SILVER BEAR RESOURCES Plc

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Registered Number: 10669766 (England and Wales)

For the three and nine months ended 30 September 2020 and 2019

(Expressed in Canadian dollars)

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Unaudited Consolidated Financial Statements

MANGAZEISKY SILVER MINE – **High Grade Silver Producer**

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
(Canadian dollars)

	Note	30 September 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	10	77,970,208	97,090,061
Mineral property	9	11,773,229	13,896,077
Intangible assets	8	238,884	281,073
Prepaid non-current assets	6	916,365	749,033
Other non-current assets	7	2,951,812	3,208,191
Total non-current assets		**93,850,498**	**115,224,435**
Current assets			
Inventories	5	24,589,466	19,564,508
Receivables	4	2,840,277	3,712,956
Cash and cash equivalents		2,811,002	5,444,288
Prepaid expenses	6	2,164,472	2,814,838
Total current assets		**32,405,217**	**31,536,590**
TOTAL ASSETS		**126,255,715**	**146,761,025**
EQUITY AND LIABILITIES			
Non-current liabilities			
Long-term loans	13	176,902,167	166,842,243
Asset retirement obligation	14	3,467,520	4,034,245
Lease obligation	12	1,885,050	261,354
Total non-current liabilities		**182,254,737**	**171,137,842**
Current liabilities			
Advances received from customers		142	-
Short-term loans	13	3,323,837	-
Account payable and accrued liabilities	11	3,798,888	5,328,156
Lease obligation	12	2,056,135	626,946
Total current liabilities		**9,179,002**	**5,955,102**
Total liabilities		**191,433,739**	**177,092,944**
Equity			
Share Capital	15	99,560,381	99,559,336
Share Premium		22,478,744	22,410,054
Shareholders Contribution	13	12,844,924	5,381,283
Contributed surplus	15	16,934,287	16,975,267
Cumulative translation adjustment		15,059,115	(2,240,981)
Retained earnings/ (Accumulated deficit)		(232,055,475)	(172,416,878)
Total equity		**(65,178,024)**	**(30,331,919)**
TOTAL EQUITY AND LIABILITIES		**126,255,715**	**146,761,025**

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

The financial statements on pages 8 to 34 were approved by the Board of Directors on 13 November 2020 and signed on its behalf by:

"Vadim Ilchuk"	**"Maxim Matveev"**
Vadim Ilchuk	**Maxim Matveev**
Director, President, CEO	Director

Silver Bear Resources Plc

Consolidated Statement of Comprehensive Profit/(Loss)

For the three and nine months ended 30 September 2020 and 2019
(Canadian dollars)

	Note	Three months ended		Nine months ended	
		30 September 2020	30 September 2019	30 September 2020	30 September 2019
Revenue:					
Metal Sales		14,245,264	9,013,130	38,326,831	9,013,130
Cost of Sales:					
Production cost	18	(7,071,885)	(3,988,037)	(19,230,761)	(3,988,037)
Depreciation and amortisation		(2,502,931)	(1,078,365)	(13,630,135)	(1,078,365)
Gross profit		**4,670,448**	**3,946,728**	**5,465,935**	**3,946,728**
Exploration and evaluation expenses		-	-	(71,585)	-
General and administrative expenses	18	(932,100)	(1,145,508)	(2,712,929)	(2,108,076)
Selling expenses		-	(51,879)	-	(51,879)
Depreciation charged during pre-production stage		-	-	-	(1,003,352)
Other income	17	101,066	34,088	390,318	973,568
Other expenses	17	(613,457)		(1,579,592)	-
Operating profit		**3,225,957**	**2,783,429**	**1,492,147**	**1,756,989**
Finance income		2,292	-	7,481	-
Finance expenses	19	(4,560,200)	(3,073,312)	(13,292,650)	(9,171,631)
Foreign exchange (loss) /gain		(25,765,071)	(3,287,929)	(47,968,367)	13,444,982
Profit / (loss) before tax		**(27,097,022)**	**(3,577,812)**	**(59,761,389)**	**6,030,340**
Tax charge		(982)	117,671	(7,208)	(1,235,548)
Profit /(loss) for the year		**(27,098,004)**	**(3,460,142)**	**(59,768,597)**	**4,794,792**
Other comprehensive profit/ (loss)					
Items, that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		10,672,319	601,972	17,300,096	(2,345,816)
Total comprehensive profit /(loss) for the year		**(16,425,685)**	**(2,858,170)**	**(42,468,501)**	**2,448,976**
Basic profit (loss) per share, cents per ordinary share	15	(0.04)	(0.01)	(0.09)	0.01

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 2020 and 2019
(Canadian dollars)

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

	Share capital	Share premium	Shareholders contribution	Contributed surplus	Cumulative translation adjustment	Accumulated Deficit	Total equity
Balance - 31 December 2018	**99,559,086**	**22,383,855**	**1,807,077**	**17,178,582**	**1,513,902**	**(172,494,967)**	**(30,052,465)**
Net loss for the period	-	-	-	-	-	4,794,792	4,794,792
Other comprehensive profit/(loss):							
Cumulative translation adjustment	-	-	-	-	(2,345,816)	-	(2,345,816)
Comprehensive profit/(loss) for the period	-	-	-	-	(2,345,816)	4,794,792	2,448,976
Shares issued under security compensation plans	8	-	-	-	-	-	8
Shares issued under stock option plan	242	26,198	-	(8,773)	-	-	17,667
Share-based payments	-	-	-	344,496	-	-	344,496
Cancelled and expired options	-	-	-	-	-	-	-
Fair value gain on modification of loans	-	-	-	-	-	-	-
Balance - 30 September 2019	**99,559,329**	**22,410,052**	**1,807,077**	**17,514,304**	**(831,914)**	**(167,700,175)**	**(27,241,319)**
Balance - 31 December 2019	**99,559,336**	**22,410,054**	**5,381,283**	**16,975,267**	**(2,240,981)**	**(172,416,878)**	**(30,331,919)**
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 security compensation plans	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	-
Fair value gain on modification of loans	-	-	7,463,641	-	-	-	7,463,641
Balance - 30 September 2020	**99,560,381**	**22,478,744**	**12,844,924**	**16,934,287**	**15,059,115**	**(232,055,475)**	**(65,178,024)**

