

**Mangazeya Mining Ltd.**  
**Consolidated Financial statements**  
**For the year ended December 31, 2021**

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## MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements ("the Financial Statements") of Mangazeya Mining Ltd. (the "Company") are the responsibility of the management.

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

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

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

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

April 27, 2022

(signed)

Mikhail Gusev

Chief Executive Officer

(signed)

Elena Rudenko

Chief Financial Officer

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mangazeya Mining Ltd.

### Opinion

We have audited the consolidated financial statements of Mangazeya Mining Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, which comprise a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the management's discussion and analysis, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and analysis and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with consolidated financial statements or our knowledge obtained in audit, or otherwise appears to be materially misstated.

We obtained the management's discussion and analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibility for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Lidia Vayspek.

Unicon Joint Stock Company (signed)

April 27, 2022

Moscow, Russia

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

	Notes	December 31, 2021	December 31, 2020
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	10	178,851	170,067
Right-of-use assets	27	3,999	3,621
Intangible assets	8	3,187	35
Exploration and evaluation assets	11	15,915	11,938
Mine properties and site restoration asset	12	29,596	32,704
Deferred income tax assets	23	30,307	11,905
<b>Total Non-current assets</b>		<b>261,855</b>	<b>230,270</b>
<b>Current Assets</b>			
Inventories	9	44,599	32,039
Short-term loans issued	28(b)	14,865	22,830
Trade and other receivables	6	34,548	13,704
Current income tax prepayments		355	1,544
Cash and cash equivalents	7	37,799	45,734
<b>Total Current Assets</b>		<b>132,166</b>	<b>115,851</b>
<b>Total Assets</b>		<b>394,021</b>	<b>346,121</b>
<b>Liabilities and Shareholders' equity</b>			
<b>Shareholders' equity</b>			
Share capital	16(b)	384,837	384,837
Share premium		44,210	44,210
Foreign currency translation reserve		(19,125)	(18,001)
Accumulated losses		(328,780)	(380,620)
<b>Total equity</b>		<b>81,142</b>	<b>30,426</b>
<b>Liabilities</b>			
<b>Non-current Liabilities</b>			
Long-term loans and borrowings	14(a)	173,122	226,871
Deferred tax liability	23	5,239	2,122
Provisions	15	13,781	12,285
Long-term lease liabilities	27	1,809	2,106
Derivative financial instruments	14(b)	30,364	10,001
<b>Total non-current liabilities</b>		<b>224,315</b>	<b>253,385</b>
<b>Current Liabilities</b>			
Short-term loans and borrowings	14(a)	62,307	37,474
Provisions	15	1,712	1,766
Trade and other payables	13	9,630	12,024
Current income tax payable		635	-
Derivative financial instruments	14(b)	12,075	9,915
Short-term lease liabilities	27	2,205	1,131
<b>Total Current Liabilities</b>		<b>88,564</b>	<b>62,310</b>
<b>Total Liabilities</b>		<b>312,879</b>	<b>315,695</b>
<b>Total Equity and Liabilities</b>		<b>394,021</b>	<b>346,121</b>

**APPROVED ON BEHALF OF THE DIRECTORS****Signed "Liudmila Arutiunian"**

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Liudmila Arutiunian

**Signed "Gerald Rohan"**

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Gerald Rohan

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

**Mangazeya Mining Ltd.****Consolidated Statement of Profit or Loss and Other Comprehensive Income***(Amounts are presented in thousands of Canadian dollars except share and per share amounts)*

		Years ended December 31,	
	Notes	2021	2020
Revenue	17	193,319	128,361
Cost of sales	18	(90,215)	(67,592)
<b>Gross profit</b>		<b>103,104</b>	<b>60,769</b>
General and administrative expenses	19	(9,867)	(11,633)
Selling expenses		(14)	(524)
Impairment loss on property, plant and equipment, mine properties and exploration and evaluation assets	21	(1,011)	(1,104)
Other operating expenses		(1,053)	(877)
<b>Income from operating activities</b>		<b>91,159</b>	<b>46,631</b>
<b>Other items</b>			
Finance income	20(a)	2,613	3,350
Finance expenses	20(b)	(56,021)	(78,704)
<b>Net income/(loss) before income tax</b>		<b>37,751</b>	<b>(28,723)</b>
Income tax benefit	22	14,089	5,809
<b>Net income/(loss) for the year</b>		<b>51,840</b>	<b>(22,914)</b>
<b>Other comprehensive loss</b>			
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences		(1,124)	(11,794)
<b>Comprehensive income/(loss) for the year</b>		<b>50,716</b>	<b>(34,708)</b>
<b>Weighted average number of shares – basic and diluted</b>	16(c)	1,288,211,149	1,288,211,149
<b>Total net income/(loss) per share – basic and diluted</b>		<b>\$0.04</b>	<b>\$(0.03)</b>

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

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

	<b>Notes</b>	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>			
Net income/(loss) for the year		51,840	(22,914)
<b>Adjustments for:</b>			
Depreciation and impairment of property, plant and equipment	18, 21	24,350	10,626
Losses less gains on disposals of property, plant and equipment		891	113
Income tax benefit	22	(14,089)	(5,809)
Finance income	20(a)	(2,613)	(3,350)
Finance expenses	20(b)	53,370	42,117
Loss due to difference in gold price on loan payment in gold	20(b)	-	10,672
Foreign currency translation differences	20	2,168	20,023
<b>Operating cash flows before working capital changes</b>		<b>115,917</b>	<b>51,478</b>
Increase in trade and other receivables	6	(9,695)	(35)
(Increase)/decrease in inventories	9	(12,560)	5,216
Decrease in trade and other payables	13	(2,394)	(11,261)
<b>Changes in working capital</b>		<b>(24,649)</b>	<b>(6,080)</b>
Income taxes received/(paid), net		292	(7,359)
Interest income received	20(a)	1,285	796
Interest paid	14(c)	(14,651)	(18,955)
<b>Net cash from operating activities</b>		<b>78,194</b>	<b>19,880</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment, mine properties and exploration and evaluation assets		(32,382)	(57,323)
Acquisition of intangible assets		(3,261)	(41)
Loans granted to related parties		(2,822)	(928)
Loan repayments received from related parties		478	-
<b>Net cash used in investing activities</b>		<b>(37,987)</b>	<b>(58,292)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	14(c)	1,333	311,541
Repayment of borrowings	14(c)	(28,572)	(235,858)
Payment of financial instruments		(17,451)	(10,243)
Repayment of lease		(2,783)	(2,239)
<b>Net cash (used in)/generating from financing activities</b>		<b>(47,473)</b>	<b>63,201</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(7,266)</b>	<b>24,789</b>
Effect of exchange rate changes on cash and cash equivalents		(669)	(2,163)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>45,734</b>	<b>23,108</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>37,799</b>	<b>45,734</b>

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

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

	Share capital	Share premium	Foreign currency translation reserve	Accumulated losses	Total Equity
<b>Balance at January 1, 2020</b>	<b>384,837</b>	<b>44,210</b>	<b>(6,207)</b>	<b>(357,706)</b>	<b>65,134</b>
<b>Comprehensive loss for the year</b>					
Loss for the year	-	-	-	(22,914)	(22,914)
Other comprehensive loss for the year	-	-	(11,794)	-	(11,794)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(11,794)</b>	<b>(22,914)</b>	<b>(34,708)</b>
<b>Balance at December 31, 2020</b>	<b>384,837</b>	<b>44,210</b>	<b>(18,001)</b>	<b>(380,620)</b>	<b>30,426</b>
<b>Balance at January 1, 2021</b>	<b>384,837</b>	<b>44,210</b>	<b>(18,001)</b>	<b>(380,620)</b>	<b>30,426</b>
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	51,840	51,840
Other comprehensive loss for the year	-	-	(1,124)	-	(1,124)
<b>Total comprehensive (loss)/income for the year</b>	<b>-</b>	<b>-</b>	<b>(1,124)</b>	<b>51,840</b>	<b>50,716</b>
<b>Balance at December 31, 2021</b>	<b>384,837</b>	<b>44,210</b>	<b>(19,125)</b>	<b>(328,780)</b>	<b>81,142</b>

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

## **Mangazeya Mining Ltd.**

### **Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2021**

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

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#### **1 Nature of operations**

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

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

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

As at December 31, 2021 the Parent Company's major shareholder was Mangazeya Group LLC with a 88.7% ownership interest (as at December 31, 2020: Mangazeya Center LLC with 88.7%). The ultimate beneficiary of the Parent Company is Mr. Sergey Yanchukov.

