SILVER BEAR
RESOURCES Plc

ANNUAL REPORT AND ACCOUNTS

Registered Number: 10669766 (England and Wales)

For the year ended 31 December 2021

(Expressed in Canadian dollars)

Mangazeisky Silver Project – Open Pit

Silver Bear Resources Plc

Directors' Responsibility for Financial Reporting

For the Year Ended 31 December 2021

The consolidated financial statements of Silver Bear Resources Plc and its wholly-owned subsidiaries, Silver Bear Resources Inc., and ZAO Prognoz are collectively referred to as the "Group" have been prepared by, and are the responsibility of the Group's management.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. In the opinion of management the accounting practices utilized are appropriate in the circumstances and the consolidated financial statements fairly reflect the financial position and results of operations of the Group within reasonable limits of materiality.

Management has developed and is maintaining a system of internal controls to obtain reasonable assurance that the Group's assets are safeguarded, transactions are authorized, and financial information is reliable. All internal control systems have inherent limitations, including the possibility of circumvention and overriding controls, and, therefore, can provide only reasonable assurance as to financial statement preparation and safeguarding of assets.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee meets with the Group's management and external auditors to discuss the results of the audit and to review the annual consolidated financial statements prior to the Audit Committee's submission to the Board of Directors for approval. The Audit Committee also reviews the quarterly financial statements and recommends them for approval to the Board of Directors, reviews with management the systems of internal control and security, approves the scope of the external auditors audit and non-audit work. The Audit Committee is composed entirely of directors not involved in the daily operations of the Group and thus is considered to be free from any relationship that could interfere with the exercise of independent judgment as a Committee member.

The consolidated financial statements have been audited by BDO LLP UK, Chartered Accountants and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

Vadim Ilchuk
Director, President, Chief Executive Officer

Maxim Matveev
Director

Toronto, Ontario, Canada
8 July 2021

Independent auditor's report to the shareholders of Silver Bear Resources Plc

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the Group's affairs as at 31 December 2021 and 31 December 2020 and of its financial performance and its cashflows for the years then ended in accordance with IFRS as issued by the International Auditing Standards Board ('IASB').

We have audited the consolidated financial statements of Silver Bear Resources Plc ("the parent company") and its subsidiaries (the 'Group') for the years ended 31 December 2021 and 31 December 2020 which comprises the Consolidated Statement of Comprehensive Profit/(Loss), the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flow and notes to the consolidated financial statements, including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements, including the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the consolidated financial statements which sets out the Directors' considerations regarding the future potential impacts that the Russian geopolitical situation and the resulting sanctions imposed by and against Russia or the Russian imposed capital controls could have on the Group's operations, and the absence of a contractual agreement for the Group to continue to defer interest and capital repayments on its loans from its shareholders. As a result thereof, there is uncertainty relating to the Group's ability to maintain working capital liquidity to service the Group's financing arrangements which may result in the need for additional funding. As stated in note 2, these events or conditions, along with the other matters as set out in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We have highlighted going concern as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

Our response to the key audit matter included:

- We critically assessed the directors' base case cash flow forecasts for the period to December 2023 and the underlying assumptions, which have been approved by the Board. Our testing included a comparison of forecast silver prices to both prices currently being achieved and spot prices together with consideration of broker consensus pricing ranges.

- We evaluated the forecast production levels against 2021 actuals and the life of mine plan and considered the impact of plant upgrades on the achievability of forecasts.

- We compared the forecast operational expenditure to 2021 actuals and confirmed that planned capital expenditure is consistent with the life of mine plan.

- We compared the Group's actual operational results to the budget for 2021 to assess the quality of Directors' budgetary process.

- We assessed the integrity of the cash flow forecast by performing a mathematical check on the model.

- We reviewed the contractual terms attached to the shareholders' loan facility, including future capital and interest repayments and considered the Directors' assumption that despite there being no contractual agreement to defer interest and capital payments, it was not unreasonable to include such deferrals within the cash flow forecasts based on the history of successful deferrals and the Directors' long term relationship with their shareholders.

- We obtained the Directors' evaluation of the current and future impacts of the Russian geopolitical situation on the Group's operations and sanctions implemented against and by Russia and assessed the impact thereof on the cash flow forecast.

