MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

For the full year ended December 31, 2018

The following MD&A has been prepared as of April 1, 2019 and is related to the audited consolidated financial results of Silver Bear Resources Plc and its wholly-owned subsidiaries, Silver Bear Resources Inc., Silver Bear Resources B.V. and ZAO Prognoz collectively referred to as the "Group") for the full year ended December 31, 2018. The audited consolidated financial statements for the full year ended December 31, 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the audited consolidated financial statements and related notes for the full year ended December 31, 2018. Other pertinent information about the Group is available on SEDAR at www.sedar.com as well as on the Group's website at www.silverbearresources.com. For the purpose of preparing our MD&A, the Group considers the materiality of information. Information is considered material if in the opinion of management: (i) such information results in, or would reasonably be expected to result in, a significant effect in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances. All dollar amounts are stated in Canadian dollars unless otherwise indicated.

This MD&A contains forward-looking information that involves numerous risks and uncertainties. Actual results of the Group's business and operations could differ materially from those discussed in such forward-looking information as a result of the risks and uncertainties faced by the Group, including those set forth in this MD&A under "Forward-Looking Information" and under "Risk Factors."

References to the first, second, third and fourth quarters of 2018 and 2017, or Q1, Q2, Q3 and Q4 of 2018 and 2017 mean, the quarters ending/ended March 31, June 30, September 30 and December 31, 2018 and 2017 respectively.

Mr. Jacques Du Toit C.Eng., Pr.Eng., MSc. Eng., PMP of Tetra Tech is independent qualified person as defined in National Instrument 43-101, and has reviewed and approved the scientific and technical information in the MD&A.

BUSINESS OVERVIEW

The strategy of the Group is to focus on exploration and development of precious metal deposits. The principal asset of the Group is its right to explore and develop the Mangazeisky property ("Mangazeisky"), located approximately 400 kilometres 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. At this time the Group is in pre-commercial production stage and is working towards full commercial production.

In Q2 2012, the Group received a written protocol from Russian authorities accepting the Group's resource calculation on its Vertikalny Resource within its Mangazeisky property. Upon receipt of the protocol the Group submitted its application for its Certificate of First Discovery, which was received in August 2012 from Rosnedra (the governing federal body on subsoil use). The Group then subsequently made an application for its mining license for its Vertikalny Resource. In September 2013, the Group announced that it had received its 20-year Mining License from the Russian authorities.

On June 30, 2017, the Group completed a re-domiciliation transaction under a statutory plan of arrangement (the "Arrangement") by which Silver Bear Resources Plc ("SBR UK") has become the listed parent company of the Group (the "UK Restructuring"), for full details please refer to the Group's June 30, 2017 press release. The head office of the Group is now registered in London, United Kingdom.

As a result of the UK Restructuring, Silver Bear Resources Inc. ("SBR Canada") has become a wholly-owned subsidiary of SBR UK. The Group remains listed on the Toronto Stock Exchange and its Shares trade under the same trading symbol "SBR".

On September 21, 2016, the Group announced that it had been granted a seven-year extension to the Group's wholly-owned Exploration Licence covering the Mangazeisky silver project. Prior to the extension, the Group was permitted to explore on the property until December 31, 2016. The extension provides that the new licence term will run to December 31, 2023.

2018 HIGHLIGHTS

- Received the license for usage and storage of hazardous chemical materials for its Mangazeisky Silver Project, allowing it to begin hot commissioning activities;
- Achieved first silver pre-commercial production as a result of its commissioning activities in April 2018;
- Produced a total of 594,921 ounces of silver for the nine-month period ending in 31 December 2018;
- Sold a total of 433,095 ounces of silver totaling per-commercial production revenue of US$6.4 million for the twelve-month period ended 31 December 2018;
- Mined a total of 80,831 tonnes of ore at an average grade of 780 g/t of silver for the twelve-month period ended 31 December 2018;
- The Group has reported a total comprehensive loss for the year of $33,184,202 and an accumulated deficit of $172,494,967. The net assets have turned to a deficit of $30,052,465;
- Secured additional tranche for a new US$8 million loan under its existing Facilities Agreement which included a reduction in interest rate to 10% per annum from 15% per annum; Subsequently the major shareholders have agreed to reduce the Facilities Agreement interest rate further to 9% per annum;
- Appointed Mr. Vadim Ilchuk President and Chief Executive Officer ("CEO") of the Group in November 2018, to lead the Group through its next phase as a silver producer and appointed Mr. Alexey Sotskov, as Deputy CEO in July 2018; and
- Implemented major cost reductions in the Group's corporate structure and services, reagent consumption and fuel and energy costs reductions at its Mangazeisky Silver Project.

MANGAZEISKY SILVER PROJECT PRE-COMMERCIAL PRODUCTION

The Group achieved first pre-commercial silver production in April 2018 through its commissioning activities at the Mangazeisky Silver Project as construction of the processing plant and associated infrastructure was completed. Ramp-up of the pre-commercial production continued during the third and fourth quarters with increasing productivity in the mining and processing being realized month over month. The Group expects to reach commercial production in 2019, once its mining and extracting rates along with processing plant silver recoveries reach the feasibility study assumptions consistently over a sustained period of time.

		Pre-Commercial Production			
	Three-months ended Mar 31, 2018	Three-months ended Jun 30, 2018	Three-months ended Sep 30, 2018	Three-months ended Dec 31, 2018	**TOTAL** Twelve-months ended Dec 31, 2018
Operating Data					
Ore mined (tonnes)	2,791	18,646	34,128	25,266	80,831
Ore processed (tonnes)	2,236	11,848	18,936	18,127	51,147
Head grade (g/t Ag)	1,023	622	732	691	705
Recovery (%)	0.0%	48.8%	55.7%	59.3%	54.6%
Silver ounces produced	-	72,307	262,923	259,691	594,921
Financial Data					
Silver ounces sold	-	10,471	177,321	245,302	433,095
Average realized silver price (US$/oz)	-	16.31	14.96	14.58	14.78
Pre-commercial production revenues	-	170,786	2,652,729	3,576,298	6,399,813

Development & Operational Activities

Construction of the Mangazeisky project is effectively completed during the fourth quarter of 2018, with only the completion of the leisure centre in the mine camp postponed until the Group has sustained full commercial production.

During the three-month period ended 31 December 2018, the Group mined 25,266 tonnes of ore from its Vertikalny open pit and milled 18,127 tonnes of ore producing approximately 259,691 ounces of silver contained in dry powder (before smelting losses and refinery adjustment). As at 31 December 2018, as a result of pre-commercial production activities, the Group mined a total of 80,831 tonnes and milled 51,147 tonnes of ore at an average silver grade of 705 g/t Ag/t, for a total of approximately 594,921 ounces silver contained in the dry powder (before smelting losses and refinery adjustment). As of 31 December 2018, the Group has sold approximately 433,095 ounces of silver at a realized price of US$14.78 Ag/oz.

During the fourth quarter, the process plant generally operated well and demonstrated that it could operate continuously at planned hourly throughput rates for ore. Work is currently focused on the electrowinning process which is the final stage of the plant and produces the silver powder. It is fairly bespoke equipment and some unexpected problems have been encountered resulting in some repairs required and this part of the process is still being developed and optimized to achieve full production. Also, to increase silver recovery, an additional Merrill Crowe process is being introduced to be placed at the end of the technological circuit. The process is expected to be put in production by the end of May 2019. At present there are no construction contractors and approximately 174 Prognoz employees at site of which 33 are engineering staff. Also, at site are 36 Contractors, namely catering, blasting and drilling and consulting geologists. Completion of final construction work is being undertaken by Prognoz staff and a minimal number of contractors.