Mangazeya Mining, through its wholly-owned Cyprus subsidiary, Diascia Investments Limited ("Diascia"), owns interests in three wholly-owned subsidiaries, being Mangazeya Mining LLC, Dalzvetmet LLC and Koryakmining LLC, and through Mangazeya Mining LLC a 100% interest in SZM LLC (together - the "Group"). These companies are Russian limited liability companies as defined in the Civil Code of the Russian Federation and possess licenses for exploration and mining activities.

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 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 geopolitical instability that has increased since February 2022 has created significant risks for the Russian economy, resulting in major fluctuation of the exchange rates and devaluation of Russian assets on financial markets. According to the most recent available information it is not possible to make any predictions as to the influence of these events on the Russian economy as a whole and specific industries in particular. Consequently, there is limited possibility to prepare an estimate of a financial impact on the Company's operations in the short-term perspective.

Management monitors the current financial results and is taking the necessary actions to ensure that the Company continues to work towards the achievement of its ongoing business objectives. The Company has incurred a profit for the year ended December 31, 2021 of \$51,840 thousand, and had an accumulated loss of \$328,780 thousand and a working capital of \$43,602 thousand as at December 31, 2021.

#### **2 Basis of presentation**

##### **(a) Statement of compliance**

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and were approved by the Board of Directors on April 27, 2022.

##### **(b) Consolidation**

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

<b>Subsidiary</b>	<b>Country of incorporation</b>	<b>Type of core activity</b>	<b>Ownership interest at</b>	
			<b>December 31, 2021</b>	<b>December 31, 2020</b>
Diascia Investments Limited	Cyprus	Investment and financing	100%	100%
Diascia Holdings (BVI) Ltd	British Virgin Islands	Dormant	100%	100%
Dalstvetmet LLC	Russian Federation	Mining and production	100%	100%
Koryakmining LLC	Russian Federation	Mining and production	100%	100%

**Mangazeya Mining Ltd.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2021***(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)***2 Basis of presentation (continued)**

Subsidiary	Country of incorporation	Type of core activity	Ownership interest at	
			December 31, 2021	December 31, 2020
Mangazeya Mining LLC	Russian Federation	Exploration and mining	100%	100%
SZM LLC	Russian Federation	Exploration and mining	100%	99%

All intercompany transactions and balances have been eliminated.

**(c) Basis of measurement**

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

**(d) Functional and presentation currency**

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

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

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

Currency	Closing rate as at December 31, 2021	Average rate for 2021	Closing rate as at December 31, 2020	Average rate for 2020
RUB / CAD	59.2066	58.8005	58.2751	53.6727
RUB / USD	75.0751	73.6920	74.1958	71.9654
USD / CAD	0.7886	0.7979	0.7854	0.7458

**(e) Critical accounting judgments, estimates and assumptions**

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

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

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

**(i) Reserve estimates**

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

## **2 Basis of presentation (continued)**

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

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

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

### **(ii) Provision for site restoration**

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

The provision recognized is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognized in the balance sheet by adjusting both the closure and rehabilitation asset and provision. Significant assumptions used in the determination of the site restoration provision for the year ended December 31, 2021 are disclosed in Note 14(a).

### **(iii) Exploration and evaluation expenditure**

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

### **(iv) Property, plant and equipment, and mine properties - recoverable amount**

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

**Mangazeya Mining Ltd.**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2021**

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

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**2 Basis of presentation (continued)**

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

Significant assumptions used in the impairment loss for the year ended December 31, 2021 are disclosed in Note 21.

**(v) Taxation**

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

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

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, loan repayment, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions. Judgments are also required about the application of income tax legislation, and tax legislation in the Russian Federation is relatively new and subject to frequent changes. These judgments and assumptions are subject to risk and uncertainty hence there is a possibility that changes in circumstances will alter expectations, which might impact the amount of deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, part or all of the carrying amount of recognized deferred tax assets and liabilities might require adjustment, resulting in a corresponding credit or charge to profit or loss.

**(vi) Work in progress inventory**

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

**(vii) Other provisions**

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

**(viii) Impairment**

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

The Group tests long-lived assets for impairment when circumstances indicate there may be a potential impairment under IAS 36.

## **2 Basis of presentation (continued)**

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of (1) an asset's fair value less costs to sell and (2) value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Impairment losses relating to continuing operations are recognized in profit or loss in the expense categories which are consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Estimating recoverable amounts of assets is based on management's evaluations, including estimates of applicable market rates, if the market approach is used, or future cash flows, discount rates, terminal growth rates, and assumptions about future market conditions, if the income approach is used.

An impairment loss, recognized for the assets in prior years is reversed if there has been a change in the assumptions and estimates used to determine the recoverable amount.

As at December 31, 2021, management identified indications of impairment. Significant assumptions used in the impairment loss for the year ended December 31, 2021 are disclosed in Note 21.

## **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### **(a) Segment reporting**

The chief operating decision maker has been identified as the Management Board, who is responsible for allocating resources and assessing performance of the Group. In 2021 and 2020 the Management Board determined that the activities of the Group form a single operating segment. The internal reporting provided to the Management Board has been prepared using the accounting policies and presentation consistent with those used in preparation of the financial statements.

### **(b) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are retranslated to the functional currency at the historical exchange rate. Foreign currency differences arising in retranslation are recognized in profit or loss, except for differences arising on the retranslation of available for sale equity instruments which are recognized in other comprehensive income.

Foreign currency gains and losses are reported on a net basis. All foreign exchange gains and losses are presented as finance income/finance expenses.

### **(c) Financial instruments**

#### **(i) Non derivative financial assets**

Non-derivative financial assets comprise cash and cash equivalents and trade and other receivables.

The Group initially recognizes loans and receivables and deposits on the date that they are originated.

**Mangazeya Mining Ltd.**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2021**

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**3 Significant accounting policies (continued)**

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Cash and cash equivalents are measured at amortized cost.

**Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise accounts receivable.

**(ii) Non derivative financial liabilities**

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial liabilities comprise loans and borrowings, obligations under finance lease, and trade and other payables. Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

**(d) Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for their intended use, the estimated costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other operating income or expenses in profit or loss.

**(ii) Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is calculated to allocate the depreciable amount over the useful life of property, plant and equipment, which is the cost of an asset less its estimated residual value.

**Mangazeya Mining Ltd.**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2021**

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**3 Significant accounting policies (continued)**

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation commences from the month following the date of acquisition or, in respect of internally constructed assets, from the time an asset is substantially completed and ready for its intended use.

