



**SILVER  
BEAR**  
RESOURCES Plc

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Registered Number: 10669766 (England and  
Wales)

*For the three and nine months ended 30  
September 2021 and 2020*

*(Expressed in Canadian dollars)*



Mangazeisky Silver Project – Open Pit

## **NOTICE OF NO REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# Silver Bear Resources Plc

## Consolidated Statement of Financial Position

For the nine months ended 30 September 2021 and 2020  
(Canadian dollars)

	Note	30 September 2021	31 December 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	78,042,683	74,096,536
Mineral property	9	10,802,083	11,923,604
Intangible assets	8	214,445	299,528
Prepaid non-current assets	6	1,395,128	2,871,150
Other non-current assets	7	5,412,970	2,965,765
<b>Total non-current assets</b>		<b>95,867,309</b>	<b>92,156,583</b>
<b>Current assets</b>			
Inventories	5	22,627,950	18,134,273
Receivables	4	2,139,405	3,050,392
Cash and cash equivalents		1,962,774	1,302,165
Prepaid expenses	6	3,050,072	2,789,641
<b>Total current assets</b>		<b>29,780,201</b>	<b>25,276,471</b>
<b>TOTAL ASSETS</b>		<b>125,647,510</b>	<b>117,433,054</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term loans	13	168,857,417	165,062,833
Asset retirement obligation	14	4,302,260	4,040,784
Lease obligation	12	3,116,283	1,237,793
<b>Total non-current liabilities</b>		<b>176,275,960</b>	<b>170,341,410</b>
<b>Current liabilities</b>			
Advances received		2,683,520	144
Short-term loans	13	25,508,269	3,085,133
Account payable and accrued liabilities	11	5,793,023	3,682,160
Lease obligation	12	3,133,197	1,688,373
<b>Total current liabilities</b>		<b>37,118,009</b>	<b>8,455,810</b>
<b>Total liabilities</b>		<b>213,393,969</b>	<b>178,797,220</b>
<b>Equity</b>			
Share Capital	15	99,568,042	99,561,998
Share Premium		23,058,522	22,570,500
Shareholders Contribution	13	5,381,283	5,381,283
Contributed surplus	15	16,753,212	16,960,163
Cumulative translation adjustment		11,579,206	13,460,394
Retained earnings/ (Accumulated deficit)		(244,086,724)	(219,298,504)
<b>Total equity (deficiency)</b>		<b>(87,746,459)</b>	<b>(61,364,166)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>125,647,510</b>	<b>117,433,054</b>

The accompanying notes are an integral part of these consolidated financial statements

The financial statements on pages 3 to 38 were approved by the Board of Directors on 12 November 2021, and signed on its behalf by:

**“Vadim Ilchuk”**

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**Vadim Ilchuk**  
Director, President, CEO

**“Maxim Matveev”**

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**Maxim Matveev**  
Director

**Silver Bear Resources Plc**  
**Consolidated Statement of Comprehensive Profit/(Loss)**  
For the three and nine months ended 30 September 2021 and 2020  
(Canadian dollars)

	Note	Three months ended		Nine months ended	
		30 September 2021	30 September 2020	30 September 2021	30 September 2020
<b>Revenue:</b>					
Metal Sales		7,636,205	14,245,264	29,478,400	38,326,831
<b>Cost of Sales:</b>					
Production cost	18	(10,390,650)	(7,071,885)	(26,280,655)	(19,230,761)
Depreciation and amortization		(3,809,820)	(2,502,931)	(11,746,867)	(13,630,135)
<b>Gross profit / (loss)</b>		<b>(6,564,265)</b>	<b>4,670,448</b>	<b>(8,549,122)</b>	<b>5,465,935</b>
Exploration and evaluation expenses		-	-	(16,738)	(71,585)
General and administrative expenses	18	(888,969)	(932,100)	(3,018,026)	(2,712,929)
Write-off of other non-current assets		(909,898)	-	(909,898)	-
Write-off of PPE		-	-	(180,418)	-
Other income	17	10,623	101,066	159,900	390,318
Other expenses	17	(494,105)	(613,457)	(1,438,032)	(1,579,592)
<b>Operating loss</b>		<b>(8,846,614)</b>	<b>3,225,957</b>	<b>(13,952,333)</b>	<b>1,492,147</b>
Finance income	19	3,402	2,292	12,483	7,481
Finance expenses	19	(4,701,281)	(4,560,200)	(13,476,846)	(13,292,650)
Foreign exchange (loss) /gain		(1,124,893)	(25,765,070)	2,373,351	(47,968,367)
<b>Profit / (loss) before tax</b>		<b>(14,669,386)</b>	<b>(27,097,021)</b>	<b>(25,043,345)</b>	<b>(59,761,389)</b>
Tax charge	25	2,552	(982)	(13,979)	(7,208)
<b>Loss for the year</b>		<b>(14,666,834)</b>	<b>(27,098,003)</b>	<b>(25,057,324)</b>	<b>(59,768,597)</b>
<b>Other comprehensive loss</b>					
Items, that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(2,712,814)	10,672,318	(1,881,188)	17,300,096
<b>Total comprehensive loss for the year</b>		<b>(17,379,648)</b>	<b>(16,425,685)</b>	<b>(26,938,512)</b>	<b>(42,468,501)</b>

**Basic and diluted profit (loss) per ordinary share, cents per ordinary share**

15	(0.02)	(0.04)	(0.04)	(0.09)
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The accompanying notes are an integral part of these consolidated financial statements

## Silver Bear Resources Plc

### Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2021 and 2020

(Canadian dollars)

	Share capital	Share premium	Shareholders contribution	Contributed surplus	Cumulative translation adjustment	Accumulated Deficit	Total equity
<b>Balance - 31 December 2019</b>	<b>99,559,336</b>	<b>22,410,054</b>	<b>5,381,283</b>	<b>16,975,267</b>	<b>(2,240,981)</b>	<b>(172,416,878)</b>	<b>(30,331,919)</b>
Net profit for the period	-	-	-	-	-	(59,768,597)	(59,768,597)
Other comprehensive profit/(loss):							
Cumulative translation adjustment	-	-	-	-	17,300,096	-	17,300,096
Comprehensive profit/(loss) for the period	-	-	-	-	17,300,096	(59,768,597)	(42,468,501)
Shares issued under bonus plan	1,045	68,690	-	-	-	-	69,735
Shares issued under stock option plan	-	-	-	-	-	-	-
Share-based payments	-	-	-	89,020	-	-	89,020
Cancelled and expired options	-	-	-	(130,000)	-	130,000	-
Gain on modification of loans Note 13	-	-	7,463,641	-	-	-	7,463,641
<b>Balance - 30 September 2020</b>	<b>99,560,381</b>	<b>22,478,744</b>	<b>12,844,924</b>	<b>16,934,287</b>	<b>15,059,115</b>	<b>(232,055,475)</b>	<b>(65,178,024)</b>
<b>Balance - 31 December 2020</b>	<b>99,561,998</b>	<b>22,570,500</b>	<b>5,381,283</b>	<b>16,960,163</b>	<b>13,460,394</b>	<b>(219,298,504)</b>	<b>(61,364,166)</b>
Net profit for the period	-	-	-	-	-	(25,057,324)	(25,057,324)
Other comprehensive profit/(loss):							
Cumulative translation adjustment	-	-	-	-	(1,881,188)	-	(1,881,188)
Comprehensive profit/(loss) for the period	-	-	-	-	(1,881,188)	(25,057,324)	(26,938,512)
Shares issued under bonus plan	5,932	476,611	-	-	-	-	482,543
Shares issued under stock option plan	112	11,411	-	(12,340)	-	817	-
Share-based payments	-	-	-	73,676	-	-	73,676
Cancelled and expired options	-	-	-	(268,287)	-	268,287	-
Gain on modification of loans Note 13	-	-	-	-	-	-	-
<b>Balance - 30 September 2021</b>	<b>99,568,042</b>	<b>23,058,522</b>	<b>5,381,283</b>	<b>16,753,212</b>	<b>11,579,206</b>	<b>(244,086,724)</b>	<b>(87,746,459)</b>

The accompanying notes are an integral part of these consolidated financial statements

## Silver Bear Resources Plc

### Consolidated Statement of Cash Flow

For the nine months ended 30 September 2021 and 2020

(Canadian dollars)

2021

2020

	2021	2020
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
<b>Total loss for the year</b>	(25,057,324)	(59,768,597)
<i>Adjustments for items not affecting cash:</i>		
Depreciation	11,685,410	13,621,283
Amortization	154,630	31,840
Share-based payments (Note 18)	73,676	89,020
Accretion expenses	175,201	177,228
Unrealized FX movement	(2,373,351)	47,968,368
Write-off of PPE	180,418	-
Write-off of other non-current assets	909,898	-
Interest income (Note 19)	(12,483)	(7,481)
Interest expense (Note 19)	13,301,645	13,115,422
Net change in non-cash working capital (Note 20)	1,047,266	(10,441,758)
<b>Net cash generated/ (used in) operations</b>	<b>84,985</b>	<b>4,785,325</b>
Purchases of property, plant and equipment	(8,795,228)	(3,403,829)
Purchases of intangible assets	(75,771)	(69,164)
Interest income	12,483	7,481
<b>Net cash used in investing activities</b>	<b>(8,858,516)</b>	<b>(3,465,511)</b>
Repayment of principal on lease obligations	(2,357,988)	(2,095,164)
Repayment of interest on lease obligations	(654,142)	(461,024)
Short-term and long-term loans drawn	12,672,641	2,418,922
Short-term and long-term loans principal repayment	-	-
Short-term and long-term loans Interest repayment	(433,568)	(3,454,758)
<b>Net cash generated from financing activities</b>	<b>9,226,943</b>	<b>(3,592,024)</b>
Effect of exchange rate changes on cash and cash equivalents and translation differences	207,197	(361,076)
<b>Increase/(Decrease) in cash and cash equivalents during the year</b>	<b>660,609</b>	<b>(2,633,286)</b>
<b>Cash and cash equivalents - beginning of the year</b>	<b>1,302,165</b>	<b>5,444,288</b>
<b>Cash and cash equivalents - end of the year</b>	<b>1,962,774</b>	<b>2,811,002</b>
<b>Cash and cash equivalents consist of:</b>		
Cash	1,962,774	2,811,002

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

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### 1. NATURE OF OPERATIONS

Silver Bear Resources Plc was incorporated in United Kingdom on 14 March 2017 under the Companies Act 2006, registered office address 2nd Floor Regis House, 45 King William Street, London, United Kingdom, EC4R 9AN.

Silver Bear Resources Plc became the parent company of Silver Bear Resources Inc. on 30 June 2017 following a plan of arrangement transaction involving a one-for-one share exchange of all then outstanding common shares of Silver Bear Resources Inc. for ordinary shares of Silver Bear Resources Plc.