The mining activity is running close to planned levels with the exception of reduced production in September due to blasthole drill problems. Grade control trenching is ongoing as is sampling from blasthole chippings. This helps to guide the updates to the mining model and detailed mining plans. Some additional lenses of ore discovered parallel to the main ore body were explored by drilling and subsequently mined.

Since September 2018, the Group implemented cost optimisation developments most notably major cost reductions in corporate structure and services and reductions in its debt interest rates, as well as, reductions in reagent consumption and in fuel costs. Most important during the third quarter, the Group took advantage of a state-run cost facilitation program which subsidizes power generation costs for businesses located in the Far North of Russia. Participation in the program will from November 1, 2018, allow the Group to radically reduce its power generation costs, from US$0.40 per KW/h to approximately US$0.13 per kW/h, a 67% reduction. The significant energy cost reduction could result in an annual savings of up to US$3 million a year for the project. Terms of the program are subject to government regulations which can be changed at any time depending on economic conditions and government requirements.

Corporate & Financing Activities

On July 23, 2018, the Group announced the appointment of Mr. Alexey Sotskov as its Deputy CEO. Mr. Sotskov has been a director of the Group since August 2014 and is a representative of the Group's major shareholder, Inflection and he will continue to sit on the Group's board of directors. As Deputy CEO, Mr. Sotskov will share management of the Mangazeisky silver project in Far East Russia with the Group's President and CEO.

Mr. Sotskov has more than 15 years of project management experience in the technology and business process optimization sectors. Currently, he is the nominee of Inflection on the Board. Previously, he was the Project Portfolio Manager of Technonicol, a large Russian manufacturer and distributor of construction materials. Prior to joining Technonicol, Mr. Sotskov led certain business optimization and ERP implementation programs for TNK-BP, a major vertically integrated Russian oil company headquartered in Moscow, and for Kinross Gold. Mr. Sotskov holds a Master's Degree in Science and Applied Mathematics from the Moscow Institute of Physics and Technology.

On September 18, 2018, the Group announced that it had amended its existing Facilities Agreement with its major shareholders Inflection Management Corporation Limited ("Inflection"), and Unifirm Limited ("Unifirm"), an affiliate of A.B. Aterra Resources Ltd. ("Aterra"). The Facilities Agreement Amendments: (i) provide a new US$8 million Tranche G that was made available to the Group by Inflection in two sub-tranches, which are expected to be used to fund the Group's working capital requirements for the remainder of 2018, and which will mature and become repayable on July 31, 2021; (ii) extend the maturity date of the existing US$20 million tranche F term loan ("Tranche F") from September 20, 2020 to September 20, 2022; (iii) extend the maturity date of the facilities drawn under the Facilities Agreement, other than Tranche F and Tranche G, from March 20, 2022 to March 20, 2023; and (iv) reduce the interest rate applicable to all funds drawn under the Facilities Agreement, as amended, from 15% to 10% per annum, which reduction in interest rates will become effective immediately for the remaining terms of the facilities drawn under the Facilities

Agreement. The Facilities Agreement Amendment have been approved by the TSX. Full details of the Facilities Agreement amendments are discussed in the Liquidity and Capital Resources Section under the Results of Operations.

On November 12, 2018, the Group announced announce the appointment of Mr. Vadim Ilchuk as President and Chief Executive Officer ("CEO") to lead the Group through its next phase as a silver producer. Mr. Ilchuk succeeds Mr. Graham Hill who announced his resignation from the Group to pursue other opportunities. In addition, Mr. Hill has resigned his seat on the Board of Directors ("Board") and Mr. Ilchuk has been appointed to the Board effective November 14, 2018. With the support of the Group's strong finance team, Mr. Ilchuk will also act as Interim Chief Financial Officer ("CFO") during the search for his replacement.

A Russian and US national and seasoned international mining executive, Mr. Ilchuk has been with the Group since July 2017 as the CFO and has been responsible for implementing many financial and operational controls positioning the Group to become a successful silver producer. Mr. Ilchuk has 19 years of experience in the mining industry and natural resource investment business, with an extensive background in mine finance and accounting, financial reporting and cross-border M&A process and integration. Mr. Ilchuk joined the Group from RT-Business Development, Inc. where he was CFO. He also served several years in managerial roles in Kinross Gold Corporation in the United States and Russia.

Subsequent to December 31, 2018, both Aterra and Inflection agreed to a further reduction in the interest rate applicable to all funds drawn under the Facilities Agreement, as amended, from 10% to 9% per annum, which reduction in interest rates will become effective immediately for the remaining terms of the facilities drawn under the Facilities Agreement.

Subsequent to the year, on February 28, 2019, the Group filed a Change of Auditor notice with SEDAR, from BDO Unicon AO ("BDO Russia") to BDO LLP ("BDO UK") at the request of the Group. BDO Russia resigned as auditor of the Group effective February 15, 2019 and BDO UK were appointed as the new auditor on the same date.

Exploration Activities

In addition to the infill drilling and metallurgical work at Vertikalny deposit that resulted in a new Resource update announced in December 2017, the Group is continuously doing grade control trenching along the open pit ore zone. New mineralized structures have also been identified in pit, and are currently being drilled and surface sampled to assess whether the new mineralization is economical for mining as ore. Results include 27 samples (23 metres total) that have assay grades >1,000 g/t Ag, which are evenly distributed along strike of the main structure in the current pit.

A drilling plan has been completed for Mangazeisky North deposit. This included technological and metallurgical sampling and analysis of possible extensions of the mineralization along strike and down-dip. The results of this work are expected to produce a Resource update for Mangazeisky North. In addition, Russian regulatory studies are taking place to enable mining to start at Mangazeisky North in two years' time in line with the development program for the operations.

As of June 10, 2015, the Nizhny Endybal silver deposit had an NI-43-101 Inferred mineral resource consisting of 710,000 tonnes grading 316 g/t Ag for a total of 7,200,000 ounces of contained silver. Recent field investigations and surface sampling have been completed to look at the potential for further positive development at Nizhny Endybal with additional drilling. Data obtained from this program have shown a rich variety of ores, with a high degree of hydrothermal alteration of rocks. Samples taken were tested in the Group's certified laboratory for Ag, Cu, Pb, Zn and at AO Yakutskgeologia's laboratory for Au. High grades of silver (up to 10,000 g/t) and gold (up to 3.1 g/t) have been identified.

Field work has also been completed at Kis Kuel. Multiple surface and near surface samples were collected and are being analysed for gold and silver. Results for both gold and silver look very good at several of the target orebodies sampled, with an average grade of 27g/t Au at one of the orebodies. This data will be considered as a guide for potential 2019 exploration plans.

In August 2018, the Group announced additional positive infill drilling results for the Vertikalny deposit within the Mangazeisky Silver Project that is expected to result in a mineral resource update later in fourth quarter of 2018. Initial results for the first 210 metres of infill diamond drilling contains 23.5 m of significant silver intersects (>200 g/t Ag and greater than 0.5 m apparent thickness). The new drill results form part of the previously announced ongoing infill drilling campaign at Vertikalny deposit. All intersections are of apparent thicknesses. Included intervals >1,000 g/t Ag are highlighted in table below.