- We reviewed and considered the adequacy and consistency of the disclosure within the consolidated financial statements relating to the Directors' assessment of going concern basis of preparation.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. In addition to the matter described in the Material uncertainty related to going concern section of our report, we have determined the matter below to be the key audit matter to be communicated in our report These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		**How the scope of our audit addressed the key audit matter**
Carrying value of Mineral Properties and Plant and Equipment *Refer to the accounting policies in note 2 and detailed disclosure in note 9 and 10*	The Group's project mining assets, including capitalised mineral property and property, plant and equipment represent the Group's most significant assets. At the year-end, Management performed an impairment test to determine the recoverable amount of its mining properties. The recoverable amount was determined with reference to a discounted cash flow which is based on estimates of future cash flows. Given the significant estimates regarding silver and other commodity prices, foreign exchange rates, reserves and resources, production levels, operating and development costs and capital expenditure as well as economic variables such as discount rates, and the material value of the mining assets we consider the carrying value of the Mineral Properties and Plant and Equipment to be a significant audit risk and a key audit matter.	Our procedures included the following: • Visiting the Mangazeisky mine site to understand the operations, verify the existence of the assets and discuss future mine operating plans with technical management. • We obtained management's discounted cash flow models and performed data integrity and mechanical checks on the models using our proprietary tool. • We determined that the basis of preparation of the models was in line with the applicable accounting standards, our expectations and valuation methodology. • We compared the actual performance during 2021 to budgets for the period in order to assess the quality of management's forecasting. • We critically challenged the NPV model, focussing on the appropriateness of estimates with reference to empirical data and external evidence with specific emphasis on the following assumptions: silver prices, foreign exchange rates, reserves and resources and production levels, operating and development costs, capital expenditure and discount rates. • We benchmarked forecast silver and other commodity prices against publicly available third-party information. • We reconciled the production profiles and capital expenditure forecasts to the third-party Competent Person's report and approved budget for 2022. We obtained explanations for any differences and corroborated differences to relevant support. • We reconciled the resources used in the life of mine model to the updated mineral resources statement included in the third-party Competent Person's report and performed procedures to assess their independence, objectivity and competence. • We reviewed management's sensitivity analysis and performed our own sensitivity analysis on key inputs to assess the impact of changes in assumptions. • We involved our internal valuations experts to support our assessment of the discount rate applied and discussed the judgments regarding the calculation with the Audit Committee. • We read the key licence agreements and confirmed that the Group holds valid licences. We considered management's judgment that the exploration licence would be capable of being extended beyond 2023 taking into consideration the legislative process and risks and uncertainties within the operating environments. We assessed the commitments and obligations associated with the licences to confirm compliance with the licences.

		Key observations: We found the judgements and estimates applied by Management in preparing the forecasts to be supportable, although the net present value remains sensitive to changes in the key inputs set out above. We found Management's conclusion that no impairment charge was required as at 31 December 2021 to be supported by the underlying model.

Other information

The Directors are responsible for the other information including the Management Discussion and Analysis (MDA). The other information comprises the information included in the annual report and accounts and the MDA, other than the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

As explained more fully in the Directors responsibility for financial reporting, the Directors are responsible for the preparation and fair presentation of the consolidated financial statements, and for such internal control as the Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for the audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The engagement partner on the audit resulting in this independent auditors' report is Peter Acloque.

DS
BDO LLP

BDO LLP
Chartered Accountants
London, UK

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Silver Bear Resources Plc

Consolidated Statement of Financial Position
(Canadian dollars)

	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	10	78,949,060	74,096,536
Mineral property	9	10,247,095	11,923,604
Intangible assets	8	180,583	299,528
Prepaid non-current assets	6	881,469	2,871,150
Other non-current assets	7	4,040,580	2,965,765
Total non-current assets		**94,298,787**	**92,156,583**
Current assets			
Inventories	5	18,473,628	18,134,273
Receivables	4	3,670,038	3,050,392
Cash and cash equivalents	3	1,879,447	1,302,165
Prepaid expenses	6	2,484,281	2,789,641
Total current assets		**26,507,394**	**25,276,471**
TOTAL ASSETS		**120,806,181**	**117,433,054**
EQUITY AND LIABILITIES			
Non-current liabilities			
Long-term loans	13	167,639,194	165,062,833
Asset retirement obligation	14	3,609,228	4,040,784
Lease obligation	12	2,277,726	1,237,793
Total non-current liabilities		**173,526,148**	**170,341,410**
Current liabilities			
Advances received		639	144
Short-term loans	13	27,925,556	3,085,133
Account payable and accrued liabilities	11	3,515,620	3,682,160
Lease obligation	12	2,931,455	1,688,373
Total current liabilities		**34,373,270**	**8,455,810**
Total liabilities		**207,899,418**	**178,797,220**
Equity			
Share Capital	15	99,568,972	99,561,998
Share Premium	15	23,106,647	22,570,500
Shareholders Contribution		5,381,283	5,381,283
Contributed surplus	15	16,765,939	16,960,163
Cumulative translation adjustment		14,591,860	13,460,394
Accumulated deficit		(246,507,938)	(219,298,504)
Total equity (deficiency)		**(87,093,237)**	**(61,364,166)**
TOTAL EQUITY AND LIABILITIES		**120,806,181**	**117,433,054**

