

MANGAZEYA MINING LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS - YEARLY HIGHLIGHTS

For the year ended December 31, 2021

Dated: April 29, 2022

These yearly highlights ("YH") 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 consolidated financial statements for the year December 31, 2021. Those audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all amounts in this YH are expressed in thousands of Canadian dollars (\$).

2021 HIGHLIGHTS

	2021	2020	Change	%
Operational highlights				
Gold production, ounces	87,866	51,562	36,304	70.4%
Refining gold, ounces	86,433	50,729	35,704	70.4%
Gold sales, ounces	85,915	51,995	33,920	65.2%
Ore mined, tonnes	1,894,875	1,343,775	551,100	41.0%
Stripping ratio, m ³ /t	2.45	2.00	0.45	22.5%
Ore processed, tonnes	1,353,025	1,340,975	12,050	0.9%
Gold grade in ore processed, g/t	2.37	1.60	0.77	48.1%
Financial highlights				
Revenue	193,319	128,361	64,958	50.6%
Adjusted EBITDA ¹	118,122	58,731	59,391	101.1%
Total cash cost per ounce Savkinskoye (TCC) ² , CAD	-	1,533	(1,533)	(100.0%)
Total cash cost per ounce Kochkovskoye (TCC), CAD	1,799	1,200	599	49.9%
Total cash cost per ounce Nasedkino (TCC), CAD	614	1,001	(387)	(38.7)%
Average gold price ³ , CAD	2,223	2,465	(242)	(9.8)%
Cash balance	37,799	45,734	(7,935)	(17.4)%
Cash flow from operating activities before changes in working capital	115,917	51,478	64,439	125.2%
Cash flow (used in)/ provided by financing activities	(47,473)	63,201	(110,674)	(175.1)%
Cash flow used in investing activities	(37,987)	(58,292)	20,305	(34.8)%

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¹The Adjusted EBITDA is a non-IFRS measure that is explained and discussed on the page 8 of the present MD&A.

² The Total cash cost (TCC) per ounce is a non-IFRS measure that is explained and discussed on the page 4 of the present MD&A.

³ 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 interests 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.

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.

Strategic Goals and Recent Developments

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.

In analyzing those and other factors, the Management considers the fact that the vast majority of the Company's contractors are reputable domestic companies with residence in Russia and most of the settlements in the sales and purchases transactions are realized in the local currency (Russian ruble). The Company also evaluates the possibilities for the substitution of those goods that were being imported and the logistics of which was disrupted by the sanctions, for the similar ones produced locally.

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 Company has successfully achieved its operational and business goals for the year 2021 reaching a level of production above the target at Nasedkino and Kochkovskoye deposits as well as continuing with the exploration program on existing and perspective areas in search for the opportunities to extend its resource base. A detailed information by each of the Company's projects is presented below.

Savkinskoye

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.

The deposit was in production until the end of 2019 till the completion of its then available economically viable reserves. In 2020 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 4th quarter of 2021 the Company resumed stripping works and plans to resume the mining and production activities in 2022.

Nasedkino

The Nasedkino deposit is an open-pit deposit located in the Mogochinsky district of Zabaikalskiy Krai region of the Russian Federation, operated by Daltsvetmet LLC.

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. The Company considers to engage an independent appraiser for an update of the reserves estimation according to JORC CODE 2012 in 2022.

The production began in June 2020, and currently this is the main asset of the Company, representing about 85% of the total production and sales of the Group (2021).

In 2021 the volume of annual production at Nasedkino deposit has reached an amount of 2.3 tonnes of gold (approximately 74.3 thousand ounces), which is about 6% higher than the Company's business plan objective.

In 2021 the Company successfully managed the extension of the technical capacity of the processing plant, achieving the current production output level of 1.15 mln tonnes of ore processed annually. In the current year the Company also considered and initiated a technical project for the further expansion of the plant up to 1.5 mln tonnes to be carried out starting in 2022.