Silver Bear Resources Plc became the direct parent company of AO Prognoz on 16 November 2020. AO Prognoz was acquired from Silver Bear Resources B.V. following a plan of reorganization of the Group structure.

Silver Bear Resources Inc. was incorporated under the Business Corporations Act of the Province of Ontario, Canada, on 8 April 2004 and continued under Articles of Continuance dated 30 August 2004 under the Business Corporations Act (Yukon) and 1 February 2005 under the Business Corporations Act (Ontario).

The primary business of the Group is the acquisition, exploration, evaluation and development of precious metal properties. The head office of the Group is registered in London, United Kingdom. The strategy of the Group is to focus on the exploration and development of precious metal deposits. The principal asset of the Group is its right to explore and develop the Mangazeisky project ("Mangazeisky"), located approximately 400 kilometers north of Yakutsk in the Republic of Sakha (Yakutia), in the Russian Federation. On June 22, 2018, the Group announced that it had achieved first silver production in April 2018 as a result of its commissioning activities.

Under the license No. YAKU 12692 BP registered on September 28, 2004, the Group carries out a geological study of the Endybal area - prospecting and evaluation of silver and gold deposits. According to Supplement No. 1, registered on 12 September 2016, the expiry date of the above license is 31 December 2023. The license area is located on the territory of the Kobyai region of the Republic of Sakha (Yakutia).

In 2013, the Group obtained a subsoil license No. YAKU 03626 BE, registered on August 28, 2013, for the exploration and production of silver, copper, lead, zinc at the Vertikalny deposit. The license area is located on the territory of the Kobyai region of the Republic of Sakha (Yakutia). The license expires on September 1, 2033. In 2015 the Group commenced the development of Mangazeisky that includes the construction of a silver mine with associated processing facilities and infrastructure. It has been determined that development costs incurred from 1 July 2015 have future economic benefits and are economically recoverable. In making this judgement, management assessed various sources of information including the geological and metallurgical information, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

### 2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in accordance with International Standards (IAS) 34 – Interim Financial Reporting and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The Group has consistently applied the accounting policies used in the preparation of its IFRS financial statements throughout all periods presented, as if these policies had always been in effect.

These unaudited condensed consolidated financial statements comprise the financial statements of Silver Bear Resources Plc and its 100% owned subsidiaries: Silver Bear Resources Inc. (a Canadian corporation) and AO Prognoz (a Russian Federation corporation). All significant inter-company accounts and transactions have been eliminated on consolidation.

These unaudited condensed consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors on 12 November 2021

#### Basis of consolidation

Following Silver Bear Resources Plc becoming the parent company of the Group (as detailed in note 1) and becoming direct parent of AO Prognoz, these transactions were not treated as a business combination under IFRS 3 "Business combinations" but was considered as a capital reorganisation, as these entities are under common control.

On 22 April 2021 Silver Bear Resources B.V. (a Netherlands corporation) was liquidated.

The consolidated financial statements of Silver Bear Resources Plc are presented using the values from the consolidated financial statements of Silver Bear Resources Inc. The equity structure (that is, the issued share capital) reflects that of Silver Bear Resources Plc, with other amounts in equity being those from the consolidated financial statements of the previous group holding entity, Silver Bear Resources Inc. The resulting difference that will arise was recognised as a component of equity.



# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

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### 2. BASIS OF PREPARATION (Continued)

#### Going Concern

These audited consolidated financial statements have been prepared on a going concern basis which contemplates that the Group will be able to realize its assets and settle its liabilities in the normal course as they come due for the foreseeable future.

The Directors have prepared a cash flow forecast for the 18 month period from the date of approval of these financial statements. Cash forecasts for the Group are regularly produced based on management's best estimate of:

- The Group's production and expenditure forecasts;
- Future silver prices; and
- Foreign exchange rate.

The ability of the Group to operate as a going concern is dependent upon future production volumes and silver prices as they impact cash flows required to both fund working capital and meet the Group's liabilities as and when they fall due.

The Group's base case going concern model was run with average silver price of \$US 25/ ounce. Having assessed the impact of the current COVID-19 pandemic, the Directors are confident that production in 2021-2022 will be in line with budget. To date COVID-19 impact on operations has been minimal due to the remote location of the mine site and following the implementation of extended rotation of mine staff to provide continuity of operations over 3 month periods.

The Directors have analysed the Group's expected liquidity position over the forecast period and believes that it is reasonable to apply the going concern principle for the preparation of the Group's and Company's financial statements. When assessing the going concern status, management has taken into consideration the following factors:

- As at 30 September 2021, the Group had \$1,962,774 cash and cash equivalents, and net current liabilities of \$7,337,808. Current liabilities include interests on long-term loans from Group's major shareholders in amount of \$ 12,294,065. For the period ended 30 September 2021 the group generated total operating cash inflow of \$84,985.
- In the first quarter 2021, the Group entered into a loan agreement with SKA ASSETS MANAGEMENT LIMITED, a company under common control with Inflection, a major shareholder, for RUB 750,000,000 (equivalent to approximately CAD\$12,000,000) with an interest rate of 8.27% per annum accruing interest on a monthly basis. The Principal is payable on 31 December 2021.
- In addition, the Group has long term debt of \$168,857,417 with its major shareholders Inflection and Aterra for which interest accrues monthly.
- Assuming that the Group is able to defer interest repayments on its loans from its shareholders, Management's cash flow forecast shows cash remains positive for the 18 month period from the date of approval of these financial statements. While there is currently no contracted written agreement to defer interest repayments to the Group's shareholders, the Group's management notes that in the past they have been successful in both securing financing from its Shareholders and deferring interest repayments to them. For this reason and based on the Group's long-term relationships with their shareholders, management believes that they will be able to continue deferring interest repayments in the forecast period.

In light of the instability in the global economy and commodity prices as a result of the COVID-19 pandemic, together with the other factors described above, the Group's management has identified a material uncertainty relating to the Group's ability to maintain working capital liquidity to service the Group's financing arrangements.

These material uncertainties may cast significant doubt upon the Group's ability to continue as a going concern. Notwithstanding these material uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

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### 2. BASIS OF PREPARATION (Continued)

#### Significant Accounting Policies

##### Foreign currency translation

Items included in the financial statements of each entity are measured using the currency of the primary economic environment in which it operates ("functional currency"). The consolidated financial statements are presented in Canadian dollars which is the functional currency of Silver Bear Resources Inc., and Silver Bear Resources B.V. Silver Bear Resources Plc has changed its functional currency as of 1 January 2018 from Canadian dollars to Russian roubles when it was deemed that the majority of underlying transactions now took place in roubles. Silver Bear Resources Plc functional currency is different to presentation currency, because the group is listed on TSX and presentation of financial statements in Canadian dollars is considered to be beneficial for potential and current shareholders in Canada. The financial statements of AO Prognoz have the Russian rouble as their functional currency. The results of both Silver Bear Resources Plc and AO Prognoz are translated into the Canadian dollar presentation currency for consolidation purposes as follows: assets and liabilities – at the closing rate at the date of the statements of financial position, and income and expenses at the average rate for each quarter (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

Foreign currency transactions are translated into the functional currency of the entity in which they occur using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than functional currency at period-end exchange rates are recognized in profit or loss.

##### Mineral properties

Mineral properties include the costs of acquiring exploration and mining licenses, as well as the cost of assets associated with the obligation for environmental rehabilitation and costs of developing the mining properties. Licenses are valued at cost at the date of acquisition less impairment. Mining properties under development are accounted for at cost and are not amortised until production has commenced. Cost includes expenditure that is directly attributable to the development of mining properties and preparing them for production.

Developing costs and licenses depreciated through unit of production basis calculated based on the ratio of silver ore mined during a period to the total volume of silver ore to be mined based on the estimated commercial resources.

Asset associated with the obligation for environmental rehabilitation depreciated on straight line basis during life of mine.

##### Intangible assets

Intangible assets are carried at cost, less accumulated amortization. All intangible assets are amortized on a straight-line basis over one to eleven years.

##### Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and impairment losses.

Mining properties are depleted on 'unit of production basis' calculated based on the ratio of silver ore mined during a period to the total volume of silver ore to be mined based on the estimated commercial resources. Commercial resources are mineral resources that are considered probable of economic extraction and include measured, indicated and inferred resources. While inferred resources have a lower degree of geological certainty, they are included in the depletion calculation due to the nature of the ore body which enables their presence being able to be inferred without a high concentration of drilling.

Leased equipment are amortized over the remaining life of the lease. Significant components of property, plant and equipment are recorded and depreciated separately. Residual values, the method of depreciation and the useful lives of assets are revised annually and adjusted prospectively, if appropriate, if there is an indicator of a significant change since the last reporting date. Depreciation of underlying property, plant and equipment which directly contributed the developing the mining properties are capitalized as additions in mineral properties.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

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### 2. BASIS OF PREPARATION (Continued)

#### Property, plant and equipment (Continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

In order to determine whether the project is ready to operate as intended by management, judgement was applied taking into account commercial production indicators such as pre-production output has reached a nominated percentage, the internal project management team has transferred the mine to the operational team, the majority of the assets necessary for the mining project are substantially complete and ready for use and the project's ability to sustain commercial levels of production. These indicators provided guidance to recognize that the mine development phase was ceased and the production phase is commence starting from 1 July 2019.

During the mine development phase from 1 July 2015 to 1 July 2019, all costs that was directly attributable to developing the mine were capitalized and the incidental revenue generated was credited against the capital cost up to the date when the commercial production indicators are met.

#### Exploration costs

Field exploration, supervisory costs and costs associated with maintaining the mineral property are expensed until the Group has a reasonable expectation that the property is technically feasible and commercially viable.

#### Impairment of non-financial assets

The Group reviews and evaluates the recoverable amount of its mineral properties, property, plant and equipment and other non-current assets annually and when events or changes in circumstances indicate that the carrying amounts of related assets or groups of assets might not be recoverable.

For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use (being the present value of the expected future cash flows of the relevant asset). Any resulting write-down of the excess of carrying value over the recoverable amount is charged to the consolidated statement of operations.

#### Provision for decommissioning and restoration liability

Mining and exploration activities normally give rise to obligations for environmental rehabilitation. Rehabilitation work may include facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation, including compliance with and monitoring of environmental regulations; security and other site-related costs required to perform the rehabilitation work; and operation of equipment designed to reduce or eliminate environmental effects. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and our environmental policies. Routine operating costs that may impact the ultimate closure and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or exploration process, are not included in the provision. The timing of the actual rehabilitation expenditure is dependent upon a number of factors such as the life and nature of the asset, the license conditions and the operating environment. Expenditures may occur before and after the site closure and can continue for an extended period of time depending on rehabilitation requirements.