The estimated useful lives are as follows:

Buildings	7-30 years
Plant and equipment	3-15 years
Transport	3-15 years
Other	3-10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

**(e) Exploration and evaluation assets**

Exploration and evaluation expenditures are capitalized as exploration and evaluation assets when it is expected that expenditures related to an area of interest will be recouped by future exploitation, sale, or at the reporting date the exploration and evaluation activities have not reached a stage that permits a reasonable assessment of the existence of commercially recoverable ore reserves.

The capitalized expenditures include the cost of materials, direct labor and general and administrative and overhead costs that are directly attributable to exploration and evaluation activities such as exploratory drilling, trenching, etc. Borrowing costs related to exploration and evaluation assets are recognized as part of the cost of such assets.

Exploration and evaluation assets are stated at cost less impairment losses. They are not depreciated because the assets are not available for use. All capitalized exploration and evaluation assets are monitored for indications of impairment. Where there are indicators of potential impairment, an assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the capitalized exploration is attributed. Exploration areas at which reserves have been discovered but that require major capital expenditure before production can begin are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway or planned. To the extent that capitalized expenditures are not expected to be recovered they are charged to profit or loss.

Exploration and evaluation assets are transferred to mine properties once the work completed to date supports the future development of the property and such development receives appropriate approvals.

**(f) Mine properties**

Mine properties include expenditures incurred to acquire mineral and development rights and capitalized mine development costs including pre-production stripping.

Capitalized mine development costs include expenditures incurred to develop new ore bodies, to define future mineralization in existing ore bodies, to expand the capacity of a mine and to maintain production, and also borrowing costs relating to the construction of a mine property.

Mine properties are, upon commencement of production, depreciated using a units of production method based on the estimated proven and probable mineral reserves to which they relate, or are written off if the property is abandoned.

Costs associated with the commissioning of new assets, net of incidental revenues, are capitalized as mine properties in the period before they are operating in the way intended by management.

**(g) Stripping costs**

Stripping costs incurred prior to commencement of commercial production are capitalized as mine development costs. Stripping costs incurred during the production phase of a mine related to stripping activities that provide access to ore to be mined in the future are capitalized as mine development costs in mine properties if the component of the ore body for which access has been improved can be identified, future benefits arising from the improved access are probable and the cost of the improved access can be reliably measured. All other stripping

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**3 Significant accounting policies (continued)**

costs incurred during the production phase of a mine are considered current period production costs and included in inventory or cost of sales as applicable.

Stripping costs capitalized include only costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs.

Stripping costs capitalized are subsequently depreciated using the units of production method over the estimated proven and probable mineral reserves to which they relate.

**(h) Leased assets**

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for leases of low value assets; and leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received. Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease.

**(i) Inventories**

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated future selling price of the products, based on prevailing spot metal prices, less the estimated costs to complete production and bringing the product to sale. If there is a subsequent increase in the value of inventories, the previous write downs to net realizable value may be reversed to the extent that the related inventory has not been sold.

The cost of inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of refined gold and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

**(i) Raw materials and consumables**

Raw materials and consumables consist of consumable stores and are stated at weighted average cost less a provision for obsolete items.

**(ii) Work in progress**

Costs that are incurred in the production process are accumulated as stockpiles and work in progress. Work in progress inventory, which includes crushed ore, ore on leach pads and material currently in the process of being converted into a salable product, is valued at the lower of average production cost and net realizable value. Cost of stockpiles includes the cost of mining and crushing including amortization and depreciation of assets. Costs of ore on leach pads included in work in progress include mining and processing costs, including the cost of stock piled ore crushed, and associated amortization and depreciation of assets. Inventories are measured using the weighted average cost per method.

Stockpiles and work in progress are measured by estimating the number of tonnes added and removed from the stockpile or leach pad, the number of contained gold ounces based on assay data, and the estimated recovery percentage based on the expected processing method.

**(iii) Finished goods**

Cost of refined gold is determined on a weighted average basis.

Costs of refined gold include mining and processing costs, smelting, treatment and refining costs, other costs as well as amortization, depreciation and impairment.

### **3 Significant accounting policies (continued)**

#### **(j) Impairment**

##### **(i) Financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, and indications that a debtor or issuer will enter bankruptcy.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

##### **(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of exploration and evaluation asset might exceed its recoverable amounts. The factors that are considered are as follows:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;

### **3 Significant accounting policies (continued)**

- sufficient data exist to indicate that, although a redevelopment in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the impairment loss is recognized.

For the purposes of impairment testing as at December 31, 2021 and as at December 31, 2020, the recoverable amount of cash generating units has been determined based on value in use.

#### **(k) Employee benefits**

##### **(i) Remuneration**

Salaries, annual bonuses, paid annual leave and cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

##### **(ii) Russian State pension fund**

The Russian subsidiaries of the Company make contributions for the benefit of employees to Russia's State pension fund. The contributions are expensed as incurred. The Group does not provide any additional pension, post-retirement health care or insurance benefit to its current or former employees.

#### **(l) Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

##### **Site restoration**

The mining activities of the Group can give rise to obligations for site restoration. Restoration can include land rehabilitation and site restoration. The extent of work required and the associated costs are dependent on the requirements of law and the interpretations of the relevant authorities.

Provisions for the cost of each restoration program are recognized at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass obligated and reasonably estimable restoration and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that might impact the ultimate restoration and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognized as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

Restoration provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Discount rates used are specific to the country in which the operation is located. Significant judgments and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements. Changes in the measurement of a provision that result from changes in the estimated timing or amount of cash outflow, or a change in the discount rate, are added to or deducted from the costs of the related assets as appropriate in the current period.

The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognized as part of finance expenses.

### **3 Significant accounting policies (continued)**

#### **(m) Revenue**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, the associated costs can be estimated reliably, there is no continuing management involvement with the goods, the amount of revenue can be measured reliably and collection is reasonably assured.

For sales of gold, transfer of risks and rewards usually occurs when the product is shipped from the refinery to the buyer.

#### Revenue from Contracts with Customers

The Group recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group applies a 5-step approach to revenue recognition:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group recognizes revenue when or as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. The revenue cycle is based on the Group recognition of revenue.

#### **(n) Finance income and expenses**

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Finance income is considered an investing activity for cash flow purposes.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Finance expenses are considered financing activities for cash flow purposes.

#### **(o) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

**Mangazeya Mining Ltd.**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2021**

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

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**3 Significant accounting policies (continued)**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**(p) Mineral taxes**

The mining tax is calculated on a monthly basis as the volume of gold extracted per month multiplied by the average for the month gold sales price and multiplied by 6% tax rate.

**(q) Earnings per share**

The Company presents basic and diluted earnings per share data for its common shares, calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

**Mangazeya Mining Ltd.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2021***(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)***4 Changes in accounting standards**

The following is a list of new or amended IFRS standards and interpretations that have been adopted by the Group in these consolidated financial statements.