In 2021 the Company performed exploratory drilling works at the deposit's sections of Zhelanny and Severo-Zapadny, resulting in updated estimation of resources (reserves surplus). The Company plans to continue exploration and evaluation works in accordance with its G&G program developed for Nasedkino for the period 2021-2026.

Kochkovskoye

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. In 2021 the volume of annual production at Kochkovskoye deposit has reached an amount of 0.4 tonnes of gold (about 13.1 thousand ounces), which is about 4% higher than the Company's business plan objective.

In 2021 the Company performed a feasibility study on the project of pressure hydrometallurgical facility, the construction of which would be a key factor for the further development of the deposit in the part of refractory ore. The project is currently at an initial stage, at which the main technical and financial implications are being analyzed.

During 2021 the Company performed exploratory drilling activities within the licensed area. An additional valuation of remaining oxidized ore was completed resulting in the decision to continue the production of this type of resource in 2022 with a possibility of extending the production period till 2023. Additional studies are being carried out in relation to the refractory ore.

Alluvial deposits.

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

In 2021 the Company produced approximately 15.9 kg (about 0.5 thousand ounces) of placer gold.

During 2021 the Company finalized field exploratory works on the area of Kuvshikha (a part of the licensed area) as a result of which a calculation of reserves as of 01/05/2021 has been prepared and submitted to the statutory authorities, subsequently being recorded on the official statutory balance.

The field exploratory works have been also performed on the area of Talovka (a part of the licensed area) - as a part of the G&G program developed by the Company for the period 2021-2024.

Overall Performance results

Savkinskoye

The following table shows production and cost information for the Savkinskoye Mine for the years ended December 31, 2021 and December 31, 2020:

	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)
Three months ended December 31, 2021	-	-	-	-	-	-	-
Three months ended December 31, 2020	-	-	-	-	384	1,420	\$1,843
Year ended December 31, 2021	-	-	-	-	-	-	-
Year ended December 31, 2020	-	-	58,992	1.03	5,166	6,857	\$1,533

Mining production

- In 2021, no mining of ore has taken place. At the end of the year the Company resumed the stripping works and plans to perform mining activities in the next period.

Processing

- There was no ore stacked in 2021. The Company plans to resume processing in 2022.

Total Cash Cost (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 7 of the present MD&A.

- There was no gold produced and sold in 2021. The Company plans to resume production in 2022.

Kochkovskoye

The following table shows production and cost information for the Kochkovskoye deposit for the years ended December 31, 2021 and December 31, 2020:

	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)
Three months ended							
December 31, 2021	137,553	1.47	72,077	1.28	3,470	4,153	\$1,812
<i>Including</i>							
<i>Ore gold</i>					3,193	4,153	\$1,812
<i>Placer gold</i>					277	-	-
Three months ended							
December 31, 2020	5,039	1.34	148,698	1.51	6,365	7,623	\$1,294
<i>Including</i>							
<i>Ore gold</i>					6,203	7,473	\$1,291
<i>Placer gold</i>					162	150	\$1,427
Year ended							
December 31, 2021	529,394	1.56	505,294	1.51	13,557	13,823	\$1,799
<i>Including</i>							
<i>Ore gold</i>					13,047	13,509	\$1,796
<i>Placer gold</i>					510	314	\$1,914
Year ended							
December 31, 2020	596,128	1.48	922,739	1.48	29,554	29,135	\$1,200
<i>Including</i>							
<i>Ore gold</i>					28,477	28,225	\$1,182
<i>Placer gold</i>					1,077	910	\$1,746

Mining production

- The volume of mining in 2021 was 529 tons, 11% lower than in the previous year due to completion of the field development in part of oxidized ore.

Processing

- In the 4th quarter of 2021 and during the year 2021 the ore stacked was 72k and 505k tons, respectively. This is lower by 52% and 45% respectively compared to the same periods of the previous year due to the decrease in the volume mined as well as the fact that in 2020 the Company was processing a certain amount of ore in stock that had been mined in earlier periods.