Silver Bear Resources Plc
Consolidated Statement of Cash Flow
For the nine months ended 30 September 2020 and 2019
(Canadian dollars)

	30 September 2020	30 September 2019
Cash provided by (used in)		
Operating activities		
Total profit/ (loss) for the year	(59,768,597)	4,794,792
Adjustments for items not affecting cash:		
Depreciation	13,621,283	2,075,835
Amortisation	31,840	11,542
Share-based payments	89,020	344,496
Accretion expenses	177,228	75,015
Unrealized FX movement	47,968,368	(13,444,981)
Interest income	(7,481)	-
Interest expense	13,115,422	9,096,615
Net change in non-cash working capital (Note 20)	(10,441,758)	70,675
Net cash generated/ (used in) operations	**4,785,325**	**3,023,989**
Purchases of property, plant and equipment	(3,403,829)	(2,345,436)
Purchases of intangible assets	(69,164)	-
Interest income	7,481	-
Net cash used in investing activities	**(3,465,511)**	**(2,345,436)**
Proceeds from share issue	-	-
Proceeds from share options exercised	-	190
Repayment of principal on lease obligations	(2,095,164)	(1,231,289)
Repayment of interest on lease obligations	(461,024)	(143,349)
Short-term and long-term loans drawn	2,418,922	2,648,600
Short-term and long-term loans principal repayment	-	(1,673,597)
Short-term and long-term loans Interest repayment	(3,454,758)	(162,815)
Net cash generated from financing activities	**(3,592,024)**	**(562,260)**
Effect of exchange rate changes on cash and cash equivalents and translation differences	(361,075)	523,660
Increase/(Decrease) in cash and cash equivalents during the year	**(2,633,286)**	**639,953**
Cash and cash equivalents - beginning of the year	**5,444,288**	**1,141,663**
Cash and cash equivalents - end of the year	**2,811,002**	**1,781,616**
Cash and cash equivalents consist of:		
Cash	2,811,002	1,781,616

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

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 September 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 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 (Yaktutia), 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.

1. 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), Silver Bear Resources B.V. (a Netherlands 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 13 November 2020

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Basis of consolidation

Following Silver Bear Resources Plc becoming the parent company of the Group (as detailed in note 1), this transaction was 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.

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.

2. BASIS OF PREPARATION (Continued)

Going Concern

These unaudited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern 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.

Starting from 1 July 2019 the commissioning activities was completed with the successful installation and implementation of equipment to implement Merrill–Crowe process. This allow the Group to achieve sustainable commercial production in line with the life of mine plans. In 2020 the Group has acquired XRT equipment, which is currently being installed on site, which will help increase recoveries in the production process. This equipment will need to go through a commissioning period before the results of this are seen.

The Group has reported $2,811,002 cash and cash equivalents, total operating cash inflow of $4,785,325. The Group has reported a total net loss for the period of $59,768,597 including foreign exchange loss from shareholders loans in amount of $47,968,367 and net current assets of $23,226,215. The Group is in an overall net liability position of $65,178,024 due to the significant funding from the Group's major shareholders.

Management have prepared cash flow forecasts for the 12 month period from the date of approval of these financial statements, which are based on the Group's principal asset, the Mangazeisky silver asset in Russia, achieving sustainable production levels to generate sufficient cash flows to fund its operations and repay debt obligations and other liabilities as they fall due.

Management has assessed the impact of the current COVID-19 pandemic. Due to the remote location of the mine site, operations are currently unaffected by the pandemic, but given the uncertainty in the global economic market, Management note it could cause issues with production and sale of silver in the future. Management has extended the rotation of the current employees on the mine staff to provide continuity of operations over the next 3 months. Management continue to monitor Government and local legislation on a daily basis. The directors and Management continue to assess the Group's funding position to ensure sufficient facilities are in place to manage any short term impact on working capital.

The Group's cash flow forecast is reliant on sustained production from the mine. Given the mine is in the first 12 months of commercial production and the current issues with the COVID-19 pandemic, these events indicate the existence of a material uncertainty, which may cast significant doubt over the Group's ability to continue as a going concern, and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. If consistent sustained production is not realized then additional funds will be needed within twelve months from the date of the approval of these financial statements to fund both working capital and meet the Group's liabilities as and when they fall due. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

The Directors are confident that production in 2020-2021 will be in line with budget. Accordingly, the Directors continue to adopt the going concern basis for the preparation of these financial statements.

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.

2. BASIS OF PREPARATION (Continued)

Significant Accounting Policies (Continued)

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.

Intangible assets

Intangible assets are carried at cost, less accumulated amortisation. 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.

Once a mine development phase was ceased and the production phase was commenced the processing plant equipment and buildings depreciated using a unit-of production method based on estimated economically recoverable reserves, which results in a depreciation charge proportional to the depletion of reserves.