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the consolidated financial statements
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021	1 January 2021	No significant effect
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Interest Rate Benchmark Reform - IBOR-2	1 January 2021	No significant effect

**Accounting standards issued but not yet effective**

The standards and interpretations that are issued and applicable to the Group, but not yet effective as at the date of issuance of the Group's consolidated financial statements, are disclosed below. The Group intends to adopt these standards when they become effective unless otherwise stated below.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the consolidated financial statements
Amendments to IAS 37	Onerous Contracts - Cost of fulfilling a contract	1 January 2022	No significant effect
Amendments to IAS 16	Property, Plant and Equipment - Proceeds Before Intended Use	1 January 2022	No significant effect
Amendments to IFRS 1, IFRS 9, IAS 41	Annual Improvements to IFRS 2018-2020	1 January 2022	No significant effect
Amendments to IFRS 3	References to Conceptual Framework	1 January 2022	No significant effect
Amendments to IAS 1	Disclosure of Accounting Policies	1 January 2023	No significant effect
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023	No significant effect
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023	No significant effect
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023	Effect on presentation in the financial statements

**5 Determination of fair value**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**(a) Loans and receivables**

The fair value of financial assets classified as loans and receivables, including cash and cash equivalents and accounts receivable, is estimated as the present value of future cash flows, discounted, where applicable, at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

**Mangazeya Mining Ltd.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2021***(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)***5 Determination of fair value (continued)****(b) Derivative and Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For loans and borrowings and finance leases with fixed rates of interest the market rate of interest is determined by reference to similar financing agreements. For loans and borrowings with variable interest rates, the Group considers changes in the Group's credit spread or premiums above the variable rate on similar debt instruments to determine if the fair value disclosed for loans and borrowings is different from its carrying value. For derivative financial instruments the Group considers a market interest rate reflecting the yield on a long-term Russian government bonds. Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

**6 Trade and other receivables**

Receivables as at December 31, 2021 and December 31, 2020 consisted of the following:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Trade receivables	1,011	1,573
Other receivables	12,869	1,278
Provision for expected credit losses of trade and other receivables	(327)	(208)
<b>Total financial assets within trade and other receivables</b>	<b>13,553</b>	<b>2,643</b>
Advances to suppliers	12,702	3,187
Other tax receivables	8,262	7,933
Employee costs in advance	3	2
Other receivables, net	93	57
Provision for expected credit losses of non-financial receivables	(65)	(118)
<b>Total trade and other receivables</b>	<b>34,548</b>	<b>13,704</b>

Trade receivables within financial assets include the amount of \$721 receivable from related parties. Other receivables within financial assets include the amount of \$11,974 receivable from related parties. Advances to suppliers include \$3,511 of advances issued to related parties (Note 28).

**7 Cash and cash equivalents**

Cash and cash equivalents as at December 31, 2021 and December 31, 2020 consisted of the following:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Bank accounts in RUB	369	2,781
Bank accounts in USD	18	36
Bank deposits in RUB	37,412	42,917
<b>Total cash and cash equivalents</b>	<b>37,799</b>	<b>45,734</b>

Weighted average interest rate on cash deposits in rubles as at December 31, 2021 is 4.82% (as at December 31, 2020 - 4.05%). The bank accounts and bank deposits as at December 31, 2021 and December 31, 2020 were kept with the banks with a credit rating of AA and AAA from the Analytical Credit Rating Agency.

**8 Intangible assets**

During 2021 the Group invested in upgrading the existing information systems and design and development of new IT solutions for the purpose of its business activities. Those developments are mostly based on the ERP system 1C. The total expenditure in 2021 amounted to \$3,261. The Group plans to continue and finalize these software upgrades in 2022.

**Mangazeya Mining Ltd.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2021***(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)***9 Inventories**

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Inventories as at December 31, 2021 and December 31, 2020 comprised the following:

	December 31, 2021	December 31, 2020
Gold	1,427	936
Semi-finished goods and work-in-process, ore in stockpiles	32,995	23,814
Materials and supplies	10,909	7,840
Provision for obsolete inventory	(732)	(551)
<b>Total inventories</b>	<b>44,599</b>	<b>32,039</b>

As at December 31, 2021, the amount for slow-moving raw materials of \$732 thousand (December 31, 2020 - \$551 thousand) was written off to net realizable value.

**10 Property, plant and equipment**

	Facilities	Machinery and equipment	Transport	Other	Construction-in- progress	Total
<b>Cost</b>						
<b>At January 1, 2020</b>	<b>21,501</b>	<b>13,779</b>	<b>15,999</b>	<b>2,097</b>	<b>146,772</b>	<b>200,148</b>
Additions	102,645	32,726	5,644	179	(79,395)	61,799
Disposals	(4)	-	-	(1)	(11,950)	(11,955)
Foreign currency revaluation	(12,058)	(8,366)	(3,403)	(1,808)	(17,681)	(43,316)
<b>At December 31, 2020</b>	<b>112,084</b>	<b>38,139</b>	<b>18,240</b>	<b>467</b>	<b>37,746</b>	<b>206,676</b>
Additions	40,065	1,401	333	106	(11,549)	30,356
Disposals	(145)	(30)	(9)	(1)	(17)	(202)
Foreign currency revaluation	(2,038)	(609)	(288)	(8)	(437)	(3,380)
<b>At December 31, 2021</b>	<b>149,966</b>	<b>38,901</b>	<b>18,276</b>	<b>564</b>	<b>25,743</b>	<b>233,450</b>
<b>Accumulated depreciation and impairment</b>						
<b>At January 1, 2020</b>	<b>(6,036)</b>	<b>(11,191)</b>	<b>(15,075)</b>	<b>(1,089)</b>	<b>(6,466)</b>	<b>(39,857)</b>
Depreciation charge	(4,188)	(2,912)	(847)	(28)	-	(7,975)
Impairment (Note 20)	-	-	-	-	(342)	(342)
Disposals	1	-	-	1	-	2
Foreign currency revaluation	2,361	5,510	2,851	814	27	11,563
<b>At December 31, 2020</b>	<b>(7,862)</b>	<b>(8,593)</b>	<b>(13,071)</b>	<b>(302)</b>	<b>(6,781)</b>	<b>(36,609)</b>
Depreciation charge	(12,158)	(4,087)	(1,600)	(65)	-	(17,910)
Impairment (Note 20)	-	-	(20)	-	(768)	(788)
Disposals	68	8	9	-	-	85
Foreign currency revaluation	206	51	216	(7)	157	623
<b>At December 31, 2021</b>	<b>(19,746)</b>	<b>(12,621)</b>	<b>(14,466)</b>	<b>(374)</b>	<b>(7,392)</b>	<b>(54,599)</b>
<b>Net book value</b>						
<b>At December 31, 2020</b>	<b>104,222</b>	<b>29,546</b>	<b>5,169</b>	<b>165</b>	<b>30,965</b>	<b>170,067</b>
<b>At December 31, 2021</b>	<b>130,220</b>	<b>26,280</b>	<b>3,810</b>	<b>190</b>	<b>18,351</b>	<b>178,851</b>

As at December 31, 2021, depreciation directly attributable to construction in progress is \$302 thousand (2020 - \$412 thousand).