Rehabilitation provisions are measured at the expected value of future cash flows associated with the settlement of the obligation and discounted to their present value using a pre-tax discount rate which reflects current assessments of the time value of money.

The expected future cash flows include the effect of inflation. The unwinding of the discount in subsequent periods is presented as interest expense. The asset associated with retirement obligations represents the part of the cost of acquiring the future economic benefits of the operation and is capitalized to mineral properties as part of the carrying amount of the long-lived asset and amortized over the expected economic life of the operation to which it relates. The Group re-measures the liability at each reporting date. Changes in estimates are recorded using current discount rate assumptions. Adjustments are also accounted for as a change in the corresponding value of the related assets.

#### Financial instruments

Financial assets:

Financial assets within the scope of IFRS 9 are initially recognized at fair value and are classified financial assets at amortised cost. The Group determines the classification of its financial assets at initial recognition.

The Group's and the Company financial assets include cash and cash equivalents, accounts receivable and amount owned from group undertakings. Regular purchases and sales of financial assets are recognized on the trade-date, being the date on which the Group commits to purchase or sell assets.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

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### 2. BASIS OF PREPARATION (Continued)

#### Significant Accounting Policies (Continued)

The Group recognises a loss allowance for expected credit losses ('ECL') on financial assets that are measured at amortised cost which comprise mainly trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime ECL on trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Financial assets are derecognized when the rights to receive cash flows from investments and the Group has transferred substantially all risks and rewards of ownership.

#### Financial liabilities:

Financial liabilities within the scope of IFRS 9 are initially recognized at fair value and are classified as financial liabilities at fair value through profit or loss, financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's current financial liabilities include accounts payable, accrued liabilities, and short-term loans. Initially they are recognized at fair value, and subsequently measured at amortized cost using the effective interest method. Amortized cost approximates fair value due to the short-term maturity of these liabilities.

Financial instruments are initially recorded at fair value. The fair values of cash and cash equivalents, miscellaneous receivables, short-term loans, lease liabilities and accounts payable and accrued liabilities approximate their recorded amounts because of their short-term nature. The fair value of long-term loans and non-current lease liabilities is shown at their carrying values as any differences are not material.

In determining if a modification of a financial liability is substantial, which includes a comparison of the cash flows before and after the modification, discounted at the original effective interest rate (EIR), referred to as the '10% test'. If the difference between these discounted cash flows is more than 10%, the financial liability is derecognized and a new financial liability recognized at fair value.

If, a modified financial liability does not result in derecognition, the original EIRs retained and the Group recalculates carrying amount based on revised cash flow of financial liability and recognized modification gain or loss.

Gain on modification of shareholder loans is recognised either as finance income in the Consolidated Statement of Comprehensive Profit / (Loss) or as an increase in shareholder contribution in Equity. Management makes assessment of each modification and if change in terms, for example, reduction of interest rate, represents terms which are more favourable at the time than market and indicative of the lender acting in capacity of shareholder, then it is recognised through shareholder contribution, otherwise, it is recognised as finance income.

#### Cash and cash equivalents

Cash represents cash on hand and demand deposits. Cash equivalents represent short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

#### Revenue recognition

Timing of recognition is governed by IFRS 15. Entity recognizes revenues when a performance obligation is satisfied, which is when "control" of the goods has transferred to the customer. Control of goods is transferred at the point of time, when silver is passed to the buyer at the refinery site. Payments terms allows 80% prepayment in advance and the remaining payment based on the final Price, dependent on silver weight per Act of Acceptance and London price on London Market of metals, adjusted for the prepaid amount under provisional price. Pre-commercial production silver sales that were generated from 1 April 2018 to 1 July 2019 was excluded from operating activities and was reflected within non-current assets on the consolidated statement of financial position.

#### Current and deferred income Taxes

Current income 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 or receivable in respect of previous years.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

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### 2. BASIS OF PREPARATION (Continued)

#### Significant Accounting Policies (Continued)

The Group uses the asset and liability method of accounting for income taxes, under which deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates or laws is recognized as part of the provision for income tax in the year the changes are considered substantively enacted. Deferred tax benefits attributable to these differences, if any, are recognized to the extent that the realization of such benefits is more likely than not.

The Group did not recognize deferred taxes raised during pre-production stage.

#### Earnings per share

Basic earnings per share is computed by dividing the profit/(loss) for the period by the weighted average number of common shares outstanding.

Diluted earnings per share is computed by dividing the profit/(loss) for the period by the diluted weighted average number of common shares outstanding.

#### Share-based payments

The fair value of any stock options granted to directors, officers, consultants and employees is recognized as an expense over the vesting period with a corresponding increase recorded to contributed surplus. The fair value of share-based compensation is determined using the Black-Scholes option pricing model and management's assumptions as disclosed in Note 15. An estimate for forfeitures is made when determining the number of equity instruments expected to vest. Upon exercise of the stock options, consideration paid by the option holder is recorded as an increase to share capital.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred, using the average exchange rate prevailing for that period. Translation differences associated with borrowings costs are expensed.

#### Prepaid expenses

Prepaid expenses represent payments made or obligations incurred in advance of the receipt of goods or rendering of services. Prepaid expenses are typically included in other current assets on the consolidated statement of financial position.

#### Inventories

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials: purchase price plus transportation cost plus any applicable customs duties and taxes;

Ore stockpiles comprises direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs.

The cost of silver for sale and silver in circuit comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs.

Inventories are accounted for using weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Inventory measured at lower of cost and net realisable value.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

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### 2. BASIS OF PREPARATION (Continued)

#### Significant Accounting Policies (Continued)

##### Leases

All leases are accounted for by recognising 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.

On initial recognition, the carrying value of the lease liability also includes amounts expected to be payable under any residual value guarantee, the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option;

any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Lease liabilities accounted under a separate line in financial statement.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

lease payments made at or before commencement of the lease, initial direct costs incurred and the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Right of the use assets related to mining equipment under leased contracts are disclosed in property plant and equipment

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 amortised on a straight-line basis over the remaining term of the lease.

Amounts payable for leases covered by the short-term exemption are charged to the income statement on a straight-line basis over the term of the relevant lease.

#### Accounting estimates and management judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant areas of estimation and uncertainties considered by management in preparing the consolidated financial statements include:

##### *Critical judgements in applying accounting policies:*

- Determination of functional currency

Based on the primary indicators in IAS 21 – The Effects of Change in Foreign Exchange Rates – the Russian rouble has been determined as the functional currency of AO Prognoz, an operating subsidiary of the Group, because the Russian rouble is the currency that mainly influences labour, material and other costs of providing goods or services, and is the currency in which these costs are denominated and settled.

Effects of changes in foreign exchange rates on the consolidation of the financial statements are recorded in other comprehensive income and carried in the form of a cumulative translation adjustment in the accumulated other comprehensive income section of the Statement of financial position of the Group.

The functional currency of Silver Bear Resources Plc changed from Canadian dollars to Russian rouble in 2018 as it is now deemed that the majority of underlying transactions for this entity are undertaken in roubles and therefore it is appropriate for this to be its functional currency.

The functional currency of Silver Bear Resources Inc. and Silver Bear Resources BV has been determined to be the Canadian Dollar reflecting the current principal equity and financing structure.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

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### 2. BASIS OF PREPARATION (Continued)

#### Significant Accounting Policies (Continued)

- Commercial production

In order to determine whether the project is ready to operate as intended by management, judgement was applied taking into account commercial production indicators such as pre-production output has reached a nominated percentage, the internal project management team has transferred the mine to the operational team, the majority of the assets necessary for the mining project are substantially complete and ready for use and the project's ability to sustain commercial levels of production. These indicators provided guidance to recognize that the mine development phase was ceased and the production phase is commence starting from 1 July 2019. The commercial production was announced by the Group during 2019 Far East Economic forum in Vladivostok.

- Capitalization of development costs (note 9 and 10)

Management has determined that development costs incurred from 1 July 2015 to 1 July 2019 have future economic benefits and are economically recoverable. In making this judgement, management assessed various sources of information including the geological and metallurgical information, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. In order to determine whether the project is ready to operate as intended by management, judgement was applied taking into account commercial production indicators such as pre-production output has reached a nominated percentage, the internal project management team has transferred the mine to the operational team, the majority of the assets necessary for the mining project are substantially complete and ready for use and the project's ability to sustain commercial levels of production. These indicators have provided guidance to recognize that the mine development phase was ceased and the production phase was commenced starting from 1 July 2019.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

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### 2. BASIS OF PREPARATION (Continued)

#### Significant Accounting Policies (Continued)

Key sources of estimation uncertainty:

- Mineral resource estimate

Mineral resource estimates are estimates of the amount of silver that can be economically and legally extracted from the Group's mining properties. Such resource estimates and their changes may impact the Group's reported financial position and results in the following ways:

- (a) The carrying value of exploration and evaluation assets, mining properties and property, plant and equipment may be affected due to changes in estimated future cash flows;
- (b) Depreciation and amortisation charges in the statement comprehensive income may change where such charges are determined using the unit of production method;
- (c) Provisions for rehabilitation and environmental provisions may change where resource estimate changes affect expectations about when such activities will occur and the associated cost of these activities.

The Group estimates mineral resources based on information compiled by appropriately qualified Competent Persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable resources is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

The Group reviews its mineral resource estimates on regular basis and as at 1 April 2020 the Group obtained a mineral resource (not reserve) estimate from a third party, Wardell Armstrong. Wardell Armstrong has issued their report on 25 March 2021 the delay in issuing report due to COVID-19 travel restrictions. This report has superseded the Companies previous estimate of recoverable reserves and resources that was prepared in 2017.

The difference between a resource statement (as obtained in 2020) and reserves and resources statement (as obtained previously in 2017) is the level of confidence of the presence of economically viable minerals.

- Impairment of mineral properties and property, plant and equipment

The carrying value of mineral properties and property, plant and equipment is \$11,923,604 and \$78,042,683 respectively, as disclosed in Note 9 and note 10. While assessing whether any indications of impairment exist for mineral properties, consideration is given to both external and internal sources of information. Information that management considers includes, changes in the market, and changes in the economic and legal environment in which the Group operates that are not within its control that could affect the recoverable amount of mineral properties. Internal sources of information include the manner in which mineral properties are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Group's mineral properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, reductions in the amount of recoverable mineral reserves and mineral resources, and/or adverse current economics can result in a write-down of the carrying amounts of the Group's mineral properties.