Starting from 1 April 2020 management of the Group has changed depreciation base for unit of production method from mineral reserves to mineral resources in proportional to the depletion of resources. Management believes that this change in accounting estimate represent the most accurate and fair view for depreciation charge calculation.

Other property, plant and equipment, with the exception of leasehold improvements, are depreciated on a straight-line basis

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.

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 was 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.

2. BASIS OF PREPARATION (Continued)

Significant Accounting Policies (Continued)

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 exclude 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 financial assets include cash and cash equivalents, accounts. 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.

Under IFRS 9, impairment provisions are recognized based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset.

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.

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.

2. BASIS OF PREPARATION (Continued)

Significant Accounting Policies (Continued)

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.

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.

2. BASIS OF PREPARATION (Continued)

Significant Accounting Policies (Continued)

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.

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 unless.

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 represent by mining equipment under leased contracts, leased equipment accounted 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.

2. BASIS OF PREPARATION (Continued)

Significant Accounting Policies (Continued)

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.

- 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.

- Impairment of mineral properties and property, plant and equipment

The carrying value of mineral properties and property, plant and equipment are 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.

Key sources of estimation uncertainty:

- Depreciation rates

Once a mine development phase was ceased and the production phase was commenced the processing plant equipment and buildings depreciated using a unit-of production method based on estimated economically recoverable reserves, 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.

Starting from 1 April 2020 management of the group has changed depreciation base for unit of production method from mineral reserves to mineral resources in proportion to the depletion of resources. Management believes that this change in accounting estimate represent the most accurate and fair view for depreciation charge calculation.

The Group use mineral resources, that at the date of change in accounting estimate was 810 thousand tonnes, depletion for the period 1 April 2020- 30 September 2020 was 54 thousand tonnes.

2. BASIS OF PREPARATION (Continued)

Significant Accounting Policies (Continued)

- Rehabilitation provisions and asset retirement obligations

  The carrying value of the asset retirement obligation is 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 10-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 than the management estimate, the carrying amount of the provision would have been lower and the interest expense higher.

  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.

  Management has reviewed and evaluated the existence of impairment triggers and concluded that no impairment triggers existed as at 30 September 2020. Management have assessed the recoverable amount of its mineral properties and property, plant and equipment by performing a value in use calculation, expected future economic benefits and future cash flows exceed carrying value of mineral properties and property, plant and equipment.

  Mineral properties and property, plant and equipment relate to a sole cash generating unit, the Vertikalny silver mine development. The Vertikalny silver mine development is part of the Mangazeisky combined mine plan for Vertikalny and Mangazeisky North deposits. The Group currently holds an exploration license for a number of deposits within the Mangazeisky license area which expires in 2023 and a mining license for the Vertikalny deposit expiring in 2033.

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.

3. 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 2020 compared to the year ended 31 December 2019. 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 $2,787,749 and $23,253 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 and prepaid expenses other than tax refunds due from the Canadian and Russian tax authorities are insignificant.

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

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 2020	**31 December 2019**
Total current assets	32,405,217	31,536,590
Total current liabilities	9,179,003	5,955,102

As at 30 September 2020 the Group had total current assets of $32,405,217 (31 December 2019 – $31,536,590) to settle total current liabilities of $9,179,003 (31 December 2019 – $5,955,102), as well as its commitments outlined in Note 21. Total liabilities of $191,433,739 include long-term loans totaling $185,804,525 accrued interest of $3,323,837 and fair value gain on modification of loans of $8,902,358.

As at 30 September 2020, the Group had cash balances of $2,811,002 (31 December 2019 – $5,444,288).

3. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS (Continued)

Liquidity risk (Continued)

The Group had total obligations of $3,941,185 at 30 September 2020 (31 December 2019 – $888,300) 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 2020	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	12 to 36 months	36 to 72 months
Current liabilities						
Accounts payable & accrued liabilities	3,798,888	3,798,888	3,798,888	-	-	-
Loans interest	3,323,837	14,615,171	7,287,565	7,327,606		
Lease liabilities	2,056,135	2,298,921	1,330,834	968,087	-	-
Non-current liabilities						
Long-term loans principal	176,902,168	185,804,525	-	-	-	185,804,525
Long-term loans interest	-	21,462,278			21,462,278	-
Lease liabilities	1,885,050	2,299,489		-	2,299,489	-
	187,966,077	**230,279,272**	**12,417,287**	**8,295,693**	**23,761,767**	**185,804,525**

31 December 2019	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	12 to 36 months	36 to 72 months
Current liabilities						
Accounts payable & accrued liabilities	5,328,156	5,328,156	5,328,156	-	-	-
Lease liabilities	626,946	738,291	369,146	369,146	-	-
Non-current liabilities						
Long-term loans principal	124,842,888	128,473,156	-	-	-	128,473,156
Interest to be capitalized to principal	41,999,355	41,999,355	-	-	-	41,999,355
Long-term loans interest	-	50,076,300	7,756,499	7,841,735	31,111,233	3,366,832
Lease liabilities	261,354	283,686	-	-	283,686	-
	173,058,699	**226,898,944**	**13,453,801**	**8,210,881**	**31,394,919**	**173,839,343**

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 rouble. USD funding has been provided directly to AO Prognoz in Russia and converted to Russian rouble. This exposes the Group to changes in foreign exchange rates for Great British pound, U.S. dollar and Russian rouble.