Total Cash cost (TCC)

- The average TCC for gold mined at Kochkovskoye for 2021 was \$1,799 per ounce, which represents a 50% increase in comparison with 2020 (\$1,200) due to the decrease of production and sales volumes, while the fixed cost share in the cost of sales structure remained stable.
- 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 year ended December 31, 2021:

	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)
Three months ended December 31, 2021	360,621	2.87	315,449	3.52	33,578	32,664	\$457
Three months ended December 31, 2020	297,560	2.20	177,752	2.40	10,579	11,948	\$923
Year ended December 31, 2021	1,365,481	2.17	847,731	2.88	74,309	72,092	\$614
Year ended December 31, 2020	747,647	1.62	359,244	2.00	16,842	16,002	\$1,001

Mining production

In 2021 the volume of mined ore was 1,365k tons, that is by 83% higher than previous year. The increase is due to the fact that the mining works in 2020 began in April, while in 2021 they were performed during the whole year, and also due to the gradual increase of the output of the processing plant that reached its full operational capacity in 2021.

The average gold grade in mined ore was 2.9 g/t in the 4th quarter of 2021 and 2.2 g/t for the year 2021 that is higher than the corresponding parameters of 2020 (2.2 g/t and 1.6 g/t respectively), due to mining in 2021 ore blocks with higher concentration of gold.

Processing

In the 4th quarter of 2021 and during the year 2021 315k and 848k tonnes of ore have been processed, which is respectively by 77% and 136% higher than in the comparative periods of the previous year. The increase is related to the fact that in 2020 the processing plant started operations since June 2020 and the processing volumes were gradually increasing as the plant operation gradually developed from testing mode to full operational capacity in the beginning of 2021.

The gold concentration in the processed ore is 3.5 g/t and 2.9 g/t for the 4th quarter and the year 2021, which is higher than the respective parameters of 2020 (2.4 and 2.2 g/t respectively). This increase is in line with the higher grade in the mined ore in the reporting period.

Total Cash cost of production (TCC)

- In 2021 the total cash cost of gold sold amounted to \$614 per ounce that is by 39% lower than in the comparative period due to the effect of decrease of the fixed cost component in the cost of sales structure per one unit sold because of the increased volumes of production and sales. The decrease is also related to processing of the ore of a higher gold grade that is a temporary factor applicable for the reporting period (2021), the Company expects this parameter to be of a lower level since 2022 and onwards.

Financial results

The following table presents the results from continuing operations for the three months and the year ended December 31, 2021 and the corresponding comparative periods:

	Three months ended 31 December,		Years ended 31 December,		
	2021	2020	2021	2020	2019
Total revenue	83,897	53,087	193,319	128,361	79,925
<i>Savkinskoye</i>	-	3,398	10	13,781	25,492
<i>Including Gold</i>	-	3,398	-	13,736	25,396
Kochkovskoye	9,406	18,758	30,958	72,540	54,433
<i>Including Gold from hard rock deposit</i>	8,966	18,344	29,354	70,013	49,500
<i>Including Gold from placers</i>	-	356	890	2,353	4,803
Nasedkino	74,491	30,931	162,351	42,040	-
<i>Including Gold</i>	73,247	30,931	160,787	42,040	-
Total Cost of sales	(29,316)	(32,330)	(90,215)	(67,592)	(43,744)
<i>Savkinskoye</i>	-	(2,617)	(1)	(10,514)	(19,472)
<i>Including Gold</i>	-	(2,617)	-	(10,512)	(19,467)
Kochkovskoye	(8,643)	(11,310)	(28,175)	(38,002)	(29,566)
<i>Including Gold from hard rock deposit</i>	(8,296)	(11,057)	(27,116)	(36,284)	(26,187)
<i>Including Gold from placers</i>	-	(253)	(687)	(1,717)	(3,369)
Nasedkino	(21,934)	(12,927)	(64,905)	(20,596)	-
<i>Including Gold</i>	(20,687)	(12,927)	(63,347)	(20,596)	-
Intercompany operations*	1,261	(5,476)	2,866	1,520	5,294
Gross profit	54,581	20,757	103,104	60,769	36,181
<i>Savkinskoye</i>	-	781	9	3,267	6,020
<i>Including Gold</i>	-	781	-	3,224	6,020
Kochkovskoye	763	7,448	2,783	34,538	24,867
<i>Including Gold from hard rock deposit</i>	670	7,287	2,238	33,729	23,313
<i>Including Gold from placers</i>	-	103	203	636	1,434
Nasedkino	52,557	18,004	97,446	21,444	-
<i>Including Gold</i>	52,560	18,004	97,440	21,444	-
Administrative expenses	(3,174)	(2,334)	(9,867)	(11,633)	(14,391)
Income (loss) from continuing operations	32,303	45,830	51,840	(22,914)	7,429
Adjusted EBITDA ¹	57,905	25,452	118,122	58,731	26,424
(Loss) income per share from continuing operations (basic and diluted)	\$0.0251	\$0.0356	\$0.0402	\$(0.0178)	\$0.0058