On 22 June 2020, the Group announced that it has received a draft report from Wardell Armstrong (Moscow) that provides a review of the Company's current mineral resources, as well as draft revised mine and processing plans, for its Vertikalny and Mangazeisky North deposits. The Group had previously disclosed that it had engaged Wardell Armstrong (Moscow) to conduct this review of the mineral resources as well as reassessing mine and processing plans for these deposits. Wardell Armstrong (Moscow) have issued their final report on 25 March 2021. Following additional exploration activities, this included a material change in the mineral resource estimates of both Vertikalny and Mangazeisky North deposits.

In accordance with IAS 36, the impairment review was undertaken on 31 December 2020.



# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

### 3. BASIS OF PREPARATION (Continued)

#### Significant Accounting Policies (Continued)

- Impairment of mineral properties and property, plant and equipment (continued)

Key Assumption used in the impairment test:

- The economic life of the Vertikalny and Mangazeisky North deposits is currently expected to be around 2026 as per management's current expectation;
- For the following six years Silver price is US\$25/ounce as per management's current expectation
- For the following six years RUB/USD foreign exchange rate 75 as per management's current expectation
- For the following six years Annual inflation of costs expressed in USD is 2% as per management's current expectation
- For the following six years Annual inflation of costs expressed in RUB is 4% as per management's current expectation
- Post tax nominal discount rate of 12.7% (pre-tax of 15.9%). This was based on a Capital Asset Pricing Model analysis.

Based on the key assumptions set out above:

The recoverable amount of Vertikalny and Mangazeisky North deposits (\$95.6 mln) exceeds its carrying value of the mining assets less asset retirement obligation of (\$82.3mln) by \$13.3mln and therefore assets were not impaired.

Sensitivity analysis:

		In millions of CAD
Impact if silver prices	Increased by 20%	49
	Decreased by 20%	(53)
Impact if RUB/USD exchange rate	Increased by 20%	21
	Decreased by 20%	(33)
Impact if future capex	Increased by 20%	(9)
	Decreased by 20%	9
Impact if post-tax discount rate:	Increased by 20%	(8)
	Decreased by 20%	9

- Depreciation rates

Once a mine development phase ceases and the production phase commences mining assets are depreciated using a unit-of-production method based on estimated economically recoverable resources, which results in a depreciation charge proportional to the depletion of reserves.

The Group proven and probable mineral reserves at the beginning of commercial production was 717 thousand tonnes, depletion for the period 1 July 2019- 31 March 2020 was 95 thousand tonnes.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

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### 2. BASIS OF PREPARATION (Continued)

#### Significant Accounting Policies (Continued)

- Depreciation rates (continued)

Starting from 1 April 2020 management of the group has changed its depreciation base for the unit of production method from mineral reserves to mineral resources. In making this change, the UoP calculation has been adjusted to include the estimated future costs to access and process resources expected to be converted to reserves. The most material impact of this is in respect of costs required to enable the processing facility to process sulphide ores that will be mined in the future, in addition to the oxide ores currently being processed. Management believes that this change in accounting estimate represent the most accurate and fair view for the depreciation charge calculation.

At 1 April 2020, the date the change in accounting estimate occurred, resources were 810 thousand tonnes and depletion for the period 1 April 2020- 30 September 2021 was 141,934 thousand tonnes.

- Rehabilitation provisions and asset retirement obligations

The carrying value of the asset retirement obligation is \$4,302,260 as disclosed in Note 14. Exploration and development activities carried out by the Group give rise to obligations for environmental rehabilitation. Significant uncertainty exists as to the amount and timing of associated cash flows and regulatory requirements. A Russian Central Bank borrowing rate for a 7-year zero coupon year bond is used in discounting future cash flows as a pre-tax discount rate.

The expected life of the mine is used as the discounting period. If the estimated discount rate used in the calculation had been higher for 20% than the management estimate, the carrying amount of the provision would have been lower for \$234,321 and the interest expense higher for \$12,049.

If the estimated period over which the cash flows associated with the asset retirement obligations are calculated had been longer than management's estimates, the carrying amount of the provision would have been lower as would have been the interest expense.

- Ore stocks

Stock is valued at the lower of cost or net realisable value. Costs that are incurred in or benefit the production process are accumulated as ore stockpiles, silver in process and silver bullion. Although the quantities of recoverable metal are reconciled by comparing the grades of ore to the quantities of silver actually recovered (metallurgical balancing), the nature of the process inherently limits the ability to precisely monitor recoverability levels. Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on contained silver and metals prices, less estimated costs to complete production and bring the product to sale. These net realisable tests take into account management's estimate of the maximum values to be realised from ore stockpiles, in some instances through blending of different ore stockpile grades, prior to these being added to future processing plant feeds. Judgement is required in assessing whether stockpiles of different grades should be tested individually or tested as inputs to the silver production process.

#### Accounting developments not yet adopted

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the Group has decided not to adopt early. The Group is currently assessing the impact of these new accounting standards and amendments.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

### 2. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS

The Group manages its capital structure and makes adjustments to it, based on the funds available to the Group, in order to support the current production operations, acquisition, exploration and development of precious metal properties.

The Group considers excess cash balances, all the components of shareholders' equity and loans as capital. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Group's management to sustain the future development of the business.

The property in which the Group currently has an interest is in production stage.

In order to fund the ongoing development activities, the Group will spend existing working capital and plans to raise additional amounts as needed through equity and/or debt. The Group will continue to assess new properties and seek to acquire an interest in additional properties where sufficient geologic or economic potential are noted and if financial resources exist to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Group, is reasonable.

There were no changes in the Group's approach to capital management during the period ended 30 September 2021 compared to the year ended 31 December 2020. The Group is not subject to externally imposed capital requirements.

#### FINANCIAL RISK FACTORS

The Group is exposed to credit and liquidity risks and market risk. The risk management policies employed by the Group to manage these risks are discussed below:

##### Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) silver prices (b) foreign currencies, (c) interest bearing assets and liabilities and (d) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

##### Credit risk

The Group has no significant concentration of credit risk arising from operations. Cash equivalents consist of interest earning bank accounts held in banks in the Russia and Canada which in the presentational currency total \$1,940,055 and \$22,719, respectively. The Group's Canadian chartered banks have a credit rating of at least A2 (Moody's) and the Group's Russian banks have a credit rating of at least ba1 (Moody's).

Miscellaneous receivables other than tax refunds due from the Canadian and Russian tax authorities are insignificant.

The Group maximum exposure to credit risk by class of individual financial instrument is shown in the table below:

	30 September 2021	31 December 2020
Receivables from customers	588,294	1,350,634
Cash and cash equivalents	1,962,774	1,302,165
	<b>2,551,068</b>	<b>2,652,799</b>

Management believes that the credit risk concentration with respect to accounts receivable is not higher than the country credit risk.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

### 3. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS (Continued)

#### Liquidity risk

The Group's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due by continual review of budgets and forecasts and discussions with shareholders and other providers of finance as appropriate. The Group's current assets and current liabilities are show in the table below:

	30 September 2021	31 December 2020
Total current assets	29,780,201	25,276,471
Total current liabilities	37,118,009	8,455,810

As at 30 September 2021 the Group had total current assets of \$29,780,201 (31 December 2020 – \$25,276,471) to settle total current liabilities of \$37,118,009 (31 December 2020 – \$8,455,810), as well as its commitments outlined in Note 21. Total liabilities of \$213,393,969 include long-term loans totaling \$173,223,626 accrued interest on it of \$12,294,065 and fair value gain on modification of loans of \$4,366,209.

As at 30 September 2021, the Group had cash balances of \$1,962,774 (31 December 2020 – \$1,302,165)

The Group had total obligations of \$6,249,480 at 30 September 2021 (31 December 2020 – \$2,926,166) under a combination of three and five-year leases for equipment in relation to the development of Mangazeisky, as outlined in Note 12.

The contractual maturities of the Group's financial liabilities (which are all carried at amortised cost) are shown in the table below:

30 September 2021	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	12 to 36 months	36 to 72 months
<b>Current liabilities</b>						
Accounts payable & accrued liabilities	5,793,023	5,793,023	5,793,023	-	-	-
Short-term loans principal	13,124,990	13,124,990	-	13,124,990	-	-
Short-term loans interest	12,383,280	-	18,772,622	6,163,874	-	-
Lease liabilities	3,133,197	3,734,469	1,977,315	1,757,154	-	-
<b>Non-current liabilities</b>						
Long-term loans principal	168,857,417	173,223,626	-	-	173,223,626	-
Long-term loans interest	-	5,759,686	-	-	5,759,686	-
Lease liabilities	3,116,282	3,345,312	-	-	3,345,312	-
	<b>206,408,189</b>	<b>204,981,106</b>	<b>26,542,960</b>	<b>21,046,018</b>	<b>182,328,624</b>	<b>-</b>

31 December 2020	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	12 to 36 months	36 to 72 months
<b>Current liabilities</b>						
Accounts payable & accrued liabilities	3,682,160	3,682,160	3,682,160	-	-	-
Loans interest	3,085,133	18,139,540	12,059,986	6,079,554	-	-
Lease liabilities	1,688,373	1,973,324	1,081,516	891,808	-	-
<b>Non-current liabilities</b>						
Long-term loans principal	165,062,833	172,460,849	-	-	-	172,460,849
Long-term loans interest	-	11,696,534	-	-	11,696,534	-
Lease liabilities	1,237,793	1,321,378	-	-	1,321,378	-
	<b>174,756,292</b>	<b>209,273,785</b>	<b>16,823,662</b>	<b>6,971,362</b>	<b>13,017,912</b>	<b>172,460,849</b>

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

### 3. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS (Continued)

#### Interest rate risk

The Group has cash balances and interest-bearing debt on short term loans and long-term loans at commercial fixed rates. The Group's current policy is to invest excess cash in interest-earning bank accounts with Canadian and Russian financial institutions. The Group periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

#### Foreign currency risk

The Group has funded certain exploration, project construction and administrative expenses on a transaction by transaction basis using U.S. dollar and Russian ruble. USD funding has been provided directly to AO Prognoz in Russia and converted to Russian ruble. This exposes the Group to changes in foreign exchange rates for U.S. dollar and Russian ruble.

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's borrowings (when borrowing is denominated in a different currency from functional currencies of the Group companies).