**Mangazeya Mining Ltd.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2021***(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)***11 Exploration and evaluation assets**

	<b>2021</b>	<b>2020</b>
<b>Cost as at 1 January</b>	<b>11,938</b>	<b>33,231</b>
Additions	5,198	3,621
Unsuccessful exploration expenditure derecognised	(194)	-
Transfer to mine properties and property, plant and equipment	(810)	(20,196)
Foreign currency revaluation	(217)	(4,718)
<b>Cost as at 31 December</b>	<b>15,915</b>	<b>11,938</b>

**12 Mine properties**

	<b>2021</b>	<b>2020</b>
<b>Cost as at 1 January</b>	<b>52,716</b>	<b>23,975</b>
Additions	-	5,252
Transferred from exploration and evaluation assets	109	20,196
Change in site-restoration provision	968	11,772
Disposals	-	(1,422)
Foreign currency revaluation	(1,587)	(7,057)
<b>Cost as at 31 December</b>	<b>52,206</b>	<b>52,716</b>
<b>Accumulated depreciation and impairment</b>		
<b>Accumulated depreciation and impairment as at 1 January</b>	<b>(20,012)</b>	<b>(21,765)</b>
Depreciation charge	(3,453)	(1,498)
Impairment charge for the year (Note 20)	(222)	(762)
Foreign currency revaluation	1,077	4,013
<b>Accumulated depreciation and impairment as at 31 December</b>	<b>(22,610)</b>	<b>(20,012)</b>
<b>Net book value at 31 December</b>	<b>29,596</b>	<b>32,704</b>

**13 Trade and other payables**

Trade and other payables as at December 31, 2021 and 2020 consisted of the following:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Trade payables	8,062	9,671
Other payables - financial	17	85
<b>Total financial trade and other payables</b>	<b>8,079</b>	<b>9,756</b>
Amounts received in advance	34	31
Accrued payables to employees	768	616
Other non-financial liabilities and other creditors	73	27
Taxes other than income tax payable	676	1,594
<b>Total non-financial trade and other payables</b>	<b>1,551</b>	<b>2,268</b>
<b>Trade and other payables</b>	<b>9,630</b>	<b>12,024</b>

**14 Loans and borrowings****(a) Loans and borrowings**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Short-term loans and borrowings</b>		
Short-term bank loans	62,307	37,474
<b>Total short-term loans and borrowings</b>	<b>62,307</b>	<b>37,474</b>
<b>Long-term loans and borrowings</b>		
Long-term bank loans	160,728	214,472
Long-term borrowings from related parties	12,394	12,399
<b>Total long-term loans and borrowings</b>	<b>173,122</b>	<b>226,871</b>
<b>Total loans and borrowings</b>	<b>235,429</b>	<b>264,345</b>

**Mangazeya Mining Ltd.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2021***(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)***14 Loans and borrowings (continued)**

As at December 31, 2021 and December 31, 2020 the carrying value of the Group's loans approximate their fair value.

(i) On March 20, 2020 Daltsvetmet LLC signed a Credit line agreement with PJSC "Bank Otkritie Financial Corporation". The credit line was provided in US dollars with the limit of US\$200 million, with the final repayment date of December 31, 2025. According to the conditions of this arrangement, the Companies of the Group have repaid in full the loans previously held with VTB Bank (PJSC). Due to US dollar exchange rate growth during 2020 year the Group has incurred foreign currency losses on recalculation of US dollar loans of Daltsvetmet to its functional currency (RUB). The management believes that this loss is of a formal nature and has no effect on the activities of the Group. In May 2021 Daltsvetmet LLC borrowed funds in the amount of \$1,333 under a new credit line agreement with the bank PJSC "Bank Otkritie Financial Corporation" with the total limit of US\$30,000 thousand and final repayment date at December 31, 2027. The interest rates on the loans from PJSC "Bank Otkritie Financial Corporation" during 2021 and 2020 were in the range from LIBOR 3M+4.5% to LIBOR 3M+6.5%.

(ii) Under the terms of the credit line agreement the Group pledged the 100% shares of Diascia Investments Limited, Mangazeya Mining LLC, Dalsvetmet LLC, and Koryakmining LLC. As at December 31, 2021 management considers that the Group was compliant with all covenants terms.

(iii) As at December 31, 2021, the loans received from related parties were \$3,489 thousand from Mangazeya Zoloto LLC, and \$8,905 thousand from Mangazeya Development LLC. As at December 31, 2020, the loans received from related parties were \$3,368 thousand from Mangazeya Zoloto LLC, and \$8,592 thousand from Mangazeya Development LLC as well as \$439 thousand from Mangazeya Center LLC.

**(b) Derivative financial instruments**

On March 20, 2020 the Group entered into forward agreements with PSJC "Bank Otkritie Financial Corporation" to hedge 17,500 ounces of gold with Koryakmining LLC and 175,000 ounces of gold with Daltsvetmet LLC. In the estimation of the fair value of the financial liability on the forward agreement the Group considered the difference between the agreed forward price according to the contract and the forecasted market prices used by the Group for the future cash flow estimates. The fair value of the financial liability on these arrangements as at December 31, 2021 was \$42,439 thousand (as at December 31, 2020 - \$19,916 thousand).

**(c) Liabilities reconciliation**

The table below presents the movement of the Group's liabilities arising from financing activities for each period presented. Items of these liabilities are reflected in the consolidated statement of cash flows within financing activities.

	<b>Loans and borrowings</b>	<b>Derivative financial instruments</b>	<b>Total</b>
<b>Balance at January 1, 2020</b>	<b>201,241</b>	<b>-</b>	<b>201,241</b>
<b>Cash flow:</b>			
Proceeds from borrowings	311,541	-	<b>311,541</b>
Repayment of borrowings, financial instruments	(235,858)	(10,243)	<b>(246,101)</b>
Interest paid in the period	(18,955)		<b>(18,955)</b>
<b>Non-monetary flows:</b>			
Revaluation of loan	10,672		<b>10,672</b>
Interest accrued over the period	19,102		<b>19,102</b>
Valuation of financial instruments	-	30,135	<b>30,135</b>
Foreign currency exchange gain/(loss)	(23,398)	24	<b>(23,374)</b>
<b>Balance at December 31, 2020</b>	<b>264,345</b>	<b>19,916</b>	<b>284,261</b>
<b>Balance at January 1, 2021</b>	<b>264,345</b>	<b>19,916</b>	<b>284,261</b>
<b>Cash flow:</b>			
Proceeds from borrowings	1,333	-	<b>1,333</b>
Repayment of borrowings, financial instruments	(28,572)	(17,451)	<b>(46,023)</b>
Interest paid in the period	(14,651)	-	<b>(14,651)</b>
<b>Non-monetary flows:</b>			
Interest accrued over the period	15,844	-	<b>15,844</b>
Valuation of financial instruments	-	39,805	<b>39,805</b>
Foreign currency exchange gain/(loss)	(2,870)	169	<b>(2,701)</b>
<b>Balance at December 31, 2021</b>	<b>235,429</b>	<b>42,439</b>	<b>277,868</b>

**Mangazeya Mining Ltd.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2021***(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)***15 Provisions**

	December 31, 2021	December 31, 2020
Site-restoration provision	13,781	12,285
Provision for annual bonus	1,670	1,724
Other provisions	42	42
<b>Total provisions</b>	<b>15,493</b>	<b>14,051</b>

**(a) Site restoration provision:**

<b>Balance at January 1, 2020</b>	1,911
Additional charge	11,779
Reversed during the period	(150)
Foreign currency translation	(1,255)
<b>Balance at December 31, 2020</b>	<b>12,285</b>
Additional charge	1,748
Utilized during the period	(46)
Foreign currency translation	(206)
<b>Balance at December 31, 2021</b>	<b>13,781</b>

A provision of \$13,781 thousand as at December 31, 2021 (2020 - \$12,285 thousand) is recognized in respect of the Group's production sites located in the Russian Federation. The provision was calculated based on the current assumptions regarding life of the mines, expected activities to be performed (removal of waste, restoration of mine sites), expected undiscounted cash flows of \$37,000 thousand (2020 - \$30,173 thousand) based on current prices for similar activities adjusted for expected inflation, and a discount rate of 8.43% reflecting the yield on a long-term Russian government bonds (2020 - 6.62%). The increase in provision is due to periodic annual revision of the expected costs for assets dismantlement and land restoration. Environmental legislation in Russia continues to evolve and it is difficult to determine the exact standards required by the current legislation in restoring sites such as these. Generally, the standard of restoration is determined based on discussions with Government officials at the time that restoration commences.