BHID	From (m)	To (m)	Interval (m)	Length Weighted Average Ag (g/t)
C_01_2018	6.2	8.6	2.4	1506
Including	6.2	7.0	0.8	3054
Including	8.0	8.6	0.6	1895
C_03_2018	6.7	7.6	0.9	547
C_03_2018	20.2	24.9	4.7	2640
Including	22.0	24.9	2.9	4,101
C_04_2018	23.0	25.5	2.5	306
C_04_2018	32.5	33.1	0.6	252
C_04_2018	35.8	43.7	7.9	2412
Including	37.5	39.5	2.0	4617
Including	41.5	43.7	2.2	4008
C_05_2018	21.7	24.8	3.1	878
C_06_2018	18.9	19.5	0.6	423
C_06_2018	43.2	44.0	0.8	2049

Geological and Sampling Procedures

A Quality Assurance/ Quality Control program is part of the drilling program on the Mangazeisky deposits. This program includes chain of custody protocols as well as systematic submittals of standards, duplicates and blank samples into the flow of samples produced by the drilling. Sample analyses was undertaken at the Vertikalny onsite mine laboratory utilising the atomic absorption method for silver analyses.

Mineral Resource and Reserve Statement for Mangazeisky Silver Project

As the date of this report the total mineral resources for the Mangazeisky Silver Property are detailed in the table below.

Zone	Measured Resource			Indicated Resource			Inferred Resource		
	Tonnes	Grade Ag (g/t)	Contained Metal Ag (troy oz)	Tonnes	Grade Ag (g/t)	Contained Metal Ag (troy oz)	Tonnes	Grade Ag (g/t)	Contained Metal Ag (troy oz)
Vertikalny Central	40000	1,572	1,800,000	720,000	1,130	26,300,000	350,000	762	8,500,000
Vertikalny Northwest	-	-	-	-	-	-	200,000	476	3,100,000
Nizhny Endybal	-	-	-	-	-	-	710,000	316	7,200,000
Mangazeisky North	-	-	-	334,000	770	8,250,000	127,000	560	2,300,000
Mangazeisky South	-	-	-	-	-	-	60,000	246	500,000
Sterzhnevoy	-	-	-	-	-	-	48,000	1,530	2,360,000
Total	**40,000**	**1,572**	**1,800,000**	**1,054,000**	**1,016**	**34,550,000**	**1,495,000**	**499**	**23,960,000**

Zone	Inferred Resource						
	Tonnes	Grade Au (g/t)	Grade Ag (g/t)	Grade Cu (%)	Cont'd Metal Au (troy oz)	Contained Metal Ag (troy oz)	Contained Metal Cu (lb)
Porphirovy	80,000	1.7	46	0.6	4,000	115,000	1,000,000

Notes: The effective date of the Sterzhnevoy and Porphirovy maiden resources is August 27, 2016. The effective date of the Vertikalny Central resource is December 4, 2017 and of the Vertikalny Northwest Resource is February 10, 2015. The effective date of the original Nizhny Endybal Resource estimate was September 11, 2012; this resource was re-stated with a higher cut-off grade on June 10, 2015. The effective date of the Mangazeisky North Resource is October 19, 2016 and of the Mangazeisky South Resource is June 10, 2015

Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues. Details of each prospect area's key assumptions can be found in the Group's 2018 Annual Information Form and the press release dated December 21, 2017.

Qualified Person

The effective date of the Mineral Resource Estimate is December 4, 2017. Tetra Tech has adopted the definition of Mineral Resources as outlined within the CIM Definition Standards on Mineral Resources and Mineral Reserves (CIM, 2010) in order to classify the Resources. The updated Mineral Resource estimate was prepared by Mr. Joe Hirst, B.Sc., M.Sc. European Geologist (EurGeol) and Chartered Geologist (CGeol). Mr. Hirst was a Resource Geologist at Tetra Tech and is a "qualified person" as such term is defined in NI 43-101. Previous updated Indicated and Inferred Mineral Resource estimates for Vertikalny Central and Northwest, Mangazeisky North and South and Nizhny Endybal were prepared by Mr. Robert Davies, B.Sc., European Geologist (EurGeol) and Chartered Geologist (CGeol). Mr. Davies was Senior Resource Geologist at Tetra Tech and is a "qualified person" as such term is defined in NI 43-101.

OUTLOOK FOR 2019

Outlook for 2019

In order to fund development operations and maintain rights under licenses and agreements, the Group has secured funding in the form of long-term loans of which the principal totals $132,732,390 and the Group may be dependent on securing additional financing until such time that it generates sufficient operating cash flow to meet its liabilities

In consideration of the Group's going concern and following the initiation of silver production in the second quarter of 2018, as a result of pre-commercial production commissioning activities, the Company's priorities for 2019 are as follows:

- Successful completion of remaining commissioning activities paving the way for full commercial silver production;
- Continue to monitor all operations to further optimize operating costs and improve operational efficiencies;
- Continue to build up operational capabilities and staffing and introduce new systems for production monitoring and management accounting; and
- Compile 2018 exploration program results that target extension of existing deposits and new areas of significance with the intent to grow the Projects resources and establish future drilling programs.

RESULTS OF OPERATIONS

For the year ended December 31, 2018, compared to the year ended December 31, 2017

Revenues

Pre-commercial production commenced at the Mangazeisky silver mine as a result of commissioning activities in April 2018. For the three-month period ended December 31, 2018, the Group sold a total of 245,302 ounces of silver at an average price of US$14.58 per ounce of silver resulting in total pre-commercial production revenue of US$3.58 million. For the twelve-month period ended December 31, 2018, the Group sold a total of 433,095 ounces of silver at an average price of US$14.78 per ounce of silver resulting in a total pre-commercial production revenue of US$6.40 million in accordance with IFRS 15. The Group did not have any silver production in 2017. This pre-commercial production revenue has been recorded under the Mangazeisky silver property in accordance with IFRS.

Interest income on the cash balances held in the bank for the year ended December 31, 2018 was minimal in line with the year ended December 31, 2017, due to low bank interest rates and cash balances. As at December 31, 2018, the Group had other income of $1.36 million related to sales of supplies to contractors and employees ($0.54 million for year ended December 31, 2017).

Expenses

Exploration

For the year ended December 31, 2018, the Group spent $0.19 million on exploration activities, compared to $0.33 million during the year ended December 31, 2017. Costs associated with the Mangazeisky silver project for the year ended December 31, 2018 relate to the preparation and field work for the 2018 exploration programs. Exploration expenses were lower in the year ended December 31, 2018 in part due to increased development activity on site.

Construction and Development

The Group concluded that technical and commercial viability for the project was determined with effect from July 1, 2015, and consequently commenced capitalizing directly attributable costs relating to the development of the Mangazeisky silver project from that date. In the year ended December 31, 2018 this amounted $0.04 million compared to the year ended December 31, 2017 this amounted to $0.57 million. In addition, capital expenditure on property plant and equipment in the period to date amounted to $33.85 million (December 31, 2017: $34.63 million), giving rise to a net book value for property, plant and equipment amounting to $96.92 million and a net book value for mineral property amounting to $12.03 million as at December 31, 2018, compared to a net book value of $71.68 million and $13.78 million respectively as at December 31, 2017.

General and Administrative

General and administrative expenses for the year ended December 31, 2018 were $4.06 million. Overall this remains lower than the $5.40 million for the year ended December 31, 2017. This decrease is primarily due to the high professional fees paid concerning the financing agreements and the Group's corporate re-structuring in 2017.

Management compensation for the year ended December 31, 2018 was $1.52 million, lower than the $3.08 million for the year ended December 31, 2017, due to the $2.17 million share based payment expense incurred in 2017. In addition, for the year ended December 31, 2018 the Group spent $1.13 million on professional and consulting fees compared to $1.39 million during the year ended in December 31, 2017.

Non-Cash Items

Depreciation expense for the year ended December 31, 2018 was $1.92 million compared to $0.59 million in the year ended December 31, 2017. All property, plant and equipment ready for use, are depreciated on a straight-line basis over three to five years.