	30 September 2021				31 December 2020			
	GBP	USD	CAD	EUR	GBP	USD	CAD	EUR
<b>Current assets:</b>								
Cash and cash equivalents	5	4,213	18,374	-	49	7,792	22,282	-
Receivables	-	-	-	-	-	-	-	-
<b>Total current assets</b>	<b>5</b>	<b>4,213</b>	<b>18,374</b>	<b>-</b>	<b>49</b>	<b>7,792</b>	<b>22,282</b>	<b>-</b>
<b>Current liabilities:</b>								
Accounts payable and accrued liabilities	422,861	450,876	64,729	64,807	215,442	739,781	60,346	13,451
Lease liabilities	-	798,665	-	-	-	778,864	-	-
<b>Total current liabilities</b>	<b>422,861</b>	<b>1,249,540</b>	<b>64,729</b>	<b>64,807</b>	<b>215,442</b>	<b>1,518,645</b>	<b>60,346</b>	<b>13,451</b>
<b>Non-current liabilities:</b>								
Long-term loans	-	181,151,482	-	-	-	168,147,966	-	-
Lease liabilities	-	340,550	-	-	-	943,451	-	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>181,492,032</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>169,091,417</b>	<b>-</b>	<b>-</b>

The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant:

	30 September 2021	31 December 2020
	Impact on profit or loss	Impact on profit or loss
US Dollar strengthening by 20% (2020: strengthening by 20%)	(35,913,887)	(38,059,125)
US Dollar weakening by 20% (2020: weakening by 20%)	35,913,887	38,059,125
CAD strengthening by 20% (2020: strengthening by 20%)	(2,331)	(1,321)
CAD weakening by 20% (2020: weakening by 20%)	2,331	1,321
GBP strengthening by 20% (2020: strengthening by 20%)	(66,898)	(49,738)
GBP weakening by 20% (2020: weakening by 20%)	66,898	49,738
EUR strengthening by 20% (2020: strengthening by 20%)	(26,824)	(2,906)
EUR weakening by 20% (2020: weakening by 20%)	26,824	2,906

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

### 4. RECEIVABLES

	30 September 2021	31 December 2020
Russian Value Added Tax	947,518	1,411,585
Deferred Russian Value Added Tax	603,593	288,173
Receivables from customers	588,294	1,350,634
	<b>2,139,405</b>	<b>3,050,392</b>

Deferred Russian Value Added Tax relates to the VAT paid on acquisition of materials and services and the costs incurred on the construction of both building and technological equipment. This VAT can be claimed once the assets the VAT relates to are ready for use. The VAT recognized here is on assets that are expected to be available for use in the next quarter of 2021 therefore the asset has been recognized as current.

The amount of VAT recovered in cash during the period was \$6,482,162. All VAT is expected to be received.

Other receivables mainly consist of receivables from fuel sales. Sales of fuel was accounted on net basis in other income.

### 5. INVENTORIES

Material and supplies inventories are stated at the lower of weighted average costs and net realizable value. Inventories consist of the following:

	30 September 2021	31 December 2020
Fuel and lubricants	6,476,993	3,515,118
Parts and supplies	7,743,915	3,800,097
Reagents	3,978,163	3,037,333
Silver for sale	172,406	174,086
Ore stockpile	571,095	1,719,479
Silver in circuit	3,685,378	5,888,160
	<b>22,627,950</b>	<b>18,134,273</b>

The total cost of inventory recognized in cost of sales for the nine months ended 30 September 2021 is \$38,027,522 (For the period ended 30 September 2020: \$32,860,896).

**Silver Bear Resources Plc**  
**Notes to Consolidated Financial Statements**  
For the three and nine months ended 30 September 2021 and 2020

**6. PREPAID EXPENSES AND NON-CURRENT ASSETS**

Prepaid expenses consist of the following:

	<b>30 September 2021</b>	<b>31 December 2020</b>
Prepayments to suppliers	2,971,892	2,639,357
Taxes	78,180	150,284
	<b>3,050,072</b>	<b>2,789,641</b>

Prepaid non-current assets consist of the following:

	<b>30 September 2021</b>	<b>31 December 2020</b>
Prepayments for property, plant and equipment	1,395,128	2,871,150
	<b>1,395,128</b>	<b>2,871,150</b>

Non-current prepayments consist of prepayments that will be converted to non-current assets – property, plant and equipment. The equipment will be delivered and transferred to construction in progress within next twelve months.

**7. OTHER NON-CURRENT ASSETS**

	<b>30 September 2021</b>	<b>31 December 2020</b>
Construction supplies	5,412,970	2,152,680
Non-current inventory	-	813,085
	<b>5,412,970</b>	<b>2,965,765</b>

**8. INTANGIBLE ASSETS**

<b>Software</b>	<b>30 September 2021</b>	<b>31 December 2020</b>
<b>Balance at the beginning of the year</b>	<b>299,528</b>	<b>281,073</b>
Additions	1,854	115,933
Disposal	-	-
Amortization	(89,604)	(47,572)
Translation adjustment	2,667	(49,906)
<b>Balance at the end of the period</b>	<b>214,445</b>	<b>299,528</b>

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

### 9. MINERAL PROPERTY

Mineral property includes the cost of acquiring exploration and mining licenses, as well as the value of assets associated with asset retirement obligations and capitalized project development costs.

Mineral property consists of the following:			30 September 2021	31 December 2020
Mangazeisky	Licenses and Development costs	Asset Retirement Obligation	2021 Total	2020 Total
<b>Balance at the beginning of the year</b>	<b>8,869,213</b>	<b>3,054,391</b>	<b>11,923,604</b>	<b>13,896,077</b>
Depreciation	(801,119)	(375,944)	(1,177,063)	(1,788,892)
Change in estimate	-	-	-	514,682
Translation adjustment	8,446	47,096	55,542	(698,263)
<b>Balance at the end of the year</b>	<b>8,076,540</b>	<b>2,725,543</b>	<b>10,802,083</b>	<b>11,923,604</b>

Mineral property is made up of the following classes of assets; licenses \$593,119 (2020: \$584,553), asset retirement obligation \$2,725,543 (2020: \$3,054,391) and development costs of \$7,483,421 (2020: \$8,284,660).

The Group acquired the exploration license in respect of the Mangazeisky property when it acquired all the shares of AO Prognoz on 21 October 2004. In September 2016, the Mangazeisky exploration license was extended by the Federal Subsoil Use Agency in the Russian Federation ("Rosnedra") through to 31 December 2023.

In September 2013, the Group acquired the mining license in respect of the Mangazeisky property which is valid for a period of 20 years from the grant date.

The licenses and development cost are depreciated on unit of production basis in proportion of depletion of resources.

Asset retirement obligation depreciated on straight line basis during life of mine.

### 10. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of the carrying amount at the beginning and end of the periods ended 30 September 2021 and 31 December 2020:

	Right of the use assets	Mining Assets	Assets under construction	Total
<b>Carrying amount at 31 December 2019</b>	<b>2,075,691</b>	<b>85,032,998</b>	<b>9,981,372</b>	<b>97,090,061</b>
Additions	5,523,849	-	4,578,092	10,101,941
Transfers	-	9,850,731	(9,850,731)	-
Disposal at cost	-	-	(52,814)	(52,814)
Depreciation	(2,915,927)	(14,709,308)	-	(17,625,235)
Depreciation eliminated on disposal	-	-	-	-
Translation adjustment	(1,026,366)	(12,399,635)	(1,991,416)	(15,417,417)
<b>Carrying amount at 31 December 2020</b>	<b>3,657,247</b>	<b>67,774,786</b>	<b>2,664,503</b>	<b>74,096,536</b>
Additions	6,780,319	5,340	6,482,148	13,267,807
Transfers	-	1,567,662	(1,567,662)	-
Disposal at cost	-	(716,611)	(181,739)	(898,350)
Depreciation	(2,925,540)	(7,408,413)	-	(10,333,953)
Depreciation eliminated on disposal	-	532,091	-	532,091
Translation adjustment	162,101	994,164	222,287	1,378,552
<b>Carrying amount at 30 September 2021</b>	<b>7,674,127</b>	<b>62,749,019</b>	<b>7,619,537</b>	<b>78,042,683</b>



# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

### 10. PROPERTY, PLANT AND EQUIPMENT Continued)

The property, plant and equipment as of the period ended 30 September 2021 include \$7,619,537 of assets that are not yet ready for use. During the period ended 30 September 2021, \$1,567,662 of these assets became available for use, they were transferred into property, plant and equipment and depreciation was charged on them. Leased assets are pledged as security for the related lease obligations.

Group acquires property, plant and equipment on prepayment terms. Cash paid to suppliers of property, plant and equipment and capitalized expenses paid by cash during the period was \$8,795,228 (For the period ended 30 September 2020 - \$3,403,829).

All the property plant and equipment of the Group is pledged to shareholders under borrowings agreements.

Mining assets depreciated on unit of production basis in proportion of depletion of resources.

Right of the use assets depreciated on straight line basis in accordance with lease agreements and consist from the following classes of underlying assets:

	Processing plant	Mining vehicles	Infrastructure and other	Total
<b>Carrying amount at 31 December 2019</b>	<b>769,618</b>	<b>894,724</b>	<b>411,349</b>	<b>2,075,691</b>
Additions	1,420,191	4,103,658	-	5,523,849
Depreciation	(678,505)	(1,913,050)	(324,372)	(2,915,927)
Translation adjustment	(311,779)	(666,838)	(47,749)	(1,026,366)
<b>Carrying amount at 31 December 2020</b>	<b>1,199,525</b>	<b>2,418,494</b>	<b>39,228</b>	<b>3,657,247</b>
Additions	-	5,627,833	1,152,486	6,780,319
Depreciation	(524,097)	(2,153,877)	(247,566)	(2,925,540)
Translation adjustment	5,073	132,107	24,921	162,101
<b>Carrying amount at 30 September 2021</b>	<b>680,501</b>	<b>6,024,557</b>	<b>969,069</b>	<b>7,674,127</b>

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

### 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	30 September 2021	31 December 2020
Trade and other payables	3,672,471	1,817,224
Accrued liabilities	1,197,223	1,060,010
Property tax liabilities	420,729	397,214
Other taxes and other liabilities	502,600	407,712
	<b>5,793,023</b>	<b>3,682,160</b>

### 12. LEASES

The Group entered into long term lease agreements for the purchase of equipment in relation to the development of the Mangazeisky project payable in monthly instalments of circa US\$ 260,000. The lease payments have been discounted at rates of between 11.02% and 19.23%. The Group made down payments of 20% of the cost of the equipment.

Interest expenses on lease liabilities were \$653,823 total cash outflow for leases was \$3,012,130.