* 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 (see details on pages 3 and 4), 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 2021 the total revenue of the Group increased by 51%, and the revenue from the sales of gold (which comprise 99% of the total revenue) by 49% as compared to 2020. The increase in the volume of product sold by 65% was the key factor, partially offset by a decrease in the average price of gold sold by 10% compared to the previous year. 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 2021 in respect to 2020:

	2021	2020	Change	Change, %
Revenue from gold sales, thousand CAD	191,031	128,142	62,889	49%
incl.				
<i>Volume factor</i>			83,596	65%
<i>Price factor</i>			(20,707)	(16%)
Sales volume, thousand oz.	85,915	51,995	33,920	65%
Average price CAD/oz.	2,223	2,465	(242)	(10%)

The increase in the volume of sales is attributed to the growth of the gold produced by around 70%. One of the main reasons of such increase is higher concentration of metal in the ore processed in the year 2021 compared to 2020 that resulted in the higher amount of the finished product. Specifically, this was the case at Nasedkino deposit which comprises around 85% of all revenue from gold sales, where the average gold grade in the ore processed in the reporting period was 2.9 g/t compared to 2.0 g/t in the previous year.

- The Company's sales include also silver and gold/silver concentrate sold occasionally, forming around 1% of the total sales.
- The gross profit in 2021 increased by 70% compared to the previous year 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 production and sales volumes.
- Administrative expenses in 2021 have decreased by 15% compared to 2020.
- As a result, the Company has a positive adjusted EBITDA in 2021 of \$118,122 thousand which represents an increase of 101% compared to the previous year.

As at December 31, 2021 the Current assets increased by \$16,315k or 14% compared to December 31, 2020. The change of total current assets resulted mainly from the increase in inventory balances by \$12,560k due to the accumulation of finished goods and work-in-progress at the year-end because of the larger amounts of production in 2021 compared to the previous year.

As at December 31, 2021 the Non-current assets increased by \$31,585k or 14% compared to December 31, 2020 mainly due to purchases of PPE, exploration and intangible assets.

As at December 31, 2021 the Current liabilities increased by \$26,254k or 42% compared to December 31, 2020 mainly as a result of the increase in the short-term portion of the bank loan in the amount of \$24,833k, reclassified from the long-term liabilities according to the loan repayment schedule and decreased by the amount of loan payment made in 2021.

As at December 31, 2021 the Non-current liabilities decreased by \$29,070k or 11% compared to December 31, 2020 mainly due to the decrease in the long-term portion bank loan in the amount of \$53,749k, reclassified to short-term liabilities according to the loan repayment schedule, partially off-set by the increase in financial liability on derivative financial instrument in the amount of \$20,363k.

