charged in favor of Otkritie Bank, which is controlled by the Russian government and is subject to international sanctions, the Company does not rule out that in the current situation the charge could be used as a tool to expropriate or nationalize the Company's assets. Nevertheless, the Company, considering the current situation in Russia, assesses the risk as low.

While the existing Russian Federation practice of legislation implementation does not prohibit the usage of foreign entities in the corporate structure of the companies operating in the Russian Federation, considering the current political situation, the Russian legislation and/or implementation thereof might be altered substantially and may result in an obligation to terminate the participation (direct or non-direct) of foreign residents in the capital of the Company. The Company assesses the risk as medium.

*Corporate Structure Risk*

The Company has implemented a system of corporate governance, internal controls over financial and disclosure controls and procedures that apply to the Company and its Russian subsidiaries: Mangazeya Mining LLC, Dalzvetmet LLC, Koryakmining LLC and SZM LLC (collectively, the "Russian Subsidiaries"), which are overseen by the Board of Directors and implemented by senior management.

The relevant features of these systems include direct oversight over the Russian Subsidiaries' operations, as the sole director of each of the Russian Subsidiaries is Mr. Mikhail Gusev, who is also Chief Executive Officer of the Company. Since the Company indirectly holds all of the issued and outstanding equity interests of the Russian Subsidiaries, the Company exercises effective control over the board of each of the Russian Subsidiaries, as well as its composition.

Executive management and the Board of Directors prepare and review the Russian Subsidiaries' financial reporting as part of preparing its consolidated financial reporting, and the Company's independent auditors review the consolidated financial statements under the oversight of the Russian's Audit Committee.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 (Tabular amounts are presented in thousands of Canadian dollars unless otherwise stated).  
*Local Records Management*

The minute books and corporate records of each of the Russian Subsidiaries are maintained and held by the Company at premises that are under direct control of Russian Subsidiaries. Senior management control these records and the Board of Directors and management have full access.

*Verification of Property Interests*

The Company engaged a local team with broad experience in mining exploration in Russia, as well as in legal, social and environmental matters. This contributed to obtaining an understanding of the framework surrounding the good standing of the Company's properties and assets, from a legal, social and environmental perspective.

*Transactions with Related Parties*

The Company is subject to applicable Canadian securities law and accounting rules with respect to approval and disclosure of potential related party transactions, and has procurement and other policies in place which it follows to mitigate risks associated with potential related party transactions. The Company may in the future transact with related parties from time to time, in which case such related party transactions may require disclosure in the consolidated financial statements of the Company and in accordance with applicable Canadian securities laws and Exchange rules.

*Investors' Ability to Exercise Statutory Rights and Remedies under Canadian Securities Laws*

The Company is incorporated under the laws of the British Virgin Islands. However, the subsidiaries of the Company are organized under the laws of Russia, and certain of the officers and directors of the Company reside outside of Canada or the British Virgin Islands. This may limit an investor's ability to exercise statutory rights and remedies under Canadian laws. In particular, a Canadian court may determine that it does not have jurisdiction over a claim by an investor against one of the Company's subsidiaries and/or its officers and directors, or that another international jurisdiction is the more convenient forum to adjudicate the claim.

Nevertheless, Russian Federation participates in the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (done at New York, on 10 June 1958) and Russian Arbitration Procedural Code contains procedure to foreign judgment being recognized in Russia.

Generally, foreign judgments can be recognized and enforced in Russia if bilateral or multilateral international agreement exists. Countries which have such agreements with Russia include, among others, CIS countries, Greece, China, Iraq, and Macedonia. Where a judgment emanates from a country which does not have a relevant treaty with Russia, the rule of reciprocity will be applied.

In accordance with Article 244 of the Arbitration Procedural Code of the Russian Federation, "the commercial court refuses to recognize and enforce a foreign court judgment fully or in part, if:

- 1) the judgment has not entered into force, according to the law of the state where it was adopted;
- 2) the party against whom the decision was adopted was not properly notified of the time and place of the case, or could not give its explanations to the court for other reasons;
- 3) according to an international treaty of the Russian Federation or a federal law, the consideration of the case falls under the exclusive competence of a court in the Russian Federation;
- 4) in the Russian Federation there exists an effective court decision, rendered in a dispute between the same persons on the same subject matter and on the same grounds;
- 5) there is a dispute between the same persons on the same subject matter and on the same grounds under consideration by a court in the Russian Federation, which commenced prior to the institution of proceedings in a foreign court, or if a court in the Russian Federation was the first to accept an application concerning the dispute between the same persons on the same subject matter and on the same grounds for its consideration;
- 6) the term for the enforcement of the foreign court judgment has expired, and this term was not restored by the commercial court;
- 7) the enforcement of the foreign court judgment would contradict the public policy of the Russian Federation."

**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.

**Cautionary Statement on Forward Looking Information**

The following MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws (collectively,

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 (Tabular amounts are presented in thousands of Canadian dollars unless otherwise stated). "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.