Future minimum lease payments under leases, together with the present value of the minimum lease payments, are as follows:

	30 September 2021	31 December 2020
Within one year	3,734,469	1,973,324
Within two to five years	3,345,312	1,321,378
Over 5 years	-	-
	<b>7,079,781</b>	<b>3,294,702</b>
Future finance charges on finance leases	(830,301)	(368,536)
<b>Present value of the net lease payments</b>	<b>6,249,480</b>	<b>2,926,166</b>
Current portion	3,133,197	1,688,373
Long-term portion	3,116,283	1,237,793
<b>Total obligations under leases</b>	<b>6,249,480</b>	<b>2,926,166</b>

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

### 13. LONG-TERM AND SHORT-TERM LOANS

Lender	30 September 2021			31 December 2020		
	Principal	Interest	Total	Principal	Interest	Total
Uniform Ltd (formerly A.B. Aterra Resources Ltd)	34,817,559	2,471,079	37,288,638	34,664,242	620,105	35,284,347
Inflection Management Corp.	138,406,067	9,822,986	148,229,053	137,796,607	2,465,028	140,261,635
Fair value gain on modification of loans	(4,366,209)	-	(4,366,209)	(7,398,016)	-	(7,398,016)
SKA Assets Management Limited	13,124,990	89,214	13,214,204	-	-	-
	<b>181,982,407</b>	<b>12,383,279</b>	<b>194,365,686</b>	<b>165,062,833</b>	<b>3,085,133</b>	<b>168,147,966</b>

Movement in long term loans is analyzed as follows in USD:

	Uniform (formerly Aterra)		Inflection		Gain on modification of loans	Total
	Principal USD	Interest USD	Principal USD	Interest USD	USD	USD
<b>As at 31 December 2019 (USD)</b>	<b>19,601,242</b>	<b>7,296,898</b>	<b>79,695,628</b>	<b>25,164,392</b>	<b>(2,805,832)</b>	<b>128,952,328</b>
<b>As at 31 December 2019 (CAD)</b>	<b>25,360,652</b>	<b>9,440,938</b>	<b>103,112,504</b>	<b>32,558,417</b>	<b>(3,630,267)</b>	<b>166,842,244</b>
Principal amounts received	-	-	2,000,000	-	-	2,000,000
Interest accrued	-	1,908,076	-	7,649,878	2,992,392	12,550,346
Principal and interest repayment	-	-	(2,000,000)	(126,993)	-	(2,126,993)
Capitalization of interest	7,742,827	(7,742,827)	27,001,968	(27,001,968)	-	-
Gain on modification of loans recognized through finance income	-	-	-	-	(5,847,969)	(5,847,969)
<b>As at 31 December 2020 (USD)</b>	<b>27,344,069</b>	<b>489,155</b>	<b>108,697,596</b>	<b>1,944,479</b>	<b>(5,661,408)</b>	<b>132,813,890</b>
<b>As at 31 December 2020 (CAD)</b>	<b>34,664,242</b>	<b>620,105</b>	<b>137,796,607</b>	<b>2,465,028</b>	<b>(7,398,016)</b>	<b>168,147,966</b>
Principal amounts received	-	-	-	-	-	-
Interest accrued	-	1,451,514	-	5,770,031	2,406,735	9,628,280
Principal and interest repayment	-	-	-	-	-	-
<b>As at 30 September 2021 (USD)</b>	<b>27,344,069</b>	<b>1,940,669</b>	<b>108,697,596</b>	<b>7,714,510</b>	<b>(3,429,014)</b>	<b>142,442,170</b>
<b>As at 30 September 2021 (CAD)</b>	<b>34,817,559</b>	<b>2,471,079</b>	<b>138,406,067</b>	<b>9,822,986</b>	<b>(4,366,209)</b>	<b>181,151,482</b>

Gain on modification of shareholder loans is recognised either as finance income in the Consolidated Statement of Comprehensive Profit / (Loss) or as an increase in shareholder contribution in Equity. Management makes assessment of each modification and if change in terms, for example, reduction of interest rate, represents terms which are more favourable at the time than market and indicative of the lender acting in capacity of shareholder, then it is recognised through shareholder contribution, otherwise, it is recognised as finance income.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

### 13. LONG-TERM AND SHORT-TERM LOANS (Continued)

Movement in long term loans is analyzed as follows in CAD:

	Unifirm (formerly Aterra)		Inflection		Gain on modification of loans	FV gain
	Principal CAD\$	Interest CAD\$	Principal CAD\$	Interest CAD\$	CAD\$	CAD\$
<b>As at 31 December 2019</b>	<b>25,360,652</b>	<b>9,440,937</b>	<b>103,112,504</b>	<b>32,558,418</b>	<b>(3,630,267)</b>	<b>166,842,244</b>
Principal amounts received	-	-	2,351,454	-	-	2,351,454
Interest accrued	-	2,607,065	-	10,448,965	4,000,216	17,056,246
Principal and interest repayment	-	(1,380,091)	-	(5,475,330)	-	(6,855,421)
Capitalization of interest	11,151,990	(11,151,990)	38,890,925	(38,890,925)	-	-
Foreign exchange loss	4,198,677	2,461,964	17,852,811	8,536,927	-	33,050,379
Gain on modification of loans recognized through finance income	-	-	-	-	(8,050,595)	(8,050,595)
Translation adjustment	(6,047,077)	(1,357,780)	(24,411,087)	(4,713,027)	282,630	(36,246,341)
<b>As at 31 December 2020</b>	<b>34,664,242</b>	<b>620,105</b>	<b>137,796,607</b>	<b>2,465,028</b>	<b>(7,398,016)</b>	<b>168,147,966</b>
Principal amounts received	-	-	-	-	-	-
Interest accrued	-	1,815,610	-	7,217,378	3,009,600	12,042,588
Principal and interest repayment	-	-	-	-	-	-
Foreign exchange loss	(478,082)	(37,395)	(1,900,462)	(148,652)	-	(2,564,591)
Translation adjustment	631,399	72,760	2,509,922	289,232	22,207	3,525,520
<b>As at 30 September 2021</b>	<b>34,817,559</b>	<b>2,471,079</b>	<b>138,406,067</b>	<b>9,822,986</b>	<b>(4,366,209)</b>	<b>181,151,482</b>

On 26 May 2020, the Group's major shareholders Aterra and Inflection agreed to further reduce the interest rate applicable to all funds drawn under the Facilities Agreement, as amended, from 9% to 7% per annum. The accrued interest accrued quarterly, and is payable on 1 January, 1 April, 1 July and 1 October in each calendar year starting from 1 April 2020 and on the maturity date, being 20 March 2023. Accrued interest at 1 April 2020 was capitalized to the loan principal. The modification of the loan interest from 9% to 7% in 2020 was considered to be non-substantive. As this reduction of interest rate was reflective of market conditions having been benchmarked against Russian bank lending rates offered to the Group it has been recognized through finance income in amount of \$7,817,537.

31 December 2020, the Group further amended its existing Facilities Agreement major shareholders Aterra and Inflection, extending the maturity dates of certain components of Tranches F, G, H and I, issued by Inflection from 31 July 2021 and 20 September 2022, as applicable, to 1 January 2023. The modification of the loan in 31 December 2020 was considered to be non-substantive and has been recognized through finance income in amount of \$233,058.

The Secured Loan Funding is secured and the parent and subsidiaries of the Group will act as guarantor of each other's obligations under the Facilities Agreement and all related security documents.

In the first quarter 2021, the Group entered into a loan agreement with SKA Assets Management Limited, a company under common control with Inflection, in the amount of RUB 750,000,000 (equivalent to approximately C\$12,000,000) (the "Principal") with an interest rate of 8.27% per annum, which interest shall accrue on a monthly basis. The Principal will be due and payable on 31 December 2021.

**Silver Bear Resources Plc**  
**Notes to Consolidated Financial Statements**  
For the three and nine months ended 30 September 2021 and 2020

**13. LONG-TERM AND SHORT-TERM LOANS (Continued)**

Movement in short-term loan is analyzed as follows in CAD:

	SKA Assets Management		Total
	Principal	Interest	
<b>As at 31 December 2020</b>	-	-	-
Principal amounts received	12,672,641	-	12,672,641
Interest accrued	-	519,707	519,707
Principal and interest repayment	-	(433,568)	(433,568)
Translation adjustment	452,349	3,075	455,424
<b>As at 30 September 2021</b>	<b>13,124,990</b>	<b>89,214</b>	<b>13,214,204</b>

**14. PROVISION FOR DECOMMISSIONING AND RESTORATION LIABILITY**

The Group's mining, exploration and development activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. The Group has made, and intends to make in the future, expenditures to comply with such laws and regulations. The Group has recorded a liability and corresponding asset for the estimated future cost of reclamation and closure, including site rehabilitation and long-term treatment and monitoring costs, discounted to net present value. Such estimates are, however, subject to change based on negotiations with regulatory authorities, or changes in laws and regulations.

The Group's provision for decommissioning and restoration liability consists of management's best estimate of reclamation and closure costs for the Mangazeisky project.

Significant reclamation and closure activities include land rehabilitation, demolition of buildings and site facilities and other costs defined by the license requirements.

Asset retirement obligation consists of the following:

	30 September 2021	31 December 2020
<b>Balance at the beginning of the year</b>	<b>4,040,784</b>	<b>4,034,245</b>
Accretion expense	175,201	230,207
Impact of change to underlying cost estimate	-	-
Impact of rates adjustment	-	514,682
Translation adjustment	86,275	(738,350)
<b>Balance at the end of the year</b>	<b>4,302,260</b>	<b>4,040,784</b>

At 30 September 2021, the expected life of the Mangazeisky project has been assessed to be 6 years. The projected cost for reclamation and closure of the Mangazeisky project in 2026 has been estimated to be \$4.4m. A Russian Government 7-year zero coupon bond of 5.87% (2020: 5.87%) has been used in discounting of future cash flows.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

### 15. SHAREHOLDERS' EQUITY

#### Common shares

Authorized: Unlimited number of common shares with a par value of GBP 0.001.

All issued shares are fully paid. Reconciliation of the number and value of common shares at the beginning and end of the period ended 30 September 2021 and 31 December 2020:

Common shares	30 September 2021		31 December 2020	
	Number of common shares	\$	Number of common shares	\$
<b>Balance - Beginning of the year</b>	<b>673,690,423</b>	<b>99,561,998</b>	<b>672,140,902</b>	<b>99,559,336</b>
Issued under stock option plan	64,017	112	-	-
Issued under share subscription plan	3,446,740	5,931	1,304,521	2,234
Issued under share bonus plan	-	-	245,000	428
Shares issued during the period	-	-	-	-
<b>Balance - End of the year</b>	<b>677,201,180</b>	<b>99,568,042</b>	<b>673,690,423</b>	<b>99,561,998</b>

#### Share Bonus Plan

On 27 June 2019, the board of directors resolved, and the Group obtained approval from the TSX and the shareholders an amendment to the Share Bonus Plan. The number of the Bonus Shares issued to insiders of the Group, within any one-year period, and issuable to insiders of the Group, at any time, under the Share Bonus Plan, or when combined with all of the Group's other security based compensation arrangements, shall not exceed 10% of the Group's total issued and outstanding Shares, respectively.

On 30 January 2020, the Group issued 205,668 common shares under the non-executive director subscription plan for the nominal fee of £0.001.