**(b) Other provisions:**

The Company has recognized a provision of \$1,670 thousand as at December 31, 2021 (as at December 31, 2020 - \$1,724 thousand) in respect of annual bonus remuneration to the employees of the Group's subsidiaries.

The Company has not recognized tax provision in 2021 and 2020.

**16 Equity****(a) Authorized Common Shares**

Unlimited common shares without par value.

**(b) Issued and outstanding**

	Number of outstanding shares	Ordinary shares	Share premium	Total
<b>At January, 1 2020</b>	<b>1,288,211,149</b>	<b>384,837</b>	<b>44,210</b>	<b>429,047</b>
<b>At 31 December 2020</b>	<b>1,288,211,149</b>	<b>384,837</b>	<b>44,210</b>	<b>429,047</b>
<b>At 31 December 2021</b>	<b>1,288,211,149</b>	<b>384,837</b>	<b>44,210</b>	<b>429,047</b>

On March 4, 2016, the Company completed a shares-for-debt transaction with Mangazeya Center LLC (the "Transaction"). The Transaction received the NEX's approval. Pursuant to the Transaction, the Company has settled \$201,231 thousand of debt by issuing 804,922,254 Common Shares to Mangazeya Center LLC at a deemed price of \$0.25 per Common Share (the "Share Price"). The Share Price represents a 733% premium to the Company's closing share price of \$0.03 as at February 10, 2016. The Controlling Shareholder has agreed to purchase the Common Shares to be issued as part of the Transaction (the "Shares") at a premium in order to maintain the Company's free float of Common Shares above 10%.

**Mangazeya Mining Ltd.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2021***(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)***15 Equity (continued)**

Pursuant to the transaction Mangazeya Center LLC controlled 88.7% of the share capital (1,143,222,462 shares).

On December 27, 2021 Mangazeya Center LLC has sold its all of its stake in the Company to Mangazeya Group LLC. As of December 31, 2021 Mangazeya Group LLC owns 1,143,222,462 shares, representing the 88.7% of the share capital of the Company.

**(c) Earnings per share**

For the year ended December 31, 2021 and 2020 there were no stock options and warrants.

**17 Revenue**

Revenue for the year ended December 31, 2021 and 2020 comprise the following:

	Years ended December 31,	
	2021	2020
Sales of gold in bullions	191,031	127,623
Silver	744	218
Gold and silver concentrate	1,544	520
<b>Total revenue</b>	<b>193,319</b>	<b>128,361</b>

Group sales of gold and silver are provided to a single customer.

**18 Cost of sales**

Cost of sales for the year ended December 31, 2021 and 2020 comprise the following:

	Years ended December 31,	
	2021	2020
Wages and salaries	25,026	18,240
Third parties services	23,899	15,311
Depreciation and amortization	23,339	9,522
Raw materials and fuel	21,174	12,669
Energy and utilities	3,668	2,143
Mineral extraction tax and other production taxes	1,833	6,052
Other production expenses	1,021	639
Change in finished, semi-finished goods and work in progress	(9,745)	3,016
<b>Total cost of sales</b>	<b>90,215</b>	<b>67,592</b>

Third party services include works of supplier on placer gold site, drilling - blasting works, transportation and other services.

**19 Administrative expenses**

Administrative expenses for the year ended December 31, 2021 and 2020 comprise the following:

	Years ended December 31,	
	2021	2020
Services of the management company	9,293	11,143
Audit, accounting, advisory and legal fees	434	280
Wages and salaries including social taxes	124	133
Other	16	77
<b>Total general and administrative expenses</b>	<b>9,867</b>	<b>11,633</b>

**Mangazeya Mining Ltd.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2021***(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)***20 Finance income and finance expense****a) Finance income**

	Years ended December 31,	
	2021	2020
Interest income from non-bank loans	1,328	1,463
Gain on derivative financial instruments	-	1,091
Interest income from bank deposits	1,285	796
<b>Total finance income</b>	<b>2,613</b>	<b>3,350</b>

**b) Finance expense**

	Years ended December 31,	
	2021	2020
Loss on derivative financial instruments	39,805	31,226
Foreign exchange loss	2,168	20,023
Loss on set off of loan in gold	-	10,672
Interest expense on bank loans	11,342	9,151
Bank services	483	5,892
Interest expense on non-bank loans	599	1,055
Interest expense on lease liability	844	620
Site restoration provision discounting	780	65
<b>Total finance expense</b>	<b>56,021</b>	<b>78,704</b>

**21 Impairment****Mangazeya Mining LLC**

As at December 31, 2021, management identified certain indicators of impairment related to its mining operations. These indicators included a significant reduction in reserve estimates and changes in management's plans with respect to certain exploration properties. As a result, management determined the recoverable amount of these assets in order to determine an impairment loss.

Based on the impairment testing assessment of the Mangazeya Mining LLC cash generating unit which includes the Company's operating mining assets and property plant and equipment, the carrying amount was not considered recoverable and an impairment loss of \$1,011 was recognized.

The impairment loss was allocated to property, plant and equipment and mine properties as follows:

Property, plant and equipment	789
Mine properties	222
<b>Total amount of impairment</b>	<b>1,011</b>

As at December 31, 2020, based on the impairment testing assessment of the Mangazeya Mining LLC cash generating unit which includes the Company's operating mining assets and property plant and equipment, the carrying amount was not considered recoverable and an impairment loss of \$1,104 thousand was recognized. The impairment loss was allocated to property, plant and equipment and right-of-use assets as follows:

Property, plant and equipment	342
Mine properties	762
<b>Total amount of impairment</b>	<b>1,104</b>

**Dalsvetmet LLC and Koryakmining LLC**

The recoverable amount for the cash-generating unit was determined by discounting future cash flows expected to be generated by the cash-generating unit. Cash flows were forecast based on the actual operating results for 2021 and the business plan for 2022-2036.

**Mangazeya Mining Ltd.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2021***(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)***21 Impairment (continued)**

The following sales prices of gold and exchange rates were used in forecasting of sales revenues:

	<b>2022 - 2036</b>
Gold price (US\$/Oz)	1,708 - 2,225
US\$ dollar exchange rates	70.76 - 89.59

- A post-tax discount rate was 15.97% for Koryakmining LLC and 16.24-16.51% for Dalsvetmet LLC.

Based on the analysis, further impairment or reversal of impairment were not required. However, the recoverable amount is highly sensitive to the gold price and exchange rate assumptions and a decrease in the long-term gold price assumptions or a significant strengthening of the Ruble relative to the US dollar could result in the need for further impairment charges.

The key assumptions represent management's assessment of future trends in the gold production industry and are based on both external sources and internal sources.

As at December 31, 2020, no impairment or reversals were made based on the analysis. The following sales prices of gold and exchange rates were used in forecasting of sales revenues:

	<b>2021 - 2030</b>
Gold price (US\$/Oz)	1,428 - 1,841
US\$ dollar exchange rates	71.97 - 73.77

- A post-tax discount rate was 13.93% for Koryakmining LLC and 15.30% for Dalsvetmet LLC.

**22 Income tax benefit**

The Group's applicable income tax rate is 20% representing the general tax rate in the Russian Federation. The Group also operates in other jurisdictions with different tax rates: 12.5% in Cyprus, 0% in British Virgin Islands. The Group's subsidiary Dalsvetmet LLC operates under a special tax regime applied for a territory of advanced development and is consequently provided a right to use since 2021 a tax incentive in form of a reduced income tax rate of 2%.