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 2020				31 December 2019			
	GBP	USD	RUB	EUR	GBP	USD	RUB	EUR
Current assets:								
Cash and cash equivalents	1,963	4,631	2,785,429	-	1,910	2,606,566	2,804,519	-
Receivables	-	-	903,961	-	-	-	2,286,670	-
Total current assets	1,963	4,631	3,689,390	-	**1,910**	**2,606,566**	**5,091,189**	**-**
Current liabilities:								
Accounts payable and accrued liabilities	164,182	553,190	1,755,547	345,291	199,255	373,325	2,561,461	-
Finance leases	-	1,022,464	1,033,671	-	-	311,380	315,566	-
Total current liabilities	164,182	1,575,654	2,789,218	345,291	**199,255**	**684,705**	**2,877,027**	**-**
Non-current liabilities:								
Long-term loans	-	180,226,004	-	-	-	166,842,243	-	-
Finance leases	-	436,405	1,448,645	-	-	170,452	90,902	-
Total non-current liabilities	-	180,662,409	1,448,645	-	**-**	**167,012,695**	**90,902**	**-**

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:

Group	**30 September 2020**	**31 December 2019**
	Impact on profit or loss	**Impact on profit or loss**
US Dollar strengthening by 20% (2019: strengthening by 20%)	(42,182,563)	(33,009,566)
US Dollar weakening by 20% (2019: weakening by 20%)	42,182,563	33,009,566
CAD strengthening by 20% (2019: strengthening by 20%)	(2,151)	1,206
CAD weakening by 20% (2019: weakening by 20%)	2,151	(1,206)
GBP strengthening by 20% (2019: strengthening by 20%)	(41,411)	(37,997)
GBP weakening by 20% (2019: weakening by 20%)	41,411	37,997
EUR strengthening by 20% (2019: strengthening by 20%)	(76,796)	7
EUR weakening by 20% (2019: weakening by 20%)	76,796	(7)

4. RECEIVABLES

	30 September 2020	31 December 2019
Russian Value Added Tax	1,875,662	1,130,031
Deferred Russian Value Added Tax	66,307	301,909
Other receivables	898,308	2,281,016
	2,840,277	**3,712,956**

Deferred Russian Value Added Tax relates to the VAT paid on the purchasing of inventories and 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 2020 therefore the asset has been recognized as current.

The amount of VAT recovered in cash during the period was RUB 173,224,669 (CAD: $3,301,759). 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 2020	31 December 2019
Fuel and lubricants	5,523,332	1,641,989
Parts and supplies	3,064,078	2,168,065
Reagents	5,711,103	6,550,178
Silver for sale	151,583	989,754
Ore stockpile	5,386,527	5,470,799
Silver in circuit	4,752,842	2,743,723
	24,589,466	**19,564,508**

The total cost of inventory recognized in cost of sales is $33,382,439 (2019: nil).

6. PREPAID EXPENSES AND NON-CURRENT ASSETS

Prepaid expenses consist of the following:

	30 September 2020	**31 December 2019**
Prepayments to suppliers	1,992,755	2,676,818
Taxes	171,717	138,020
	2,164,472	**2,814,838**

Prepaid non-current assets consist of the following:	**30 September 2020**	**31 December 2019**
Prepayments for property, plant and equipment	916,365	749,033
	916,365	**749,033**

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

	30 September 2020	**31 December 2019**
Construction supplies	2,069,606	2,217,895
Non-current inventory	882,207	990,296
	2,951,812	**3,208,191**

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8. INTANGIBLE ASSETS

Software	**30 September 2020**	**31 December 2019**
Balance at the beginning of the year	**281,073**	**172,495**
Additions	39,990	141,234
Disposal	-	-
Amortisation	(31,840)	(46,336)
Translation adjustment	(50,339)	13,680
Balance at the end of the period	**238,884**	**281,073**

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 2020	31 December 2019
Mangazeisky	**Licenses and Development costs**	**Asset Retirement Obligation**	**2020 Total**	**2019 Total**
Balance at the beginning of the year	**10,418,173**	**3,477,904**	**13,896,077**	**12,027,009**
Development costs capitalized	-	-	-	-
Depreciation	(1,243,478)	(176,213)	(1,419,691)	(967,770)
Impact of adjustment to ARO	-		-	2,705,224
Translation adjustment	(15,991)	(687,167)	(703,158)	131,613
Balance at the end of the year	**9,158,704**	**2,614,524**	**11,773,229**	**13,896,077**

Mineral property is made up of the following classes of assets; licenses $576,895 (2019: $668,455), asset retirement obligation $2,614,524 (2019: $3,477,904) and development costs of $8,581,809 (2019: $9,749,718).

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 cumulative exploration costs incurred and expensed from inception to date are as follows:

	30 September 2020	31 December 2019
Mangazeisky	66,711,691	66,711,691

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost, less accumulated depreciation. Reconciliation of the carrying amount at the beginning and end of the periods ended 30 September 2020 and 31 December 2019:

	Processing plant	Mining vehicles	Infrastructure and other	Assets under construction	Total
Carrying amount at 31 December 2018	**1,747,802**	**1,864,029**	**11,260,046**	**82,052,424**	**96,924,301**
Additions	227,816	-	-	4,347,312	4,575,128
Transfers	72,034,222	656	8,076,980	(80,111,859)	(1)
Disposal at cost	(1,474)	(91,760)	(168,439)	-	(261,673)
Depreciation	(6,796,488)	(1,068,401)	(2,173,249)	-	(10,038,138)
Depreciation eliminated on disposal	1,474	98,287	155,415	-	255,176
Translation adjustment	994,482	104,486	842,805	3,693,495	5,635,268
Carrying amount at 31 December 2019	**68,207,834**	**907,297**	**17,993,558**	**9,981,372**	**97,090,061**
Additions	1,675,681	4,377,656	-	2,974,302	9,027,638
Transfers	753,533	713	-	(754,246)	-
Disposal at cost	-	-	-	(25,552)	(25,552)
Depreciation	(8,677,221)	(1,675,455)	(2,281,193)	-	(12,633,870)
Depreciation eliminated on disposal	-	-	-	-	-
Translation adjustment	(10,310,285)	(617,445)	(2,579,369)	(1,980,970)	(15,488,069)
Carrying amount at 30 September 2020	**51,649,542**	**2,992,765**	**13,132,996**	**10,194,906**	**77,970,208**