Non-cash share-based compensation expense for the year ended December 31, 2018 was $0.54 million compared to $2.17 million during the same period in 2017, this variance is due to fewer shares being issued as compensation in the year. The mining industry has been very competitive and this type of compensation is an attractive incentive. The timing of the grants varies from year to year based on milestones achieved and plan availability. Consequently the quarterly and annual expenses can vary widely.

A total of 5,600,000 stock options were granted during the year ended December 31, 2018 compared to 18,000,000 stock options granted during the year ended December 31, 2017. 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, 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 five (5) years. The expected life of the option was calculated based on the history of option exercises.

The foreign exchange loss for the year ended December 31, 2018 was $26.62 million compared to a gain of $5.63 million for the year ended December 31, 2017 primarily as a result of the weakening of the Russian Rouble against the US dollar this year.

Net Profit/Loss

As a result of the expenses discussed above, the Group recognised a net loss for the year ended December 31, 2018 of $33.18 million, or $0.05 per share. This compares to a loss of $10.67 million or $0.03 per share for the year ended December 31, 2017.

Liquidity and Capital Resources

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. As at December 31, 2018, the Group had cash and cash equivalents of $1.14 million. The Group has total current assets of $26.49 million and total current liabilities of $4.80 million. Non-current liabilities total $164.90 million, which includes long term loans of $130.93 million and accrued interest of $32.09 million.

The Group has total obligations of $2.35 million under finance leases for exploration equipment being paid over the next three years. Historically, the Group has been able to meet its required property development schedule by raising funds from existing shareholders and in the public markets and is optimistic that it will continue to do so but there is no guarantee that sufficient funds will be raised. In order to fund development operations and maintain rights under licenses and agreements, the Group has secured funding in the form of long-term loans of $163.10 million and the Group may be dependent on securing additional financing until such time that it generates sufficient operating cash flow to meet its liabilities.

On August 8, 2016, the Group announced the finalization of a Facilities Agreement with its Lenders for a comprehensive secured debt funding package which consists of a US$43.2 million Term Loan Facility, a Working Capital Facility of US$10 million and a Contingency Facility of US$2 million for a total principal amount of US$55.2 million together referred to as the Secured Loan Funding. On September 7, 2016, the Group announced it had obtained the disinterested shareholder approval necessary to enter into the Facilities Agreement with the Lenders. 99.99% of the shares voted at the special meeting of shareholders of the Group held on September 2, 2016 were voted in support of the Facilities Agreement. For additional information regarding the Facilities Agreement, please refer to the Project Financing section herein.

On March 27, 2017, further to its press release of February 1, 2017, the Group executed the agreements with its major shareholders, Aterra and Inflection to increase the previously provided project facilities by a further US$15 million (the "Facilities Agreement Increase"). Under the Facilities Agreement Increase, Aterra and Inflection have provided an additional working capital tranche of US$10 million to meet expenses during the rescheduled ramp-up plus a discretionary US$5 million cost over-run tranche. No other principal terms of the existing project facilities have been changed.

On June 23, 2017, at the Group's annual general and special meeting of shareholders in accordance with the policies of the TSX, the disinterested shareholders of the Group approved certain amendments to the Group's existing Facilities Agreement, including the drawdown of the previously drawn US$10 million tranche D, the drawdown of a new US$5 million tranche E and payment by the Group of interest on the tranche D and E funds up to the maturity date of the Facilities Agreement.

On November 15, 2017, the Group announced certain amendments to its existing Facilities Agreement to Inflection, a major shareholder of the Group, and Unifirm Limited, an affiliate of Aterra, also a major shareholder of the Group, to provide an additional US$20 million facility tranche ("Tranche F") and to extend the maturity date of the Facilities Agreement to March 20, 2022. Tranche F was made available to the Group by Inflection, US$15 million of which funded the Group's working capital requirements for 2018 and US$5 million of which will be used as a contingent facility.

The Facilities Agreement amendments provide for a new US$20 million Tranche F to be made available to the Group by Inflection, which will accrue interest at a rate of 15% per annum, the same interest rate applicable to all other funds drawn under the Facilities Agreement. Tranche F will be repayable on September 20, 2020. Additionally, under the Facilities Agreement Amendments, the maturity date of the facilities drawn under the Facilities Agreement, other than Tranche F, have been extended from September 20, 2020 to March 20, 2022 (the "Maturity Date Extension"). The Facilities Agreement Amendments including the Maturity Date Extension and interest on Tranche F was approved by the Toronto Stock Exchange ("TSX") in June and by its disinterested shareholders at the Groupj's annual general meeting of shareholders on June 27, 2018.

In September 2018, the Group announced that it had amended its existing Facilities Agreement with its major shareholders Inflection and Unifirm Limited, an affiliate Aterra. The Facilities Agreement Amendments: (i) provide a new US$8 million Tranche G that will be made available to the Group by Inflection in two sub-tranches, which were used to fund the Group's working capital requirements for the remainder of 2018, and which will mature and become repayable on July 31, 2021; (ii) extend the maturity date of the existing US$20 million tranche F term loan ("Tranche F") from September 20, 2020 to September 20, 2022; (iii) extend the maturity date of the facilities drawn under the Facilities Agreement, other than Tranche F and Tranche G, from March 20, 2022 to March 20, 2023; and (iv) reduce the interest rate applicable to all funds drawn under the Facilities Agreement, as amended, from 15% to 10% per annum, which reduction in interest rates will become effective immediately for the remaining terms of the facilities drawn under the Facilities Agreement. The Facilities Agreement Amendment have been approved by the TSX.

The Facilities Agreement Amendments are a "related party transaction" under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") because Inflection and Aterra are related parties to the Group, as its major shareholders. Pursuant to Section 5.7(f) of MI 61-101, the Group is exempt from obtaining approval of the Group's minority shareholders as a result of the Facilities Agreement Amendments being an amendment to a loan to the Group (obtained from a related party on reasonable commercial terms that are not less advantageous to the Group than if such credit facility was obtained through an arm's length lender) that has no equity or voting component.

The following table summarizes the Group's contractual obligations over the next five years and thereafter as at December 31, 2018:

	Payments Due by Period			
Contractual Obligations	**Total**	**Less than 1 Year**	**1-5 Years**	**After 5 Years**
Loans	$ 181,873,812	$ 3,122,297	$ 178,751,515	$ -
Finance lease obligations	$ 2,564,488	$ 1,740,401	$ 824,067	$ -
Total contractual obligations	$ 184,438,300	$ 4,862,698	$ 179,575,582	$ -

The Group entered into a long-term lease agreement, extended in 2014, for the purchase of certain exploration equipment payable in monthly installments of US$11,300. The lease payments were discounted at a rate of 12.7%. The Group made a down-payment for 50% of the cost of equipment.

In 2016, 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$85,000. 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.

In order to maintain the mining licence at the Mangazeisky silver project in good standing, the Group was required to conduct certain minimum levels of exploration activity. Minimum requirements under the exploration and mining licence for 2016 were 6,000 metres of drilling and 10,000 cubic metres of trenching annually. On September 21, 2016, the Group announced that Rosnedra granted a seven-year extension to the term of the Group's wholly-owned Exploration Licence relating to the Mangazeisky silver project. The extension provides that the new licence term will run to December 31, 2023, and going forward contains no requirements for minimum work on drilling and trenching.

The Group is party to certain management contracts and severance obligations. These contracts contain clauses requiring 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 audited consolidated financial statements.

The Group may be involved in legal proceedings from time to time, arising in the ordinary course of its business. Typically, 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 September 30, 2018.