Cash Cost per Ounce Reconciliation for Savkinskoye Mine

	Three months ended 31 December,		Years ended 31 December,		
	2021	2020	2021	2020	2019
Cost of Sales	-	2,617	-	10,512	19,467
Less: Depreciation and Amortization included in cost of sales	-	-	-	-	-
Cost of sales less Depreciation and Amortization	-	2,617	-	10,512	19,467
Gold sold (oz)	-	1,420	-	6,857	13,400
Total Cash Cost per ounce of gold sold	-	\$1,843	-	\$1,533	\$1,453

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

	Three months ended 31 December,		Years ended 31 December,		
	2021	2020	2021	2020	2019
Cost of Sales	8,296	11,057	27,116	36,284	26,187
Less: Depreciation and Amortization included in cost of sales	(772)	(1,409)	(2,852)	(2,936)	(3,574)
Cost of sales less Depreciation and Amortization	7,524	9,648	24,264	33,348	22,613
Gold sold (oz)	4,153	7,473	13,509	28,225	25,607
Total Cash Cost per ounce of gold sold	\$1,812	\$1,291	\$1,796	\$1,182	\$883

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

	Three months ended 31 December,		Years ended 31 December,		
	2021	2020	2021	2020	2019
Cost of Sales	-	253	687	1,717	3,369
Less: Depreciation and Amortization included in cost of sales	-	(39)	(86)	(128)	-
Cost of sales less Depreciation and Amortization	-	214	601	1,589	3,369
Gold sold (oz)	-	150	314	910	2,506
Total Cash Cost per ounce of gold sold	-	\$1,427	\$1,914	\$1,746	\$1,344

Cash Cost per Ounce Reconciliation for Nasedkino Mine

	Three months ended 31 December,		Years ended 31 December,		
	2021	2020	2021	2020	2019
Cost of Sales	20,687	12,927	63,347	20,596	-
Less: Depreciation and Amortization included in cost of sales	(5,756)	(1,895)	(19,113)	(4,582)	-
Cost of sales less Depreciation and Amortization	14,931	11,032	44,234	16,014	-
Gold sold (oz)	32,664	11,948	72,092	16,002	-
Total Cash Cost per ounce of gold sold	\$457	\$923	\$614	\$1,001	-

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 31 December,		Years ended 31 December,		
	2021	2020	2021	2020	2019
Net profit / (loss) from continuing operations	32,303	45,830	51,840	(22,914)	7,429
Interest expense / (income)	36,949	(14,731)	53,853	58,681	19,104
Income tax provision	(20,501)	12,504	(14,089)	(5,809)	5,307
Depreciation, depletion and amortization	7,226	3,343	23,339	7,646	3,574
Impairment loss*	(2,976)	1,104	1,011	1,104	161
Foreign exchange loss / (gain)	4,904	(22,598)	2,168	20,023	(9,151)
Adjusted EBITDA	57,905	25,452	118,122	58,731	26,424

*Impairment loss include the effect of reversal in the 4th quarter of 2021 of inventory valuation adjustment made in the 9 months of 2021.

Summary of quarterly results (prepared in accordance with IFRS)

The Company's quarterly results are affected by, among other factors, the severe climatic variations in Eastern Russia. Higher revenues and operating profits are generally expected during the second half of the year than during the first half of the year because of the seasonal nature of operations. This variation is reflected in the results shown in the table below for the quarters ending March 31, 2020 to December 31, 2021:

	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	first quarter of 2020
Gold production (oz)	37,048	19,838	17,583	13,397	17,328	20,088	10,760	3,386
Gold sales (oz)	36,817	19,876	16,716	12,506	20,991	17,482	10,279	3,243
Revenue	83,897	44,570	37,246	27,606	53,087	45,746	22,115	7,413
Gross Profit	54,581	18,988	15,608	13,927	20,757	23,864	12,323	3,825
Net income (loss)	32,303	4,832	11,618	3,087	45,830	(11,657)	2,206	(59,293)
Earnings (loss) per share (Basic and Diluted)	\$0.0251	\$0.0038	\$0.0090	\$0.0024	\$0.0356	(\$0.0090)	\$0.0017	(\$0.0460)