The Group capital asset additions were $9,027,638 during the period ended 30 September 2020. Capitalised costs $nil (31 December 2019 - $14,327,368), capitalised pre-production revenue of $nil (31 December 2018 - $12,773,554) and acquisition of new assets of $9,112,151 (31 December 2019 - $3,021,314) were part of additions during the period.

The property, plant and equipmentas of the period ended 30 September 2020 include $10,194,906 of assets that are not yet ready for use and as such no depreciation has been charged on them. During the period ended 30 September 2020, $754,246 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 $3,403,829 (31 December 2019 - $1,995,747).

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

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	30 September 2020	31 December 2019
Trade and other payables	1,946,987	2,506,742
Accrued liabilities	935,639	686,750
Property tax liabilities	407,356	985,583
Income tax liabilities	-	724,601
Other taxes and other liabilities	508,906	424,480
	3,798,888	**5,328,156**

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. The lease payments have been discounted at rates of between 9.5% and 21.9%. The Group made down payments of between 0.4% and 33.6% of the cost of the equipment.

Right of use assets consist of the following:

	Processing plant	Mining vehicles	Infrastructure and other	Total
Carrying amount at 31 December 2018	**863,497**	**1,835,879**	**992,710**	**3,692,086**
Additions	227,816	-	-	227,816
Depreciation	(375,921)	(1,044,063)	(635,653)	(2,055,637)
Translation adjustment	54,226	102,908	54,292	211,426
Carrying amount at 31 December 2019	**769,618**	**894,724**	**411,349**	**2,075,691**
Additions	1,675,681	4,377,656	-	6,053,336
Depreciation	(581,765)	(1,664,115)	(321,172)	(2,567,052)
Translation adjustment	(318,767)	(615,500)	(37,239)	(971,505)
Carrying amount at 30 September 2020	**1,544,767**	**2,992,765**	**52,939**	**4,590,470**

Interest expenses on lease liabilites were $451,353 total cash outflow for leases was $2,556,188.

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

	30 September 2020	31 December 2019
Within one year	2,298,921	738,291
Within two to five years	2,299,489	283,686
Over 5 years	-	-
	4,598,410	**1,021,977**
Future finance charges on finance leases	(657,225)	(133,677)
Present value of the net lease payments	**3,941,185**	**888,300**
Current portion	2,056,135	626,946
Long-term portion	1,885,050	261,354
Total obligations under finance leases	**3,941,185**	**888,300**

13. LONG-TERM LOANS

	30 September 2020			31 December 2019		
Lender	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
Unifirm Ltd (formerly A.B. Aterra Resources Ltd)	37,346,291	668,084	38,014,375	25,360,652	9,440,938	34,801,590
Inflection Management Corp.	148,458,234	2,655,753	151,113,987	103,112,503	32,558,417	135,670,920
Fair value gain on modification of loans	(8,902,358)	-	(8,902,358)	(3,630,267)	-	(3,630,267)
	176,902,167	**3,323,837**	**180,226,004**	**124,842,888**	**41,999,355**	**166,842,243**

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

	Unifirm (formerly Aterra)		**Inflection**		**Gain on modification of loans**	**Total**
	Principal USD	***Interest USD***	***Principal USD***	***Interest USD***	***USD***	***USD***
As at 31 December 2018 (CAD)	**26,740,014**	**7,514,149**	**105,992,376**	**24,663,130**	**(1,807,077)**	**163,102,592**
Principal amounts received	-	-	4,000,000	-	-	4,000,000
Interest accrued to 31 December 2019	-	1,788,799	-	7,212,562	1,211,226	10,212,587
Principal and interest repayment	-	-	(2,000,000)	(126,993)	-	(2,126,993)
Gain on modification of loans	-	-	-	-	(2,692,416)	(2,692,416)
As at 31 December 2019 (USD)	**19,601,242**	**7,296,898**	**79,695,628**	**25,164,392**	**(2,805,832)**	**128,952,328**
As at 31 December 2019 (CAD)	**25,360,652**	**9,440,938**	**103,112,504**	**32,558,417**	**(3,630,267)**	**166,842,244**
Principal amounts received	-	-	2,000,000	-	-	2,000,000
Interest accrued to 30 September 2020	-	1,418,921	-	5,705,398	2,135,706	9,260,025
Principal and interest repayment	-	(483,837)	-	(1,923,343)	-	(2,407,180)
Capitalization of interest	7,742,827	(7,742,827)	27,001,968	(27,001,968)	-	-
Gain on modification of loans	-	-	-	-	(5,847,969)	(5,847,969)
As at 30 September 2020 (USD)	**27,344,069**	**489,155**	**108,697,596**	**1,944,479**	**(6,518,095)**	**131,957,204**
As at 30 September 2020 (CAD)	**37,346,291**	**668,084**	**148,458,234**	**2,655,753**	**(8,902,358)**	**180,226,004**