In assessing loss contingencies related to legal proceedings that are pending against the Group or unasserted claims that may result in such proceedings, the Group and its legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims of the amount of relief sought or expected to be sought. If the assessment of a contingency suggests that a loss is probable, and the amount can be reliably estimated, then a loss is recorded. When a contingent loss is not probable but is reasonably possible, or it is probable but the amount cannot be reliably estimated, then details of the contingent loss are disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case we disclose the nature of the guarantee. Legal fees incurred with pending legal proceedings are expensed as incurred.

Off-Balance Sheet Arrangements

The Group has no off-balance sheet arrangements.

Capital Stock

As at 31 December 2018 and 1 April 2019, the Group had issued and outstanding 671,984,902 Common Shares.

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 Stock Option Plan together with all securities issuable under the Group's Share Bonus Plan is to be not greater than 10% of the outstanding Shares (on a non-diluted basis) issued and outstanding at the time of the granting of the Options. As at December 31, 2018 the total number of options available for issue under the Stock Option Plan was 67,189,490. A total of 32,331,074 options and share bonus plan shares are available for future issue as at December 31, 2018.

As at September 30, 2018, the Group had share options outstanding and exercisable as follows:

	Outstanding		**Exercisable**	
Expiry Year	**Number**	**Weighted average exercise price ($)**	**Number**	**Weighted average exercise price ($)**
2019	6,396,666	0.27	6,396,666	0.27
2021	2,452,000	0.19	2,452,000	0.19
2022	18,000,000	0.24	18,000,000	0.24
2023	4,100,000	0.26	366,667	0.29
	30,948,666	0.24	27,215,333	0.24

As at December 31, 2018 the Group had Nil warrants outstanding.

Summary of Quarterly Results ($)

	Dec-18	Sep-18	Jun-18	Mar-18
Net Profit/(Loss) before tax	(15,182,793)	(7,021,528)	(11,981,304)	(2,416,558)
Basic and diluted Profit/(loss) per share	(0.02)	(0.01)	(0.02)	(0.00)
Cash and cash equivalents	1,141,663	1,038,503	907,297	3,977,449
Total assets	139,654,043	142,994,299	142,612,089	143,977,806
Total long-term financial liabilities	164,902,664	151,823,682	146,352,694	138,720,543
	Dec-17	**Sep-17**	**Jun-17**	**Mar- 17**
Net Profit/ (loss) before tax	(6,511,009)	568,727	(5,311,755)	2,429,297
Basic and diluted loss per share	(0.07)	0.00	(0.03)	0.01
Cash and cash equivalents	24,314,402	8,009,019	8,944,267	3,656,446
Total assets	135,711,414	109,595,004	98,217,117	98,144,934
Total long-term financial liabilities	130,992,182	90,126,756	87,431,244	76,836,366

Summary of Annual Results ($)

	2018	2017	2016
Net Loss before tax	(36,602,183)	(8,824,740)	(9,848,211)
Basic and diluted loss per share	(0.05)	(0.03)	(0.06)
Cash and cash equivalents	1,141,663	24,314,402	15,759,123
Total assets	139,654,043	135,711,414	91,400,256
Total long-term financial liabilities	164,902,664	130,992,182	80,190,891

Net Loss before tax includes forex loss mainly from shareholders borrowings denominated in USD in amount of 26,616,552 CAD and one-off inventory write off as a result of year-end stock count 1,050,146 CAD

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

As at December 31, 2018

Country/ Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral Properties	Property, plant and equipment	Depreciation	Interest expense	Net Loss before tax for the period
Russia	1,117,720	19,134,628	2,647,904	4,166,445	12,027,009	96,924,301	1,920,182	3,451,581	34,183,004
Canada	23,943	-	35,194	-	-	-	-	-	2,419,179
	$ 1,141,663	$ 19,134,628	$ 2,683,098	$ 4,166,445	$ 12,027,009	$ 96,924,301	$ 1,920,182	$ 3,451,581	$ 36,602,183

As at December 31, 2017

Country/ Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral Properties	Property, plant and equipment	Depreciation	Interest expense	Net Loss before tax for the year
Russia	$ 24,127,593	$ 9,226,581	$ 9,931,384	$ 5,174,654	$ 12,434,405	$ 74,442,027	$ 589,434	$ 5,035,033	($ 1,288,525)
Canada	186,809	-	78,713	89,695	-	-	-	953,614	10,113,265
	$ 24,314,402	$ 9,226,581	$ 10,010,097	$ 5,264,349	$ 12,434,405	$ 74,442,027	$ 589,434	$ 5,988,647	$ 8,824,740

RELATED PARTY TRANSACTIONS

(a) Financing transactions

The Group has entered into a series of financing transactions with its major shareholders, Inflection and Aterra. These transactions have been explained in detail elsewhere in this report.

COMPENSATION OF KEY MANAGEMENT

Key management includes the Group’s directors and officers. Compensation awarded to key management included:

	2018	2017
Salaries, fees and short-term employee benefits	$ 754,158	$ 785,238
Termination payments	271,995	126,252
Share-based payments	535,798	2,169,972
Total	$ 1,561,951	$ 3,081,462

As at December 31, 2018 the Group owed key management $105,776 (December 31, 2017: $85,797) for fees and bonuses payable in accordance with contracts and agreements.

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 judgement 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.

  Significant management judgment was exercised, since the second primary indicator related to the currency influencing the sales price is not applicable, as AO Prognoz does not yet generate any revenue. 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 has changed from Canadian dollars to Russian rouble in the year. 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.

- Capitalization of development costs

  Management has 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. In order to determine whether the project is ready to operate as intended by management, judgement will be applied taking into account commercial production indicators such as the level of expenditure incurred compared to the total capital cost to completion, 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 will provide guidance to recognise when the mine development phase will cease and the production phase will commence.

Key sources of estimation uncertainty:

- Depreciation rates

  All property, plant and equipment, with the exception of leasehold improvements, are depreciated on a straight line basis over three to five years, which the Group believes is the best approximation of the useful life. If the estimated life had been longer than management's estimate, the carrying amount of the asset would have been higher.

- Rehabilitation provisions and asset retirement obligations

  The carrying value of the asset retirement obligation is $1,109,391, as disclosed in Note 14 of the accounts. 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 an 11 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.

- Share-based payment transactions

  The Group records share-based compensation at fair value. The 2018 charge is $535,798~~7~~, as disclosed in Note 15 of the accounts. The fair value of the grant is determined using the Black-Scholes options pricing model and management assumptions regarding dividend yield, expected volatility, forfeiture rate, risk free rate and expected life. Should the underlying assumptions change, it will impact the fair value of the share-based compensation.

- Impairment of mineral properties and property, plant and equipment

  The carrying value of mineral properties and property, plant and equipment is $12,027,009 and $96,924,301 respectively, as disclosed in Note 9 and note 10 of the accounts. 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.

  Management has reviewed and evaluated the existence of impairment triggers and concluded that no impairment triggers existed as at 31 December 2018. As at 31 December 2018 the carrying value of mineral properties and property, plant and equipment was C$108,951,309. 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 cash flow from the are 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 licence for a number of deposits within the Mangazeisky licence area which expires in 2023 and a mining licence for the Vertikalny deposit expiring in 2033.

- Assets' carrying values and impairment charges

  Subsequent to the identification of an impairment trigger, in the determination of carrying values and impairment charges, management looks at the recoverable amount of the asset, which is the higher of value in use or fair value less costs to sell in the case of assets. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Subject to the limitations, if any, described below, the Group's CEO and CFO, have as at the year ended December 31, 2018, designed Disclosure and Control Procedures, ("DC&P") or caused it to be designed under their supervision, to provide reasonable assurance that:

- material information relating to the issuer is made known to us by others, particularly during the period in which the annual and interim filings are being prepared; and
- information required to be disclosed by the issuer in its annual and interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- Internal control over financial reporting has been designed, based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Because of inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There have been no significant changes to the Group's disclosure controls and procedures and internal controls over financial reporting that occurred during the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Group's disclosure controls and procedures and internal control over financial reporting. Management assesses existing internal controls over financial reporting is sufficient and effective.