On 9 April 2020, the Group issued 399,714 common shares under the non-executive director subscription plan for the nominal fee of £0.001.

On 17 July 2020, the Group issued 328,800 common shares under the non-executive director subscription plan for the nominal fee of £0.001.

On 2 October 2020, the Group issued 167,250 common shares under the non-executive director subscription plan for the nominal fee of £0.001.

On 6 October 2020, the Group issued 119,464 common shares under the non-executive director subscription plan for the nominal fee of £0.001.

On 16 October 2020, the Group issued 83,625 common shares under the non-executive director subscription plan for the nominal fee of £0.001.

On 4 December 2020, the Group issued 245,000 common shares under the share bonus plan for the nominal fee of £0.001.

On 5 January 2021, the Group issued 274,714 common shares under the non-executive director subscription plan for the nominal fee of £0.001.

On 27 January 2021, the Group issued 80,125 common shares under the non-executive director subscription plan for the nominal fee of £0.001.

On 23 April 2021, the Group issued 270,000 common shares under the non-executive director subscription plan for the nominal fee of £0.001.

On 26 April 2021, the Group issued 78,500 common shares under the non-executive director subscription plan for the nominal fee of £0.001.

On 16 July 2021, the Group issued 2,389,771 common shares in settlement of debts of up to \$327,398 owed to certain directors of the Group

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

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### 15. SHAREHOLDERS' EQUITY (Continued)

#### Share Bonus Plan (Continued)

On 16 July 2021, the Group issued 353,630 common shares under the non-executive director subscription plan for the nominal fee of £0.001.

#### Stock options

The Group has a stock option plan which is intended to provide an incentive to officers, employees, directors and consultants of the Group. Stock options are granted from time to time and the option price is determined by the Compensation Committee of the Board of Directors at its sole discretion but shall not be less than the closing price of the Group's common stock on the "TSX" on the last trading date preceding the date of the grant. The term of each option is granted for a period not exceeding five years from the date of the grant. Except as expressly provided for in the option holder's employment, consulting or termination contract, the option holder may exercise the option to the extent exercisable on the date of such termination at any time within twelve months after the date of termination.

The maximum aggregate number of Shares reserved by the Group for issuance and which may be purchased upon the exercise of all options granted under its option plan together will all shares reserved for issuance under the share bonus plan must not exceed 10% of the outstanding Shares (on a non-diluted basis) issued and outstanding at the time of the granting of the options.

On 18 May 2016, 2,900,000 options were granted to directors, officers and consultants of the Group. The exercise price of the options is \$0.19 per option. Granted stock options vest immediately on the day of grant and expire on 18 May 2021.

On 21 December 2017, 18,000,000 options were granted to directors of the Group. 6,000,000 of these options have an exercise price of \$0.17 per option, 6,000,000 have an exercise price of \$0.25 per share and the remaining 6,000,000 have an exercise price of \$0.30 per share.

On 4 April 2018, 2,600,000 options were granted to directors, officers and consultants of the Group. 866,667 of these options have an exercise price of \$0.22 per option, 866,667 have an exercise price of \$0.30 per share and the remaining 866,666 have an exercise price of \$0.35 per share.

On 14 November 2018, 3,000,000 options were granted to directors, officers and consultants of the Group. 1,000,000 of these options have an exercise price of \$0.18 per option and will fully vest on 14 November 2019, 1,000,000 have an exercise price of \$0.25 per share and will be fully vested on 14 November 2020, and the remaining 1,000,000 have an exercise price of \$0.30 per share and will be fully vested on 14 November 2021.

On 24 May 2019, 500,000 options were granted to officer of the Group 166,667 of these options have an exercise price of \$0.11 per option and will fully vest on 24 May 2020, 166,667 have an exercise price of \$0.25 per share and will be fully vested on 24 May 2021, and the remaining 166,666 have an exercise price of \$0.30 per share and will be fully vested on 24 May 2022.

During the period ended 30 September 2021, options generated a share-based payments expense of \$73,676 (30 September 2020: \$89,020). The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability and exercise restrictions (including the probability of meeting market conditions attached to the option). Expected volatility is based on the historical share price volatility over the past 4 years. The expected life of the option was calculated based on the history of option exercises.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

### 15. SHAREHOLDERS' EQUITY (Continued)

#### Stock options (Continued)

Reconciliation of the number of options at the beginning and end of the periods ended 30 September 2021 and 31 December 2020 follows:

	30 September 2021		31 December 2020	
	Number	Weighted average exercise price, \$	Number	Weighted average exercise price, \$
<b>Balance - Beginning of the year</b>	<b>24,251,000</b>	<b>0.25</b>	<b>25,051,000</b>	<b>0.25</b>
Granted	-	-	-	-
Exercised	(166,667)	0.11	-	-
Expired / Cancelled / Forfeited	(1,651,000)	0.19	(800,000)	0.19
<b>Balance - End of the year</b>	<b>22,433,333</b>	<b>0.25</b>	<b>24,251,000</b>	<b>0.25</b>

As at 30 September 2021, the Group had share options outstanding and exercisable as follows:

Expiry year	Outstanding		Exercisable	
	Number	Weighted average exercise price, \$	Number	Weighted average exercise price, \$
2022	18,000,000	0.24	18,000,000	0.24
2023	4,100,000	0.26	3,100,000	0.24
2024	333,333	0.27	166,666	0.25
	<b>22,433,333</b>	<b>0.25</b>	<b>22,751,000</b>	<b>0.24</b>

The weighted average remaining contractual life of share options outstanding at the end of the period was 533 days (2020: 782 days).

Contributed surplus consists of the following:

	30 September 2021	31 December 2020
<b>Balance - Beginning of the year</b>	<b>16,960,163</b>	<b>16,975,267</b>
Share-based payments	73,676	114,896
Exercised options	(12,340)	-
Expired / Cancelled / Forfeited options	(268,287)	(130,000)
<b>Balance - End of the year</b>	<b>16,753,212</b>	<b>16,960,163</b>



# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

### 15. SHAREHOLDERS' EQUITY (Continued)

#### Earnings per share

The calculation of the basic and diluted profit/(loss) per share attributable to the owners of the Group is based on the following data

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Net Profit/(Loss)	(14,666,834)	(27,098,003)	(25,057,324)	(59,768,597)
Weighted average number of shares used in basic EPS	677,234,150	673,014,981	675,488,473	672,669,365
Basic profit/ (loss) per share	(0.02)	(0.04)	(0.04)	(0.09)
Exercisable stock options	21,266,667	22,917,667	21,266,667	22,917,667
Weighted average number of shares used in diluted EPS	698,500,817	695,932,648	696,755,140	695,587,032
Diluted profit/ (loss) per share	(0.02)	(0.04)	(0.04)	(0.09)

### 16. RELATED PARTY DISCLOSURES

#### (a) Financing transactions

The Group has entered into a series of financing transactions with major shareholders. As set out in note 13.

#### (b) Purchases from related parties

During the period ended 30 September 2021 the Group has acquired construction materials from TechnoNicol the company under common control with Inflection in amount of \$45,315, outstanding balance as at 30 September 2021 was \$23,042 (2020: prepayment \$454)

#### (c) Compensation of key management

Key management are the Group's directors. Compensation awarded to key management comprised:

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Salaries, fees and short-term employee benefits	121,296	144,200	361,412	406,012
Share-based payments	20,381	18,592	59,135	62,156
	<b>141,677</b>	<b>162,792</b>	<b>420,546</b>	<b>468,168</b>

#### (d) Interest in other entities

Name of subsidiary undertaking	Registered address/ Principal place of business	Description of shares held	Proportion of nominal value of issued shares held by:	
			Group %	Company %
Silver Bear Resources Inc.	Suite 2500, 120 Adelaide Street West, Toronto, Ontario, Canada, M5H 1T1	Ordinary CAD 120,863,139 shares	100	100
AO Prognoz	36/1 Ordzhonikidze Street, Yakutsk, Republic of Sakha (Yakutia), 677000, Russian Federation	Ordinary RUB 10,000 shares	100	100

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

All subsidiary undertakings have been included in the consolidation. The voting rights in the subsidiary undertakings are in proportion to the amount of shares held.

### 16. RELATED PARTY DISCLOSURES (Continued)

The principal activities of the Group's subsidiaries are as follows:

- Silver Bear Resources Inc. – holding company;
- AO Prognoz - acquisition, exploration, evaluation and development of precious metal properties.

### 17. OTHER INCOME AND EXPENSES

#### OTHER INCOME

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Meals distribution	3,476	11,783	35,649	56,537
Winter road maintenance	-	4,793	-	51,924
Rent	11,749	52,012	77,347	168,292
Income from fuel sales	(721)	37,997	46,727	91,663
Other income	(3,881)	(5,519)	177	21,902
	<b>10,623</b>	<b>101,066</b>	<b>159,900</b>	<b>390,318</b>

#### OTHER EXPENSES

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Property tax	(412,075)	(437,283)	(1,215,225)	(1,403,417)
Other expenses	(82,030)	(176,174)	(222,807)	(176,175)
	<b>(494,105)</b>	<b>(613,457)</b>	<b>(1,438,032)</b>	<b>(1,579,592)</b>

### 18. PRODUCTION COST, GENERAL AND ADMINISTRATIVE EXPENSES

#### Production cost:

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Employee compensation	(2,662,615)	(2,147,548)	(7,272,107)	(6,437,059)
Process reagents	(460,130)	(944,944)	(1,298,075)	(3,066,413)
Repair and maintenance	(811,588)	(912,847)	(2,626,054)	(2,019,898)
Fuel	(1,296,274)	(673,716)	(3,453,649)	(2,343,529)
Mining tax	(499,353)	(878,601)	(1,904,159)	(2,398,545)
Blasting	(850,064)	(709,707)	(2,449,483)	(1,935,659)
Energy	(214,051)	(295,654)	(797,501)	(951,648)
Refinery	(46,127)	(77,040)	(160,208)	(288,154)
Other	(1,114,981)	(999,559)	(3,004,211)	(2,396,121)
Change in finished goods and work in progress	(2,435,467)	567,731	(3,315,208)	2,606,266
	<b>(10,390,650)</b>	<b>(7,071,885)</b>	<b>(26,280,655)</b>	<b>(19,230,761)</b>

**Silver Bear Resources Plc**  
**Notes to Consolidated Financial Statements**  
For the three and nine months ended 30 September 2021 and 2020

**18. PRODUCTION COST, GENERAL AND ADMINISTRATIVE EXPENSES (Continued)**

General and administrative expenses:	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Employee compensation	(545,544)	(575,157)	(1,710,830)	(1,745,331)
Professional fees	(45,459)	(35,987)	(201,730)	(170,088)
Auditors' remuneration - Audit fees	(86,692)	(40,658)	(296,819)	(173,288)
Office expenses	(14,722)	(8,512)	(47,009)	(18,361)
Travel expenses	4,398	(6,318)	(11,522)	(12,595)
Legal fees	(21,219)	(119,688)	(153,794)	(214,765)
Investor relations expenses	(28,065)	(9,496)	(89,509)	(69,820)
Depreciation	(2,289)	(3,799)	(19,358)	(22,989)
Amortization	(18,747)	(11,958)	(73,815)	(26,934)
Rent	(43,796)	(36,681)	(136,652)	(105,574)
IT and communications	(33,186)	(15,776)	(111,378)	(27,306)
Other expenses	(53,648)	(68,070)	(165,610)	(125,879)
	<b>(888,969)</b>	<b>(932,100)</b>	<b>(3,018,026)</b>	<b>(2,712,929)</b>

The average number of employees during the period was 406 (For the period ended 30 September 2020: 313).