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

The financial statements on pages 35 to 77 were approved by the Board of Directors on 8 July 2022, and signed on its behalf by:

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

Silver Bear Resources Plc

Consolidated Statement of Comprehensive Profit/(Loss)

For the years ended 31 December 2021 and 2020
(Canadian dollars)

	Note	2021	2020
Revenue:			
Metal Sales		45,315,268	51,887,094
Cost of Sales:			
Production cost	18	(36,612,528)	(30,190,696)
Depreciation and amortization		(10,330,423)	(19,444,324)
Impairment of inventory	5	-	(347,057)
Gross (loss)/profit		**(1,627,683)**	**1,905,017**
Exploration and evaluation expenses		(16,738)	(122,568)
General and administrative expenses	18	(4,154,745)	(3,832,518)
Write-off other non-current assets	7	(909,898)	-
Write-off of PPE		(180,418)	(9,495)
Other income	17	503,766	486,274
Other expenses	17	(1,855,944)	(2,083,075)
Operating loss		**(8,241,660)**	**(3,656,365)**
Finance income	19	24,129	8,069,035
Finance expenses	19	(18,098,949)	(17,873,567)
Foreign exchange loss		(1,144,304)	(33,539,947)
Loss before tax		**(27,460,784)**	**(47,000,844)**
Tax charge	25	(17,754)	(10,782)
Loss for the year		**(27,478,538)**	**(47,011,626)**
Other comprehensive loss			
Items, that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		1,131,466	15,701,375
Total comprehensive loss for the year		**(26,347,072)**	**(31,310,251)**
Basic and diluted loss per ordinary share, cents per ordinary share	15	(0.04)	(0.07)

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

Silver Bear Resources Plc

Consolidated Statement of Changes in Equity

For the years ended 31 December 2021 and 2020
(Canadian dollars)

	Share capital	Share premium	Shareholder's contribution	Contributed surplus	Cumulative translation adjustment	Accumulated Deficit	Total equity
Balance - 31 December 2019	**99,559,336**	**22,410,054**	**5,381,283**	**16,975,267**	**(2,240,981)**	**(172,416,878)**	**(30,331,919)**
Net loss for the period	-	-	-	-	-	(47,011,626)	(47,011,626)
Other comprehensive profit:							
Cumulative translation adjustment	-	-	-	-	15,701,375	-	15,701,375
Comprehensive loss for the period	-	-	-	-	15,701,375	(47,011,626)	(31,310,251)
Shares issued under share subscription plan, Note 15	2,234	160,446	-	-	-	-	162,680
Shares issued under share bonus plan, Note 15	428						428
Share-based payments, Note 15	-	-	-	114,896	-	-	114,896
Cancelled and expired options, Note 15	-	-	-	(130,000)	-	130,000	-
Balance - 31 December 2020	**99,561,998**	**22,570,500**	**5,381,283**	**16,960,163**	**13,460,394**	**(219,298,504)**	**(61,364,166)**
Net loss for the period	-	-	-	-	-	(27,478,538)	(27,478,538)
Other comprehensive profit:							
Cumulative translation adjustment	-	-	-	-	1,131,466	-	1,131,466
Comprehensive loss for the period	-	-	-	-	1,131,466	(27,478,538)	(26,347,072)
Shares issued under share subscription plan, Note 15	6,862	524,736	-	-	-	-	531,598
Shares issued under stock option plan, Note 15	112	11,411	-	(12,340)	-	817	-
Share-based payments, Note 15	-	-	-	86,403	-	-	86,403
Cancelled and expired options, Note 15	-	-	-	(268,287)	-	268,287	-
Balance - 31 December 2021	**99,568,972**	**23,106,647**	**5,381,283**	**16,765,939**	**14,591,860**	**(246,507,938)**	**(87,093,237)**

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

Silver Bear Resources Plc

Consolidated Statement of Cash Flow

For the years ended 31 December 2021 and 2020
(Canadian dollars)