The Audit and Governance Committees of the Group have reviewed this MD&A and the audited consolidated financial statements for the year ended December 31, 2018, and the Group's board of directors approved these documents prior to their release.

CHANGES TO INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no significant changes to the Group's internal controls over financial reporting that occurred during the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect the Group's internal control over financial reporting.

SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS, and include the significant accounting policies as described in Note 2 to the December 31, 2018 audited consolidated financial statements.

NEW ACCOUNTING STANDARDS

New and amended standards adopted by the Group

The Group has adopted the following annual improvements to IFRS.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the date of transaction for the purpose of determining the spot exchange rate used to translate foreign currency transactions on initial recognition in circumstances when an entity pays or receives some or all of the foreign currency consideration in advance of the recognition of the related asset, expense or income.

The interpretation states that the date of the transaction, for the purpose of determining the spot exchange rate used to translate the related asset, expense or income on initial recognition, is the earlier of the date of initial recognition of the non-monetary prepayment asset or the non-monetary deferred income liability; and the date that the asset, expense or income is recognized in the financial statements. The interpretation has not had any effect on the Group's consolidated financial statements as this is the same as the policy previously applied.

IFRS 9 – Financial Instruments ("IFRS 9")

IFRS 9 classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also addresses requirements for financial liabilities; these were largely carried forward from IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. There are no material receivables, contract assets or other financial assets within scope of the new expected credit loss impairment approach. The adoption of IFRS 9 has not had any material impact on the Group's results, financial position or disclosures.

Revenue for the year to date has been recognised on a net basis against cost of sales as net current assets. The Group's first revenue was recognised in the second half of 2018 and all receivables were paid on time. There are no material receivables, contract assets or other financial assets within scope of the new expected credit loss impairment approach.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 provides a principles based five step model to be applied to all contracts with customers. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. Specifically, IFRS 15 introduces a five-step approach to revenue recognition with an entity recognising revenues when a performance obligation is satisfied, which is when "control" of the goods has transferred to the customer. The Group currently only has one base contract with a single customer, for which sales are made based on spot prices. Revenues are recognised when the control is transferred. Control of goods is transferred at the point of time, when silver is passed to the buyer at the refinery site. Payments terms allows 86% 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. As of year-end there are no outstanding performance obligations under the current contract in place.

The Group has no long term or complicated contracts which would involve recognizing revenue based on stage of completion.

The Group will closely monitor all future contracts and assess the treatment in accordance with the five-step model prescribed.

IFRS 2 – Share based payment ("IFRS 2")

Amendments to IFRS 2 clarify the classification and measurement of share-based payment transactions. These amendments deal with variations in the final settlement arrangements including: (a) accounting for cash-settled share-based payment transactions that include a performance condition, (b) classification of share-based payment transactions with net settlement features, as well as (c) accounting for modifications of share-based payment transactions from cash-settled to equity. These changes have not had any impact on the financial statements.

New standards and interpretations not yet adopted

The following new accounting standards and amendments to existing standards and interpretations that have been issued by the IASB are not yet effective and have not been adopted early by the Group in preparing these financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendment permits more assets to be measured at amortised cost, in particular some prepayable financial assets. The amendment also confirms that most modifications to a financial liability will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39. The amendment is effective for annual periods beginning on or after 1 January 2019. The Group does not have any financial instruments accounted through change in fair value price.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

Issued on 7 June 2017 this IFRIC clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after 1 January 2019. The Group does not expect the IFRIC to have a material impact on the Group's results.

IFRS 16 – Leases ("IFRS 16")

On 13 January 2016, IFRS 16 was issued. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. IFRS 16 is effective from 1 January 2019.

The new standard was issued in January 2016 replacing the previous leases standard, IAS 17 Leases, and related Interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as either operating or finance as is required by IAS 17 and, instead, introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is twelve months or less. This new standard applies to annual reporting periods beginning on or after 1 January 2019.

Group finance leases accounting will not change. Group operating leases will require recognition of right-to-use asset and lease liability. The Group has reviewed its arrangements in place and has concluded that the adoption of this standard is not expected to have a material impact in the future periods. The Group has not identified any transition adjustments.

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 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 the pre-commercial production stage, as such the Group may be dependent on external financing to fund ongoing activities.

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 year ended December 31, 2018 compared to the year ended December 31, 2017. Neither the Group nor its subsidiaries are subject to externally imposed capital requirements.

FINANCIAL INSTRUMENTS AND RISK FACTORS

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 financial instruments consist of cash, restricted cash, accounts receivable, short-term loans, finance leases 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 finance leases. The fair value of these instruments approximates their carrying values as any differences are not material. The Group has no financial instruments recorded at fair value.

Financial assets and financial liabilities as at December 31, 2018 and December 31, 2017 were as follows:

As at December 31, 2018	**Loans and receivables**	**Other liabilities**	**TOTAL**
Cash and cash equivalents	1,141,663	-	$ 1,141,663
Accounts Receivable	294,020	-	$ 294,020
Long-term loans	-	(163,102,592)	($163,102,592)
Accounts payables and accrued liabilities	-	(2,914,4448)	($ 2,914,448)
Finance lease	-	(2,345,737)	($ 2,345,737)

As at December 31, 2017	Loans and receivables	Other liabilities	TOTAL
Cash and cash equivalents	24,314,402	-	$ 24,314,402
Accounts Receivable	454,810	-	$ 454,810
Long-term loans	-	(128,147,211)	($128,147,211)
Accounts payables and accrued liabilities	-	(2,350,666)	($ 2,350,666)
Finance lease	-	(2,764,486)	($ 2,764,486)

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

The Group's risk exposures and the impact on the Group's financial instruments are summarized below:

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 United Kingdom, Canada and Russia which in the presentational currency total $2,281, $23,943 and $1,115,439 respectively. The Group's United Kingdom bank has a credit rating of at least baaa3 (Moody'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. At 31 December 2018 the Group had total current assets of $26,491,829 (31 December 2017 – $43,340,951) to settle total current liabilities of $4,803,844 (31 December 2017 – $4,360,921), as well as its commitments outlined in Note 20. Total liabilities of $169,706,508 include long-term loans totalling $132,732,390, accrued interest of $32,177,279 and fair value gain on modification of loans of ($1,807,077).

The Group had total obligations of $2,345,737 at December 31, 2018 (December 31, 2017 – $2,764,486) under a combination of three and five-year leases for equipment in relation to the development of Mangazeisky, as outlined in Note 12. For more information, please refer to section *Risk Factors and Uncertainties,* subsection *Liquidity Concerns and Future Financings*.

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 currency converted from its Canadian dollar bank accounts held in Canada. USD funding has been provided directly to AO Prognoz in Russia and converted to Russian rouble. Recently a GBP bank account has been set up for Silver Bear Resources Plc. 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).

RISK FACTORS AND UNCERTAINTIES

The operations of the Grou[are speculative due to the high-risk nature of its business which is the acquisition, financing, exploration, development and operation of mining properties. The risk factors described below are not the only ones facing the Group. Additional risks currently not known to the Group or that the Group considers immaterial may also impair the business operations of the Group. These risk factors could materially affect the Group's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Group. If any of the following risks actually occurs, the Group's business, financial condition and operating results could be materially affected. In such case, the trading price of the common shares of the Group would likely decline and the holders of common shares of the Group could lose all or part of their investment. For a discussion of risk factors and additional information please refer Group's annual information form and other filings, which are available on the Group's website at www.silverbearresources.com and under the Group's SEDAR profile at on www.sedar.com or upon request from the Group.