13. LONG-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$*	*CAD$*
As at 31 December 2018	**26,740,014**	**7,514,149**	**105,992,376**	**24,663,130**	**(1,807,077)**	**163,102,592**
Principal amounts received	-	-	5,290,156	-	-	**5,290,156**
Interest accrued to 31 December 2019	-	2,363,127	-	9,530,614	1,607,913	**13,501,654**
Principal and interest repayment	-	-	(2,655,350)	(167,174)	-	**(2,822,524)**
Foreign exchange loss	(3,040,724)	(947,042)	(12,148,731)	(3,172,841)	-	**(19,309,338)**
Gain on modification of loans	-	-	-	-	(3,574,206)	**(3,574,206)**
Translation adjustment	1,661,362	510,703	6,634,053	1,704,689	143,103	**10,653,910**
As at 31 December 2019	**25,360,652**	**9,440,937**	**103,112,504**	**32,558,418**	**(3,630,267)**	**166,842,244**
Principal amounts received	-	-	2,418,922	-	-	**2,418,922**
Interest accrued to 30 September 2020	-	1,969,907	-	7,918,599	2,725,757	**12,614,263**
Principal and interest repayment	-	(696,628)	-	(2,758,130)	-	**(3,454,758)**
Capitalization of interest	11,471,966	(11,471,966)	40,006,791	(40,006,791)	-	**-**
Foreign exchange loss	6,930,430	2,331,601	28,630,149	8,106,749	-	**45,998,929**
Gain on modification of loans	-	-	-	-	(7,463,641)	**(7,463,641)**
Translation adjustment	(6,416,757)	(905,768)	(25,710,132)	(3,163,092)	(534,207)	**(36,729,956)**
As at 30 September 2020	**37,346,291**	**668,084**	**148,458,234**	**2,655,753**	**(8,902,358)**	**180,226,004**

On 18 September 2018, the Group entered into a third amendment and restatement deed relating to the Facilities Agreement. Under this agreement, the lenders have agreed to provide an additional US$8 million of working capital of which US$2.5 million was drawn down in September 2018, US$3.5 million in November 2018 and US$2.0 million in January 2019.

The Secured Loan Funding accrued interest at a rate of 15% per annum to the 17 September 2018 and 28 September 2018 and 10% per annum between 18 September 2018 and 29 September 2018 to 31 December 2018. The modification of the loan interest from 15% to 10% in 2018 was considered to be substantive and resulted in a de-recognition of the loan carrying value, recognition of the loan at fair value as of modification date and recognition of shareholders contribution reserve of $1,807,077.

On 1 January 2019, 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 10% to 9% 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 31 December 2019 and on the maturity date, being 20 March 2023. The modification of the loan interest from 10% to 9% in 2019 was considered to be non-substantive and resulted recognition of shareholders contribution reserve of $3,574,206

On 24 December 2019, the Group entered into an amendment and restatement deed relating to the Facilities Agreement. Under this agreement, the lenders have agreed to provide an additional US$4 million of working capital of which US$2 million was drawn down in December 2019 and remaining US$2 million was draw down in February 2020.

On 1 April 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. The modification of the loan interest from 9% to 7% in 2019 was considered to be non-substantive and resulted recognition of shareholders contribution reserve of $7,463,641

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.

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 2020	**31 December 2019**
Balance at the beginning of the year	**4,034,245**	**1,109,391**
Accretion expense	177,228	100,348
Impact of change to underlying cost estimate	-	1,978,457
Impact of rates adjustment	-	726,768
Translation adjustment	(743,953)	119,281
Balance at the end of the year	**3,467,520**	**4,034,245**

At 30 September 2020, the expected life of the Mangazeisky project has been assessed to be 7 years. The projected cost for reclamation and closure of the Mangazeisky project in 2028 has been estimated to be $6.5 mln. A Russian Government 10-year zero coupon year bond of 6.41% (2019: 6.41%) has been used in discounting of future cash flows.

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 2020 and 31 December 2019:

Common shares		30 September 2020		31 December 2019
	Number of common shares	$	Number of common shares	$
Balance - Beginning of the year	**672,140,902**	**99,559,336**	**671,984,902**	**99,559,086**
Issued under stock option plan	-	-	151,000	242
Issued under security compensation plans	934,182	1,045	5,000	8
Shares issued during the period	-	-	-	-
Balance - End of the year	**673,075,084**	**99,560,381**	**672,140,902**	**99,559,336**

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 26 September 2019, the Group issued 5,000 common shares under the share bonus plan for the nominal fee of £0.001

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

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 grated 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.

15. SHAREHOLDERS' EQUITY (Continued)

Stock options (Continued)

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 invest 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 vested 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 2020, options generated a share-based payments expense of $89,020 (30 September 2019: $344,496). 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.