The following table provides the breakdown of Group's employee compensation charged to the income statement:

Employee compensation:	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Salaries, fees and short-term employee benefits	(3,184,791)	(2,697,493)	(8,909,261)	(8,093,370)
Share-based payments	(23,368)	(25,212)	(73,676)	(89,020)
	<b>(3,208,159)</b>	<b>(2,722,705)</b>	<b>(8,982,937)</b>	<b>(8,182,390)</b>

**19. FINANCE INCOME AND EXPENSE**

**Finance Expense**

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Interest accrued from loans	(4,337,821)	(4,342,323)	(12,562,295)	(12,614,263)
Interest accrued from prepayments	(85,527)	(49,806)	(85,527)	(49,806)
Interest accrued from lease obligations	(218,707)	(112,293)	(653,823)	(451,353)
Accretion expenses	(59,226)	(55,777)	(175,201)	(177,228)
	<b>(4,701,281)</b>	<b>(4,560,200)</b>	<b>(13,476,846)</b>	<b>(13,292,650)</b>

**Finance Income**

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Interest from deposits	3,402	2,292	12,483	7,481
	<b>3,402</b>	<b>2,292</b>	<b>12,483</b>	<b>7,481</b>

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

### 20. NET CHANGE IN NON-CASH WORKING CAPITAL

Net change in non-cash working capital consists of the following:

	30 September 2021	30 September 2020
Receivables	924,240	(20,507)
Advances received	2,508,278	(49,646)
Inventories	(4,165,494)	(9,243,183)
Prepaid expenses	(212,413)	(315,166)
Accounts payable and accrued liabilities	1,992,655	(813,256)
	<b>1,047,266</b>	<b>(10,441,758)</b>

Net changes in non-cash working capital for cash flow statement calculated for each company of the Group in their functional currencies. Then translated to the reporting currency using the average rates and consolidated.

### 21. CAPITAL COMMITMENTS AND CONTINGENCIES

The Group is party to certain management contracts and severance obligations. These contracts contain clauses requiring that additional payments of up to \$70,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements.

The Group may be involved in legal proceedings from time to time, arising in the ordinary course of its business. The amount of ultimate liability with respect to these actions will not, in the opinion of management, materially affect the Group's financial position, results of operations or cash flows. There were no material outstanding legal proceedings as of 30 September 2021.

### 22. SEGMENTED INFORMATION

The Group has one operating segment based on geographical location being the property in the Russian Federation (Mangazeisky). The Corporate balances are provided below to allow reconciliation back to the primary statements.

As at 30 September 2021

Country/Property	Cash	Inventories	Prepaid	Receivables	Mineral Properties	Property plant and equipment	Depreciation	Interest expense	Profit / (loss) before tax
Russia - Mangazeisky	1,790,587	22,627,950	4,261,298	2,139,405	10,802,083	78,042,683	(11,685,410)	(13,476,846)	13,286,033
Corporate	172,187	-	183,902	-	-	-	-	-	(38,329,378)
	<b>1,962,774</b>	<b>22,627,950</b>	<b>4,445,200</b>	<b>2,139,405</b>	<b>10,802,083</b>	<b>78,042,683</b>	<b>(11,685,410)</b>	<b>(13,476,846)</b>	<b>(25,043,345)</b>

As at 31 December 2020

Country/Property	Cash	Inventories	Prepaid	Receivables	Mineral Properties	Property plant and equipment	Depreciation	Interest expense	Profit / (loss) before tax
Russia - Mangazeisky	1,193,504	18,134,273	5,437,388	3,050,392	11,923,604	74,096,536	(19,364,209)	(17,873,567)	(46,668,221)
Corporate	108,661	-	223,403	-	-	-	-	-	(332,623)
	<b>1,302,165</b>	<b>18,134,273</b>	<b>5,660,791</b>	<b>3,050,392</b>	<b>11,923,604</b>	<b>74,096,536</b>	<b>(19,364,209)</b>	<b>(17,873,567)</b>	<b>(47,000,844)</b>

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

### 23. FINANCIAL INSTRUMENTS

Financial instruments measured at fair value on the consolidated statements of financial position are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Group's current financial instruments consist of cash, accounts receivable, short-term loans, lease liabilities and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. The Group's non-current financial instruments consist of long-term loans and lease liabilities. The fair value of these instruments approximates their carrying values as any differences are not material. Financial assets and financial liabilities as at 30 September 2021 and 31 December 2020 were as follows:

<b>30 September 2021</b>	<b>Cash and receivables</b>	<b>Loans and other liabilities</b>	<b>TOTAL</b>
Cash and cash equivalents	1,962,774	-	<b>1,962,774</b>
Accounts receivable	588,294	-	<b>588,294</b>
Short-term loans	-	(25,508,269)	<b>(25,508,269)</b>
Long-term loans	-	(168,857,417)	<b>(168,857,417)</b>
Advances received	-	(2,683,520)	<b>(2,683,520)</b>
Accounts payables and accrued liabilities	-	(4,869,694)	<b>(4,869,694)</b>
Lease liabilities	-	(6,249,480)	<b>(6,249,480)</b>
	<b>2,551,068</b>	<b>(208,168,380)</b>	<b>(205,617,312)</b>

<b>31 December 2020</b>	<b>Cash and receivables</b>	<b>Loans and other liabilities</b>	<b>TOTAL</b>
Cash and cash equivalents	1,302,165	-	<b>1,302,165</b>
Accounts receivable	1,350,634	-	<b>1,350,634</b>
Short-term loans	-	(3,085,133)	<b>(3,085,133)</b>
Long-term loans	-	(165,062,833)	<b>(165,062,833)</b>
Advances received	-	(144)	<b>(144)</b>
Accounts payables and accrued liabilities	-	(2,877,234)	<b>(2,877,234)</b>
Lease liabilities	-	(2,926,166)	<b>(2,926,166)</b>
	<b>2,652,799</b>	<b>(173,951,510)</b>	<b>(171,298,711)</b>

The carrying value of cash equivalents, amounts receivable, short-term loans, long-term loans, accounts payable and accrued liabilities and lease liabilities reflected in the consolidated statement of financial position approximate fair value.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the three and nine months ended 30 September 2021 and 2020

### 23. NET DEBT RECONCILIATION

	Long and short-term loans	Long and short-term lease obligation	Subtotal	Cash and cash equivalents	Total
<b>Net Debt as 31 December 2019</b>	<b>(166,842,243)</b>	<b>(888,300)</b>	<b>(167,730,543)</b>	<b>5,444,288</b>	<b>(162,286,255)</b>
Cash flow	4,503,967	3,606,534	<b>8,110,501</b>	(3,346,787)	<b>4,763,714</b>
<i>Non-cash changes:</i>					
New leases	-	(4,507,822)	<b>(4,507,822)</b>	-	<b>(4,507,822)</b>
Accrual of interest	(17,056,246)	(538,697)	<b>(17,594,943)</b>	-	<b>(17,594,943)</b>
Modification gain	8,050,595	-	<b>8,050,595</b>	-	<b>8,050,595</b>
FX differences	(33,050,379)	(433,932)	<b>(33,484,311)</b>	63,266	<b>(33,421,045)</b>
Translation differences	36,246,340	(163,949)	<b>36,082,391</b>	(858,602)	<b>35,223,789</b>
<b>Net Debt as 31 December 2020</b>	<b>(168,147,966)</b>	<b>(2,926,166)</b>	<b>(171,074,132)</b>	<b>1,302,165</b>	<b>(169,771,967)</b>
Cash flow	(12,239,073)	3,012,130	<b>(9,226,943)</b>	453,412	<b>(8,773,531)</b>
<i>Non-cash changes:</i>					
New leases	-	(5,526,436)	<b>(5,526,436)</b>	-	<b>(5,526,436)</b>
Accrual of interest	(12,562,295)	(654,142)	<b>(13,216,437)</b>	-	<b>(13,216,437)</b>
Modification gain	-	-	-	-	-
FX differences	2,564,591	15,650	<b>2,580,241</b>	1,206	<b>2,581,447</b>
Translation differences	(3,980,943)	(170,515)	<b>(4,151,458)</b>	205,991	<b>(3,945,467)</b>
<b>Net Debt as 30 September 2021</b>	<b>(194,365,686)</b>	<b>(6,249,480)</b>	<b>(200,615,166)</b>	<b>1,962,774</b>	<b>(198,652,392)</b>

### 24. INCOME TAXES

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Current tax expense	2,552	(982)	(13,979)	(7,208)
<b>Total tax expense</b>	<b>2,552</b>	<b>(982)</b>	<b>(13,979)</b>	<b>(7,208)</b>

Reconciliation between tax expense and the product of accounting loss multiplied by the Corporation's domestic tax rate is as follows:

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Profit/(Loss) before taxation	(14,669,386)	(27,097,021)	(25,043,345)	(32,664,368)
Statutory tax rate	20.00%	20.00%	20.00%	20.00%
Tax benefit of statutory rate	2,933,877	5,419,404	5,008,669	11,952,278
Expenses not deductible for income tax purposes	(683,661)	(500,603)	(1,726,991)	(1,624,792)
Recognition of previously written off deferred tax asset	-	-	-	-
Deferred taxes not recognized for the period	(286,357)	155,697	7,034,220	(348,826)
Tax losses carried forward not recognized	(1,961,306)	(5,075,481)	(10,329,878)	(9,985,868)
<b>Total tax expense</b>	<b>2,552</b>	<b>(982)</b>	<b>(13,979)</b>	<b>(7,208)</b>

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off the current tax assets and current tax liabilities or deferred tax assets and liabilities and they relate to taxes levied by the same tax authority.

### 25. CONTROLLING AND ULTIMATE CONTROLLING PARTY

The controlling and ultimate controlling party is Kolesnikov Sergei Anatolievich.