Risks of Operating in the Russian Federation

The operations of the Group are currently conducted in the Russian Federation and, as such, the operations of the Group are exposed to various levels of political, legal, economic and other risks and uncertainties.

Ongoing political tensions and uncertainties as a result of the Russian Federation's foreign policy decisions and actions in respect of Ukraine have resulted in the imposition of economic sanctions imposed by many in the international communities including Canada and increased the risk that certain governments may impose further economic, or other, sanctions on the Russian Federation or on persons and/or companies conducting business in the Russian Federation. There can be no assurance that sanctions will not be imposed by the Russian Federation, including in response to existing or threatened sanctions, or by Canada, the United States, the United Kingdom or the European Union against persons and/or companies conducting business in the Russian Federation. The imposition of such economic sanctions or other penalties could have a material adverse effect on the Group's assets and operations. Russian legislation currently permits the conversion of rouble revenues into foreign currency. Any delay or other difficulty in converting roubles into a foreign currency to make a payment or delay in or restriction on the transfer of foreign currency could limit our ability to meet our payment and debt obligations, which could result in the loss of suppliers, acceleration of debt obligations, etc. The Group is monitoring these sanctions carefully; to date the operations have not been negatively affected.

Nature of Mining, Mineral Exploration and Development Projects

Mineral exploration is highly speculative in nature, involves a high degree of risk and is frequently non-productive. There is no assurance that exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including quality of management, the Group's level of geological and technical expertise, the quality of land available for exploration, and other factors. Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of resources or reserves.

The Group's business operations are subject to risks and hazards inherent in the mining industry. The exploration for and the development of mineral deposits involves significant risks, including: environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structure cave-in or slides, flooding, fires and interruption due to inclement or hazardous weather conditions. These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability.

Whether income will result from projects undergoing exploration and development programs depends on the successful establishment of mining operations. Factors including costs, actual mineralization, consistency and reliability of ore grades and commodity prices affect successful project development. In addition, few properties that are explored are ultimately developed into producing mines. Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, reserve and resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. Indeed, current market conditions are forcing many mining operations to increase capital and operating cost estimates. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

Liquidity and Future Financing

In April of 2018 the Group achieved first silver production through its commissioning activities, at this time the Group has not reached full commercial production and as such has no consistent source of operating cash flows and may require additional capital in the future and no assurance can be given that such capital will be available at all or available on terms acceptable to the Group. The success and the pricing of any future capital raising and/or debt financing will be dependent upon the prevailing market conditions at that time and the outcomes of any relevant feasibility studies and exploration programs. If additional capital is raised by an issue of securities, this may have the effect of diluting shareholders' interests in the Group. Any debt financing, if available, may involve financial covenants which may limit the Group's operations. In order to fund development operations and maintain rights under licenses and agreements, the Group has secured funding in the form of long-term loans of $144,382,490.

Fluctuations in Metal Prices

The price of silver, gold and other metals fluctuates widely and is affected by numerous factors beyond the control of the Group such as industrial and retail supply and demand, foreign exchange rates, inflation rates, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events. The supply of metals consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers. Future production from the Group's Mangazeisky Project is dependent upon the price of silver, gold and other metals being adequate to make these properties economically viable. Future serious price declines in the market value of silver, gold and other metals could cause continued development of, and eventually commercial production from, the Mangazeisky Project to be rendered uneconomic. Depending on the price of silver, gold and other metals the Group could be forced to discontinue exploration or development activities and may lose its interest in, or may be forced to sell, its property. There is no assurance that, even as commercial quantities of silver and other base metals are produced, a profitable market will exist for them.

Political, Economic and Legislative Risk

The economy of the Russian Federation continues to display characteristics of an emerging market, which includes certain currency conversion risks. The prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments. Russian Federation laws, licenses and permits have been in a state of change and new laws may be given retroactive effect. Such licenses and permits, including the obtainment from the Russian Federation authorities of a mining license to replace the exploration license in respect to the Mangazeisky Project, may not be obtained on a basis consistent with our current expectations. Further, ambiguity exists with regard to the interpretation of licenses and permits and the application of rules and regulations with regard to exploration activities in the Russian Federation. The suspension, limitation in scope or revocation of an exploration or mining license or the levying of substantial fines or penalties could have a material adverse effect on our exploration or development activities in the Russian Federation and the Group's financial results. In such circumstances the exploration and development activities may be significantly and adversely affected. It is also not unusual in the context of dispute resolution in the Russian Federation for parties to use the uncertainty in the Russian Federation legal environment as leverage in business negotiations. In addition, Russian Federation tax legislation is subject to varying interpretations and constant change. Furthermore, the Group's interpretation of tax legislation may not coincide with that of Russian Federation tax authorities. As a result, transactions may be challenged by the tax authorities and the Group's Russian operations may be assessed, which could result in significant additional taxes, penalties and interest. The periods remain open to review by the tax authorities for three years (although the statute of limitations in certain circumstances may not time bar the tax claims). In addition, Russian Federation authorities and court systems have been shown to be unpredictable. Challenges to the Group's assets and operations in the Russian Federation may be brought by authorities for reasons that the Group is unable to predict and which may result in material adverse changes to the Group.

Other risks and uncertainties include, but are not limited to; terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; abuse of legal presses; uncertainty of the rule of law; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in mining or investment policies or shifts in political attitude in the Russian Federation may adversely affect the operations or profitability of the Group. Operations may be affected in varying degrees by unpredictable government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Group.

Insurance and Uninsured Risks

The business of the Group is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Group or others, delays in mining, monetary losses and possible legal liability. Although the Group maintains insurance to protect against certain risks in such amounts it considers being reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and the Group may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and development is not generally available to the Group or to other companies in the mining industry on acceptable terms. Losses from these events may cause the Group to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Environmental Risks and Regulations

All phases of the Group's operations are or will be subject to environmental regulation in the Russian Federation in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set the limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Group's operations. Environmental hazards may exist on the properties in which the Group holds interests which are unknown to the Group at present and which have been caused by previous or existing owners or operators of the properties. Government approvals and permits are currently and may in the future be required in connection with the operations of the Group. To the extent such approvals are required and not obtained, the Group may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Group and cause increases in exploration expenses, capital expenditures or production costs, or reduction in levels of production at producing properties, or require abandonment or delays in development of new mining properties.

Government Regulation

The mining, processing, development and mineral exploration activities of the Group are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, and other matters. Although the exploration and development activities of the Group are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Group.

Licenses and Permits

The Group's mining exploration activities are dependent upon the grant, or as the case may be, the maintenance of appropriate licenses, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. The maintaining of tenements, obtaining renewals, or getting tenements granted, often depends on the Group being successful in obtaining required statutory approvals for its proposed activities and that the licenses, concessions, leases, permits or consents it holds will be renewed as and when required. There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith. There is no assurance that the Group will continue to keep its existing licenses in good standing as the requirements for doing so may become impractical, impossible, or uneconomic. Under law in the Russian Federation, the voluntary surrender of a license will be subject to various requirements, including compliance with the license terms, liquidation, conservation, reclamation and other measures to be carried out prior to the abandonment of the license. These measures may expose the Group to additional expenditures and obligations which may be onerous to the Group.

Significant Shareholders

Aterra currently holds 24.8% of the issued and outstanding common shares of the Group on a non-diluted basis and Inflection currently holds 62.5% of the issued and outstanding common shares of the Group. Collectively, Aterra and Inflection hold the majority of voting rights in the Group. The exercise of voting rights associated with the Group may have a significant influence on the Group's business operations. Although neither Aterra nor Inflection have indicated that they have any intention of disposing of their interest in the Group, in the event that either party sold a portion of its position, it may have a significant influence on the share price of the Group, depending on the market conditions at the time of such sale.