	<b>Years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Current tax	(1,519)	(3,970)
Deferred tax	15,608	9,779
<b>Total income tax benefit</b>	<b>14,089</b>	<b>5,809</b>
	<b>2021</b>	<b>2020</b>
Profit/(loss) before income tax	37,751	(28,723)
Income tax at applicable tax rate (20%)	(7,550)	5,745
Effect of application of a reduced tax rate of 2%	10,954	-
Change in deferred tax assets and liabilities at reduced tax rate of 2%	10,639	-
Income or expenses which are not deductible for taxation purposes	46	64
<b>Total income tax benefit</b>	<b>14,089</b>	<b>5,809</b>

**Mangazeya Mining Ltd.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2021***(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)***23 Deferred tax assets and liabilities****(a) Movement in temporary differences during the year**

The tax effect of the movements in the temporary differences for the years ended December 31, 2021 and December 31, 2020 is as follows:

	January 1, 2021	Recognized in loss	Translation differences	December 31, 2021
Property, plant and equipment	(6,846)	6,480	69	(297)
Gold	(24)	(26)	1	(49)
Semi-finished goods and in process	(1,593)	933	19	(641)
Materials and supplies	89	14	(1)	102
Trade and other payables	1	(1)	-	-
Tax losses carry-forward	20,374	(3,792)	(443)	16,139
Provisions	2,798	(314)	(42)	2,442
Financial instruments	3,617	4,847	38	8,502
Exploration assets	(523)	523	-	-
Mine properties	(8,110)	6,944	36	(1,130)
<b>Net deferred tax assets/(liabilities)</b>	<b>9,783</b>	<b>15,608</b>	<b>(323)</b>	<b>25,068</b>
Deferred tax assets	11,905	18,782	(380)	30,307
Deferred tax liabilities	(2,122)	(3,174)	57	(5,239)
<b>Net deferred tax assets/(liabilities)</b>	<b>9,783</b>	<b>15,608</b>	<b>(323)</b>	<b>25,068</b>

	January 1, 2020	Recognized in loss	Translation differences	December 31, 2020
Property, plant and equipment	4,719	(11,414)	(151)	(6,846)
Gold	(64)	31	9	(24)
Semi-finished goods and in process	(1,697)	(217)	321	(1,593)
Materials and supplies	(2,204)	2,061	232	89
Trade and other payables	(359)	359	1	1
Tax losses carry-forward	17,799	6,265	(3,690)	20,374
Lease liabilities	168	(150)	(18)	-
Provisions	-	3,038	(240)	2,798
Financial instruments	599	3,011	7	3,617
Exploration assets	(12,656)	10,759	1,374	(523)
Mine properties	(5,789)	(3,964)	1,643	(8,110)
<b>Net deferred tax assets/(liabilities)</b>	<b>516</b>	<b>9,779</b>	<b>(512)</b>	<b>9,783</b>
Deferred tax assets	4,089	9,019	(1,203)	11,905
Deferred tax liabilities	(3,573)	760	691	(2,122)
<b>Net deferred tax assets/(liabilities)</b>	<b>516</b>	<b>9,779</b>	<b>(512)</b>	<b>9,783</b>

**(b) Unrecognized deferred tax assets**

Deferred tax assets have not been recognized for deductible temporary differences totaling \$1,052 thousand (2020 - \$1,069 thousand) associated primarily with property, plant and equipment, mining properties, exploration and evaluation assets and tax loss carry-forwards.

**Tax uncertainties**

The taxation system in the Russian Federation is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open for review longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretation of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

**Mangazeya Mining Ltd.**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2021**

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

**24 Financial instruments and risk management**

**(a) Overview**

Management of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

Information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring are summarized below. Further quantitative disclosures are included throughout these financial statements.

**(b) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's accounts receivable and cash and cash equivalents. The Group does not require collateral in respect of accounts receivable

**(i) Trade and other receivables**

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. As at December 31, 2021, the provision for uncollectible trade and other receivables was \$392 thousand (as at December 31, 2020 - \$326 thousand).

	<b>2021</b>	<b>2020</b>
<b>Balance at the beginning of the year</b>	<b>(326)</b>	<b>(401)</b>
Change in impairment provision for trade and other receivables	72	4
Foreign currency translation reserve	(138)	71
<b>Balance at the end of the year</b>	<b>(392)</b>	<b>(326)</b>

**(ii) Exposure to credit risk**

The maximum exposure to credit risk at the reporting date was:

	<b>2021</b>	<b>2020</b>
Other receivables	989	1,333
Other receivables from related parties	16,206	2,045
Loans issued	14,865	22,830
Bank accounts in currency other than RUB	18	36
Bank accounts in RUB	369	2,781
Bank deposits in RUB	37,412	42,917
<b>Total</b>	<b>69,859</b>	<b>71,942</b>

**Mangazeya Mining Ltd.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2021***(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)***24 Financial instruments and risk management (continued)****(c) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following table shows the remaining contractual maturities as at the reporting dates of the Group's derivative and non-derivative financial liabilities, which are based on contractual undiscounted cash flows:

<b>December 31, 2021</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>0-6 mths</b>	<b>6-12 mths</b>	<b>1-2 yrs</b>	<b>2-3 yrs</b>	<b>Over 3 yrs</b>
<b>Non-derivative financial liabilities</b>							
Loans and borrowings	235,429	267,604	47,712	37,295	59,329	56,112	67,156
Trade and other payables	9,630	9,630	9,630	-	-	-	-
Obligation under finance lease	4,014	4,643	1,380	1,313	1,950	-	-
<b>Derivative financial liabilities</b>							
Obligation under forward agreement	42,439	50,324	6,262	6,387	10,305	12,829	14,541
<b>Total</b>	<b>291,512</b>	<b>332,201</b>	<b>64,984</b>	<b>44,995</b>	<b>71,584</b>	<b>68,941</b>	<b>81,697</b>

  

<b>December 31, 2020</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>0-6 mths</b>	<b>6-12 mths</b>	<b>1-2 yrs</b>	<b>2-3 yrs</b>	<b>Over 3 yrs</b>
<b>Non-derivative financial liabilities</b>							
Loans and borrowings	264,345	313,847	27,484	26,839	76,572	60,056	122,896
Trade and other payables	12,024	12,024	12,024	-	-	-	-
Obligation under finance lease	3,237	4,012	799	796	1,523	894	-
<b>Derivative financial liabilities</b>							
Obligation under forward agreement	19,916	21,636	5,026	5,197	5,172	2,996	3,245
<b>Total</b>	<b>299,522</b>	<b>351,519</b>	<b>45,333</b>	<b>32,832</b>	<b>83,267</b>	<b>63,946</b>	<b>126,141</b>

**(d) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and metal prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**(i) Currency risk**

The Company is exposed to foreign currency risk on accounts that are denominated in a currency other than the Russian ruble. The currency giving rise to this risk is the US dollars.

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Current Assets</b>		
Cash and cash equivalents	18	36
Trade and other receivables	56	57
Loans issued	-	1,435
<b>Current Liabilities</b>		
Trade and other payables	(1,789)	(2,944)
Loans received	(223,034)	(251,946)
Derivative financial instruments	(42,439)	(19,916)
<b>Total</b>	<b>(267,188)</b>	<b>(273,278)</b>

The following table presents sensitivity of profit and loss and equity to possible changes in exchange rates applied at the reporting date relative to the Company's functional currency:

<b>Impact on profit/(loss) by 10% change:</b>	<b>2021</b>	<b>2020</b>
USD strengthening	(24,290)	(25,991)
USD weakening	24,290	25,991

**Mangazeya Mining Ltd.**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2021**

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

**24 Financial instruments and risk management (continued)**

**(ii) Interest rate risk**

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy for determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of obtaining new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

<b>Variable rate instruments</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Loans and borrowings	(235,429)	(264,345)

**(e) Fair values of financial instruments**

Financial instruments measured at fair value or for which fair value is disclosed are categorized within a three-tier fair value hierarchy, which prioritizes the inputs in measuring fair value of financial instruments, as follows:

- Level 1: quoted prices (unadjusted) in active markets or identical assets or liabilities;
- Level 2: valuation techniques using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2021 and 2020, financial instruments of the Group are measured at the fair value. The fair value of loans and borrowings as well as derivative financial instruments disclosed in Note 14 are classified as Level 2.