The Net income (loss) and Earnings (loss) per share parameters during the years 2020-2021 experienced 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 31 December,		Years ended 31 December,	
	2021	2020	2021	2020
Net cash (used in) provided by operating activities before changes in working capital	56,227	20,575	115,917	51,478
Net cash (used in) provided by operating activities after changes in working capital	44,105	14,094	78,194	19,880
Net cash (used in) provided by investing activities	(12,897)	(19,004)	(37,987)	(58,292)
Net cash (used in) provided by financing activities	(5,173)	11,511	(47,473)	63,201
Loans and borrowings				
- Short-term,	62,307	37,474	62,307	37,474
- Long-term	173,122	226,871	173,122	226,871
Cash and cash equivalents	37,799	45,734	37,799	45,734
Working capital	43,602	53,541	43,602	53,541

Cash flow and capital resources

Working capital

The working capital decreased by 19% or \$9,939k as at December 31, 2021 compared to December 31, 2020, mainly as a result of decrease in cash and cash equivalents balance by \$7,935k.

The main changes in cash flow are:

Operating activities

- The favorable effect from the increased sales volumes at stable prices during 2021 facilitated the positive cash inflow from operating activities;

Investing activities

- The Company spent \$37,987k on its investing activity in 2021, representing a 35% decrease compared to 2020.
- In 2021 the Company invested \$27,409 in Property, plant and equipment, mainly in the enhancement of the technical capacity of Nasedkino processing plant and on the project of the evaluation of the technical and economic conditions of the Kochkovskoye refining facility. The Company invested \$4,973k in Exploration and Evaluation assets, including: \$1,267k in G&G studies at Nasedkino deposit, \$894k in exploration activities at Savkinskoye deposit and \$2,812k in exploration studies on refractory ore at Kochkovskoye ore deposit as well as in exploration on the area of Kochkovskoye alluvial deposit. During 2021 the Company also invested \$3,261 in design and upgrade of IT infrastructure.
- In 2020 the Company's main investment activity was connected with the development of Nasedkino site and its preparation for the production start. The Company invested \$49,959k in PPE, \$3,533k in exploration and evaluation assets and \$3,830k in mine properties.

Capital Commitments

- As at December 31, 2021, the Group had commitments to purchase equipment totaling \$3,707 thousand. As at December 31, 2020, the Company had commitments to purchase equipment totaling \$333k.

Financing activities

- During 2021 the Company received \$1,333k and repaid \$28,168k under the loan agreement with PJSC Bank "Finance Corporation Otkrytie". \$2,783k of lease liabilities were repaid, the payment on financial instruments amounted to \$17,451k. The Company also repaid the loan from Mangazeya Center LLC in the amount of \$404k. The cash flow from financing activities excludes the payment under the bank loan agreement in the amount of \$9.400 (7.5 million USD) that was technically rescheduled from December 2021 to January 2022.
- During 2020 the Company received \$294,044k under the loan agreement with PJSC Bank "Finance Corporation Otkrytie" and received \$17,497k and repaid \$235,858k under the loan agreement with VTB Bank (PJSC). \$2,293k of lease liabilities were repaid and the payment on financial instruments amounted to \$10,243k.

Going concern

The financial statements of the Company 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 profit for the year ended December 31, 2021 of \$51,840 thousand, and had accumulated losses of \$328,780 thousand and a working capital of \$43,602 thousand as at December 31, 2021.

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. These actions may eventually lead to reduced access to capital markets, weakening of the currency, supply-chain disruptions and other negative economic outcomes. The Group takes into consideration the highly increased political risk 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 with a high degree of certainty at the present stage.

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 28 of the consolidated financial statements for the period ended December 31, 2021.

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 consolidated financial statement for the year ended December 31, 2021.

Significant Accounting Policies

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

Internal Controls

No changes were made to the Company's internal control over financial reporting during the period beginning on January 1, 2021 and ending on December 31, 2021 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.

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.

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 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.

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, "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.