Title to Properties

There can be no assurances that the interest in the Group's properties is free from defects or that the material contracts between the Group and the relevant governmental agencies will not be unilaterally altered or revoked. There can be no assurances that the Group's rights and interests will not be challenged or impugned by third parties.

Generally, as the Russian Federation is an uncertain legal environment, the Group's interest in its licenses may be challenged for various reasons or in connection with the conduct of an auction process related thereto. Such challenges, if any, may have a material adverse effect on the business and operations of the Group.

Competition

The Group competes with other companies, some of which have greater financial and other resources than it has and, as a result, may be in a better position to compete for future business opportunities. The Group competes with other mining companies for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. Many of the Group's competitors not only explore for and produce minerals, but also carry out downstream operations on these and other products on a worldwide basis. There can be no assurance that the Group can compete effectively with these companies.

Dependence on Key Personnel and Shortage of Labour Force

The Group is reliant on key personnel employed or contracted by the Group. Loss of such personnel may have a material adverse impact on the performance of the Group. In addition, the recruiting of qualified personnel is critical to the Group's success. As the Group's business grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff for operations. In addition, given the remote location of the Group's properties, the lack of infrastructure in the nearby surrounding areas, and the shortage of a readily available labour force in the mining industry, the Group may experience difficulties finding the skilled employees to conduct its operations in the Russian Federation in the event it develops any of its properties. While the Group believes that it will be successful in attracting and retaining qualified personnel and employees, there can be no assurance of such success.

Foreign Exchange Risk

The Group is subject to foreign exchange risks relating to the relative value of the Russian rouble, US dollar and to some extent the Canadian dollar. Most of its expenditures are in US dollars and Russian roubles. The Group has not hedged against fluctuations in exchange rates. Foreign currencies are affected by a number of factors that are beyond the Group's control. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors. Foreign currency fluctuations may materially affect Group's financial position and operating results.

Repatriation of Earnings

General rules of investment and repatriation of funds in the Russian Federation, as well as currency regulation are stated by the Law on Currency Regulation and Currency Control. Currency operations between residents and non-residents can generally be carried out without any restrictions except that in the Russian Federation, parties must buy and sell foreign currency only in specially licensed and empowered banks.

Special requirements on repatriation of funds are applied to the residents of the Russian Federation performing foreign-trade activity, business activity in the field of the international trade of goods, works, services, information, and the results of the intellectual activity, including the exclusive rights to such results intellectual property.

To control the currency operations (particularly when a Russian entity is a part of a multinational loan/investment agreement) residents of the Russian Federation need to provide to the operating bank a deal passport supported by documents with the following exceptions:

i) total amount of credit agreement does not exceed US$5,000;

ii) resident is a lending agency;

iii) resident is a physical body and is not an individual entrepreneur; and

iv) resident is a federal executive organ specially empowered by the state government.

The Group Does Not Achieve Commercial Production

In second quarter of 2018 the Group achieved first silver production through its commissioning activities. At the time of this report, the Group has not achieved full commercial production on its property. There can be no assurance that additional losses will not occur in the near future or that the Group will be profitable in the future. The Group expects to continue to incur losses until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Group's additional potential deposits may require the commitment of substantial resources to conduct the time-consuming exploration and development of deposits. There can be no assurance that the Group will generate any revenues or achieve profitability. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate.

Stock Exchange Prices

The market price of a publicly traded stock is affected by many variables not all of which are directly related to the success of the Group. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values of such companies. There can be no assurance that such fluctuations will not affect the price of the Group's securities.

Conflicts of Interest

Certain directors and officers of the Group are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnership or joint ventures which are potential competitors of the Group. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of the Group. Directors and officers of the Group with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

Mineral Resource Estimate

Mineral resource estimates are expressions of judgment in engineering and geological interpretation based on knowledge, experience and industry practice. There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the control of the Group. These amounts are estimates only and the actual level of mineral recovery from such deposits may be different. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, and actual events could have a material adverse effect on the Group's financial position and results of operations. Estimates, which were valid when made, may change significantly upon new information becoming available. Should the Group encounter mineralization or formations different from those predicted by past sampling and drilling, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could have a negative effect on the Group's operations.

Effecting Service of Process

Some of the Group's directors reside outside of Canada. Substantially all of the assets of these persons are located outside of Canada. It may not be possible for investors to affect service of process within Canada upon the directors, officers and experts. It may also not be possible to enforce against certain of the Group's directors and officers, and certain experts named herein, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

Inclement Weather and Climate Conditions

The Group's mineral properties are situated in remote parts of the Russian Federation, where access is limited and often only available by winter road or air, increasing the risk that the Group may be unable to explore, develop or operate efficiently due to periods of extreme cold (or by warm weather, or the long-term effects of global warming, in the case of the winter roads on which the Grop may be highly dependent). Climate change or prolonged periods of inclement weather may severely limit the length of time per year in which exploration programs and eventually development activities can be carried out.

The Group's operations are subject to numerous governmental licenses that are difficult to obtain and the Group may not be able to obtain or renew all of the licenses it requires, or such licenses may not be timely obtained or renewed. The duration and success of its efforts to obtain and renew licenses are contingent upon many variables not within its control including, without limitation, the interpretation of applicable requirements implemented by the Russian authorities. The Group may not be able to obtain or renew licenses that are necessary to its operations on a timely basis or at all and the cost to obtain or renew licenses may exceed its estimates. Failure to obtain or renew necessary licenses may result in the revocation of rights to use and operate on the Group's properties. There can be no assurance that the Group has been or will at all times be in full compliance with all of the terms of its licenses or that it has all required licenses to conduct its operations. The costs and delays associated with compliance with these licenses and the licensing process could stop the Group from proceeding with the operation or development of a property or increase the costs of development or production and may materially adversely affect its business, results of operations or financial condition.

ADDITIONAL INFORMATION

Additional information relating to the Group, including its Annual Information Form for the year ended December 31, 2018 is available on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information relating to, but not limited to, the Group's expectations, estimates, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "budget", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include costs and timing estimates related to the 2015 exploration program, the anticipated timeline and ability of the Group to obtain its Certificate of First Discovery and applicable mining licence, the anticipated timing with respect to the completion of an updated mineral resource estimate, costs of capital projects and timing of commencement of operations, and is based on current expectations that are inherently subject to a number of business and economic risks and uncertainties and contingencies. Forward-looking information involves known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any forward-looking information. These risks, uncertainties and other factors include, but are not limited to: failure to receive additional financing; dangers associated with mining; exploration results that may not prove to be economical; operating in a foreign jurisdiction: operating in the Russian Federation; potential shortfall of insurance coverage and/or losing insurance coverage; competition from larger, better funded companies; repatriation of earnings; lack of production revenue; conflicts of interest faced by directors and officers; effecting service of process; inclement weather and climate changes; capital and operating costs varying significantly from estimates; delays in obtaining or failures to obtain required governmental, environmental or other project approvals; changes in national and local government legislation, taxation or regulations; political or economic developments; inflation; changes in currency exchange rates; fluctuations in commodity prices; fluctuations in the Group's stock price; delays in the development of the Group's projects: challenges from governmental authorities of the Group's validity of the title to its Russian assets; and other risk factors as disclosed herein and in other documentation filed by the Group on SEDAR. All forward-looking information in this MD&A is qualified by these cautionary statements.

Potential shareholders and prospective investors should be aware that this information is subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking information. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Group disclaims any intention or obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by applicable laws.