Reconciliation of the number of options at the beginning and end of the periods ended 30 September 2020 and 31 December 2019 follows:

		30 September 2020		31 December 2019
	Number	Weighted average exercise price, $	Number	Weighted average exercise price, $
Balance - Beginning of the year	**25,051,000**	**0.25**	**30,948,666**	**0.25**
Granted	-	-	500,000	0.22
Exercised	-	-	(151,000)	0.18
Expired / Cancelled / Forfeited	(800,000)	0.19	(6,246,666)	0.26
Balance - End of the year	**24,251,000**	**0.25**	**25,051,000**	**0.25**

As at 30 September 2020, the Group had share options outstanding and exercisable as follows:

	Outstanding		Exercisable	
Expiry year	Number	Weighted average exercise price, $	Number	Weighted average exercise price, $
2021	1,651,000	0.19	1,651,000	0.19
2022	18,000,000	0.24	18,000,000	0.24
2023	4,100,000	0.26	3,100,000	0.24
2024	500,000	0.22	166,667	-
	24,251,000	**0.25**	**22,917,667**	**0.23**

Contributed surplus consists of the following:

	30 September 2020	31 December 2019
Balance - Beginning of the year	**16,975,267**	**17,178,582**
Share-based payments	89,020	421,338
Exercised options	-	(8,773)
Expired / Cancelled / Forfeited options	(130,000)	(615,880)
Balance - End of the year	**16,934,287**	**16,975,267**

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

	30 September 2020	30 September 2019
Net Loss	(59,768,597)	8,254,934
Weighted average number of shares used in basic EPS	672,669,365	670,472,459
Basic and diluted profit/ (loss) , cents per ordinary share	(0.09)	0.01

16. RELATED PARTY DISCLOSURES

(a) <u>Financing transactions</u>

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

(b) <u>Compensation of key management</u>

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

	Three months ended		Nine months ended	
	30 September 2020	**30 September 2019**	**30 September 2020**	**30 September 2019**
Salaries, fees and short-term employee benefits	144,200	132,176	406,012	394,727
Share-based payments	18,592	104,645	62,156	318,508
	162,792	**236,821**	**468,168**	**713,235**

(c) <u>Interest in other entities</u>

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
Silver Bear Resources B.V.	Zekeringstraat 21 B, 1014 BM, Amsterdam	Ordinary CAD 2,833,801 shares	100	-
AO Prognoz	36/1 Ordzhonikidze Street, Yakutsk, Republic of Sakha (Yakutia), 677000, Russian Federation	Ordinary RUB 10,000 shares	100	-

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.

The prinicipal activites of the Group's subsidaries are as follows:

- Silver Bear Resources Inc. – holding company;
- Silver Bear Resources B.V. – 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 2020	30 September 2019	30 September 2020	30 September 2019
Meals distribution	11,783	275	56,537	272,902
Winter road maintenance	4,793	2,118	51,924	81,623
Rent	52,012	76,149	168,292	264,444
Income from fuel sales	37,997	45,022	91,663	251,500
Other income	(5,519)	(89,477)	21,902	103,100
	101,066	**34,088**	**390,318**	**973,568**

OTHER EXPENSES	Three months ended		Nine months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Property tax	(437,282)	-	(1,403,417)	-
Other expenses	(176,175)	-	(176,175)	-
	(648,442)	**-**	**(1,614,577)**	**-**

18. PRODUCTION COST, GENERAL AND ADMINISTRATIVE EXPENSES

Production cost:	Three months ended		Nine months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Employee compensation	(2,147,548)	(1,523,095)	(6,437,059)	(1,523,095)
Process reagents	(944,944)	(1,003,833)	(3,066,413)	(1,003,833)
Repair and maintenance	(912,847)	(560,845)	(2,019,898)	(560,845)
Fuel	(673,716)	(512,404)	(2,343,529)	(512,404)
Mining tax	(878,601)	(583,826)	(2,398,545)	(583,826)
Blasting	(709,707)	(329,933)	(1,935,659)	(329,933)
Energy	(295,654)	(250,584)	(951,648)	(250,584)
Refinery	(77,040)	(97,240)	(288,154)	(97,240)
Other	(999,559)	(620,593)	(2,396,121)	(620,593)
Change in finished goods and work in progress	567,731	1,494,317	2,606,266	1,494,317
	(7,071,885)	**(3,988,037)**	**(19,230,761)**	**(3,988,037)**

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

General and administrative expenses:	**Three months ended**		**Nine months ended**	
	30 September 2020	**30 September 2019**	**30 September 2020**	**30 September 2019**
Employee compensation	(575,157)	(582,611)	(1,745,331)	(1,029,777)
Professional fees	(35,987)	(48,499)	(170,088)	(258,940)
Auditors' remuneration - Audit fees	(40,658)	(24,315)	(173,288)	(73,880)
Auditors' remuneration - Non-audit fees	-	-	-	(30,543)
Office expenses	(8,512)	(131)	(18,361)	(36,337)
Travel expenses	(6,318)	(27,986)	(12,595)	(42,860)
Legal fees	(119,688)	(78,034)	(214,765)	(78,034)
Investor relations expenses	(9,496)	(3,355)	(69,820)	(67,930)
Depreciation	(3,799)	(5,661)	(22,989)	(5,661)
Amortisation	(11,958)	(1,863)	(26,934)	(1,863)
Rent	(36,681)	(37,898)	(105,574)	(37,898)
IT and communications	(15,776)	(64,635)	(27,306)	(64,635)
Other expenses	(68,070)	(270,520)	(125,879)	(379,718)
	(932,100)	**(1,145,508)**	**(2,712,929)**	**(2,108,076)**

Expenses relating to the development and construction of the Mangazeisky Project have been capitalized from 1 July 2015 to 1 July 2019. This means that certain categories of expenses were not charged to the income statement during this period.

The average number of employees during the period was 313 (2019: 262).