Management believes that the carrying values of the Group's cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair value due to their short terms to maturity.

**25 Capital management**

The Group manages its capital with the following objectives.

- to ensure sufficient financial flexibility to achieve its ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing share value.

The Group monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Group may manage its capital structure by issuing new shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Group considers its capital to be loans and borrowings and equity, comprising share capital, warrants, additional paid in capital, foreign currency translation reserve and accumulated losses, which at December 31, 2021 totaled \$327,695 thousand (2020 - \$294,771 thousand). The Group manages capital through its financial and operational forecasting processes. The Group reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated. Selected information is frequently provided to the Board of Directors of the Group. The Group is not subject to any capital requirements imposed by a regulator or lending institution.

Under the terms of signed loan agreements the Group shall comply with certain covenants, including requirements to meet certain financial ratios. In 2021 entities of the Group complied with all external requirements to capital and other financial indicators. These requirements are outlined in loan agreements signed by entities of the Group and shall be met by them, including the requirement to maintain the net debt to EBITDA ratio at a certain level agreed in the contract.

**Mangazeya Mining Ltd.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2021***(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)***26 Commitments and contingencies**

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

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

**Capital commitments**

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

**27 Right-of-use assets and lease liabilities**

Right-of-use assets of the Group were presented as follows:

	Land and forest plots	Machinery and equipment	Total
<b>Right-of-use assets</b>			
<b>As at January 1, 2020</b>	<b>3,452</b>	<b>2,194</b>	<b>5,646</b>
Additions	-	2,815	2,815
Depreciation expense	-	(1,078)	(1,078)
Reclassification	(3,452)	-	(3,452)
Foreign currency revaluation	-	(310)	(310)
<b>As at December 31, 2020</b>	<b>-</b>	<b>3,621</b>	<b>3,621</b>
Additions	-	2,752	2,752
Depreciation expense	-	(2,317)	(2,317)
Foreign currency revaluation	-	(57)	(57)
<b>As at December 31, 2021</b>	<b>-</b>	<b>3,999</b>	<b>3,999</b>

The Group's lease liabilities at December 31, 2021 are presented below:

	Carrying amount	Minimum lease payment	Interest
Less than one year	2,205	2,693	488
Between one and five years	1,809	1,950	141
<b>Total</b>	<b>4,014</b>	<b>4,643</b>	<b>629</b>

The Group's lease liabilities at December 31, 2020 are presented below:

	Carrying amount	Minimum lease payment	Interest
Less than one year	1,131	1,595	464
Between one and five years	2,106	2,417	311
<b>Total</b>	<b>3,237</b>	<b>4,012</b>	<b>775</b>

In accordance with the current estimates, right of use assets are amortized over the following terms:

Forest and land	11 years
Equipment	4 years
Other	3 years

As at December 31, 2021 and December 31, 2020 the Group's weighted average inherent rate was 18.4%.

**Mangazeya Mining Ltd.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2021***(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)***27 Right-of-use assets and lease liabilities (continued)**

The table below presents the movement of the Group's Lease liabilities for each period presented. Items of these liabilities are reflected in the consolidated statement of cash flows within financing activities:

<b>Lease liabilities</b>	
<b>As at January 1, 2020</b>	<b>6,042</b>
Additions	2,815
Interest expense	620
Payment	(2,239)
Reclassification	(3,452)
Foreign currency revaluation	(549)
<b>As at December 31, 2020</b>	<b>3,237</b>
Additions	2,752
Interest expense	844
Payment	(2,783)
Foreign currency revaluation	(36)
<b>As at December 31, 2021</b>	<b>4,014</b>

**28 Related party transactions****(a) Management remuneration**

Key management personnel is defined as the executive management. The members of the executive management individually support the General Director of the Company in the leadership, management, coordination and control of operations and performance. Key management personnel received the following remuneration during the period, which is included in personnel costs:

	<b>2021</b>	<b>2020</b>
Salaries and bonuses	1,361	1,235
Contributions to Russian state pension fund	285	252
<b>Total management remuneration</b>	<b>1,646</b>	<b>1,487</b>

**(b) Transactions with other related parties**

	<b>Transactions for the year</b>		<b>Balance outstanding</b>	
	<b>2021</b>	<b>2020</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Loans issued to related party</b>				
Controlling shareholder	-	-	-	11,313
Company under common control	-	-	14,865	11,517
<b>Interest expense</b>				
Controlling shareholder	21	25	-	-
Company under common control	408	447	-	-
Other related parties	170	124	-	-
<b>Administrative services</b>				
Company under common control	9,293	11,144	-	-
<b>Other operating expenses</b>				
Company under common control	61	604	-	-
Other related parties	-	104	-	-
<b>Trade and other payables (Note 12)</b>				
Controlling shareholder	-	-	-	39
Company under common control	-	-	2,068	1,709
<b>Other receivables (Note 6)</b>				
Controlling shareholder	-	-	11,325	272
Company under common control	-	-	4,881	1,773
<b>Loans received</b>				
Controlling shareholder	-	-	-	439
Company under common control	-	-	12,394	11,959
<b>Interest income (Note 20)</b>				
Controlling shareholder	597	739	-	-
Company under common control	731	724	-	-

**Mangazeya Mining Ltd.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2021***(Unless otherwise stated, amounts are presented in thousands of Canadian dollars)***28 Related party transactions (continued)**

	Transactions for the year		Balance outstanding	
	2021	2020	December 31, 2021	December 31, 2020
<b>Foreign exchange gain/loss</b>				
Company under common control	-	16	-	-
Other related parties	-	12	-	-
<b>Purchases of PPE, exploration and intangible assets</b>				
Company under common control	10,626	21,848	-	-
<b>Purchases of Inventories</b>				
Company under common control	26	15	-	-
<b>Cost of sales</b>				
Company under common control	9,310	3,902	-	-

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

Administrative expenses relate to the Management Services Agreement with Mangazeya Zoloto LLC. Under this Agreement Mangazeya Zoloto LLC provides full scope of administrative and managerial services including powers of the sole executive body, operational management, geological supervision, full accounting, legal and IT support for all operating units of the group. The predominant part of the group's management and administrative personnel (not directly involved in on-field operations) is hired and retained through Mangazeya Zoloto LLC.

Loans from related parties as at December 31, 2021 comprise amounts in Russian rubles and are provided at 5% and 6% interest rates. Loans from related parties as at December 31, 2020 are represented by US dollars (\$439 thousand) and Russian rubles (\$11,959) and were provided at 5% and 6% interest rates.

During the year ended December 31, 2021 the assets purchased from related parties were recognized in the amount of \$7,235 thousand as construction in process and fixed assets, \$3,098 as intangible assets, \$293 thousand as exploration assets and \$26 thousand as raw materials. During the year ended December 31, 2020 the assets purchased from related parties were recognized in the amount of \$21,847 thousand as construction in progress and fixed assets, \$1,059 thousand as exploration assets and \$15 thousand as raw materials.

**29 Subsequent events**

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.