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 2020	**30 September 2019**	**30 September 2020**	**30 September 2019**
Salaries, fees and short-term employee benefits	(2,697,493)	(1,989,444)	(8,093,370)	(2,208,376)
Share-based payments	(25,212)	(116,262)	(89,020)	(344,496)
	(2,722,705)	**(2,105,706)**	**(8,182,390)**	**(2,552,872)**

The following table provides the breakdown of Group's total staff costs including those that have been capitalized:

Total staff costs including amounts capitalized in capital assets:

	Three months ended		**Nine months ended**	
	30 September 2020	**30 September 2019**	**30 September 2020**	**30 September 2019**
Salaries, fees and short-term employee benefits	(2,697,493)	(1,989,444)	(8,093,370)	(5,763,845)
Share-based payments	(25,212)	(116,262)	(89,020)	(344,496)
	(2,722,705)	**(2,105,706)**	**(8,182,390)**	**(6,108,341)**

19. FINANCE EXPENSE

	Three months ended		Nine months ended	
	30 September 2020	**30 September 2019**	**30 September 2020**	**30 September 2019**
Interest accrued from loans	(4,342,323)	(3,073,312)	(12,614,263)	(9,014,636)
Interest accrued from prepayments	(49,806)	-	(49,806)	-
Interest accrued from lease obligations	(112,292)	-	(451,353)	(106,975)
Accretion expenses	(55,778)	-	(177,228)	(50,019)
	(4,560,200)	**(3,073,312)**	**(13,292,650)**	**(9,171,631)**

20. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	Nine months ended	
	30 September 2020	**30 September 2019**
Receivables	(20,507)	739,312
Advances received	(49,646)	-
Inventories	(9,243,183)	(2,651,187)
Prepaid expenses	(315,166)	872,629
Accounts payable and accrued liabilities	(813,256)	1,109,921
	(10,441,758)	**70,675**

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 2020.

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 2020

Country/Property	Cash	Inventories	Prepaid	Receivables	Mineral Properties	Property plant and equipment	Depreciation	Interest expense	Profit / (loss) before tax
Russia - Mangazeisky	2,704,125	24,136,537	3,080,837	2,840,277	11,773,229	77,970,208	(13,621,283)	(13,292,650)	(53,747,063)
Corporate	106,877	452,928	(0)	-	-	-	-	-	(6,014,326)
	2,811,002	**24,589,466**	**3,080,837**	**2,840,277**	**11,773,229**	**77,970,208**	**(13,621,283)**	**(13,292,650)**	**(59,761,389)**

As at 31 December 2019

Country/Property	Cash	Inventories	Prepaid	Receivables	Mineral Properties	Property plant and equipment	Depreciation	Interest expense	Profit / (loss) before tax
Russia - Mangazeisky	5,308,151	19,564,508	3,563,870	3,712,956	13,896,077	97,090,061	(10,149,338)	(13,970,686)	5,139,359
Corporate	136,137	-	-	-	-	-	-	-	(4,760,350)
	5,444,288	**19,564,508**	**3,563,870**	**3,712,956**	**13,896,077**	**97,090,061**	**(10,149,338)**	**(13,970,686)**	**379,009**

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 2020 and 31 December 2019 were as follows:

23. FINANCIAL INSTRUMENTS (Continued)

30 September 2020	Cash and receivables	Loans and other liabilities	TOTAL
Cash and cash equivalents	2,811,002	-	**2,811,002**
Accounts receivable	898,308	-	**898,308**
Short-term loans	-	(3,323,837)	**(3,323,837)**
Long-term loans	-	(176,902,168)	**(176,902,168)**
Advances received	-	(142)	**(142)**
Accounts payables and accrued liabilities	-	(2,882,626)	**(2,882,626)**
Lease liabilities	-	(3,941,185)	**(3,941,185)**
	3,709,310	**(187,049,957)**	**(183,340,647)**

23. FINANCIAL INSTRUMENTS (Continued)

31 December 2019	Cash and receivables	Loans and other liabilities	TOTAL
Cash and cash equivalents	5,444,288	-	**5,444,288**
Accounts receivable	2,281,016	-	**2,281,016**
Long-term loans	-	(166,842,243)	**(166,842,243)**
Accounts payables and accrued liabilities	-	(3,193,492)	**(3,193,492)**
Lease liabilities	-	(888,300)	**(888,300)**
	7,725,304	**(170,924,035)**	**(163,198,731)**

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.

24. INCOME TAXES

	Three months ended		Nine months ended	
	30 September 2020	**30 September 2019**	**30 September 2020**	**30 September 2019**
Current tax expense	(982)	117,671	(7,208)	(1,235,548)
Total tax expense	**(982)**	**117,671**	**(7,208)**	**(1,235,548)**

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 2020	**30 September 2019**	**30 September 2020**	**30 September 2019**
Profit/(Loss) before taxation	(27,097,021)	(3,577,812)	(59,761,389)	6,030,340
Statutory tax rate	20.00%	20.00%	20.00%	20.00%
Tax benefit/ (charge) of statutory rate	5,419,404	715,563	11,952,278	(1,206,068)
Expenses not deductible for income tax purposes	(500,603)	(466,910)	(1,624,792)	(1,415,718)
Recognition of previously written off deferred tax asset	-	(117,736)	-	1,234,990
Deferred taxes not recognized for the period	155,697	(13,245)	(348,826)	151,247
Tax losses carried forward not recognized	(5,075,481)	-	(9,985,868)	-
Total tax expense	**(982)**	**117,671**	**(7,208)**	**(1,235,548)**

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.

In addition, ZAO Prognoz has approximately $36,095,306 (2019: $34,571,789) of non-capital losses for Russian income tax purposes. Silver Bear PLC has approximately $2,517,660 (2019: $2,528,728) in non-capital losses that can be carried forward indefinitely.

25. CONTROLLING AND ULTIMATE CONTROLLING PARTY

The controlling and ultimate controlling party is Kolesnikov Sergei Anatolievich.