	2021	2020
Cash provided by (used in)		
Operating activities		
Total loss for the year	(27,478,538)	(47,011,626)
Adjustments for items not affecting cash:		
Depreciation	10,237,558	19,364,209
Amortization	212,980	151,081
Share-based payments (Note 18)	86,403	114,896
Accretion expenses	235,090	230,207
Unrealized FX movement	1,144,304	33,539,947
Write-off of PPE	180,418	-
Write-off of other non-current assets (Note 7)	909,898	-
Impairment of inventory	-	347,057
Non-substantive modification gain (Note13)	-	(8,050,595)
Interest income (Note 19)	(24,129)	(18,440)
Interest expense (Note 19)	17,863,859	17,643,360
Net change in non-cash working capital (Note 20)	(1,009,107)	(3,891,869)
Net cash generated from operations	**2,358,736**	**12,418,227**
Purchases of property, plant and equipment (Note 10)	(9,288,040)	(7,504,308)
Purchases of intangible assets	(96,938)	(168,645)
Exploration and evaluation capital expenditure (Note 10)	(722,532)	-
Interest income	24,129	18,440
Net cash used in investing activities	**(10,083,381)**	**(7,654,513)**
Repayment of principal on lease obligations	(3,229,861)	(3,082,029)
Repayment of interest on lease obligations	(837,496)	(524,505)
Short-term and long-term loans drawn (Note 13)	12,752,624	2,351,454
Short-term and long-term loans Interest repayment (Note 13)	(699,242)	(6,855,421)
Net cash generated from/(used in) financing activities	**7,986,025**	**(8,110,501)**
Effect of exchange rate changes on cash and cash equivalents and translation differences	315,902	(795,336)
Increase/(decrease) in cash and cash equivalents during the year	**577,282**	**(4,142,123)**
Cash and cash equivalents - beginning of the year	**1,302,165**	**5,444,288**
Cash and cash equivalents - end of the year	**1,879,447**	**1,302,165**
Cash and cash equivalents consist of:		
Cash	1,879,447	1,302,165

1. NATURE OF OPERATIONS

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

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

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

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

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

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

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

2. BASIS OF PREPARATION

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

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

These audited consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors on 8 July 2022.

The financial information for the year ended 31 December 2021 and the year ended 31 December 2020 does not constitute the company's statutory accounts for those years. Statutory accounts for the year ended 31 December 2019 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 December 2020 will be delivered to the Registrar of Companies in due course. The auditors' reports on the accounts for 31 December 2020 is unqualified but draw attention to matters by way of emphasis in relation to going concern and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. The auditors' reports on the accounts for 31 December 2019 is unqualified but draw attention to matters by way of emphasis in relation to going concern and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006**Basis of consolidation**

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

2. BASIS OF PREPARATION (Continued)

Basis of consolidation

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

On 22 April 2021 Silver Bear Resources B.V. (a Netherlands corporation) was liquidated. Impact on financial statement was nil, as it was empty company.

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

Going Concern

These audited consolidated financial statements have been prepared on a going concern basis which contemplates that the Group and Company will be able to realize its assets and settle its liabilities in the normal course as they come due for a period of at least 12 months form the date of approval of the financial statements.

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

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

The ability of the Group and Company to operate as a going concern is dependent upon future production volumes and silver prices as they impact cash flows required to both fund working capital and meet the Group's and Company's liabilities as and when they fall due. These are in turn also impacted by the geopolitical situation between Russia and Ukraine, and the uncertain future potential impacts of Sanctions.

The Group's and Company's cash flow forecast was run with average silver price of $US 23.5/oz for 2022 and 25.0/oz for 2023 based on independent forecasts for silver sold in Russia.

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

- As at 31 December 2021, the Group had $1,879,447 (2020: 1,302,165) cash and cash equivalents, and net current liabilities of $7,865,876, (2020: net current assets $16,820,661). These current liabilities include short-term loans and interest from short and long-term loans from major shareholders.

- In addition to the current liabilities, the Group has long term debt of $167,639,194 with its major shareholders, Inflection and Aterra, for which interest accrues monthly that matures in 2023. The Group has agreed with major shareholder to extend their loans to 2028, however for this to be executed it requires approval from TSX. While the Directors are confident of obtaining this approval, at the date of signing these financial statements this approval had not been obtained.

- In 2021 the Group generated total operating cash inflow of $2,358,736. Since year end there has been no deterioration is production or sales as a result of the geopolitical situation between Russia and Ukraine or imposed sanctions.

- In the Group's cashflow forecast, the Directors have assumed that the Group is able to defer interest repayments on its loans and obtain loan extensions from its shareholders for loans that matures in 2023. This forecast shows that cash remains positive for the 18 month period from the date of approval of these financial statements. In the event that the Group is unable to defer interest payments or obtain a loan extension from its shareholders the Group would have insufficient cash to satisfy these liabilities.

2. BASIS OF PREPARATION (Continued)

Going concern (Continued)

- While there is currently no contracted written agreement to defer interest repayments to the Group's shareholders, the Group's Directors note that in the past they have been successful in both securing financing from its Shareholders and deferring interest repayments to them. For this reason and based on the Group's long-term relationships with their shareholders, the Directors have a reasonable expectation that they will be able to continue deferring interest payments and obtaining loan extensions during the forecast period, and that additional funding will be received if required.

- In the first half of 2022, due to the geopolitical situation between Russia and Ukraine multiple sanctions were declared against Russia by Western countries. There are no sanctions against the Group, however sanctions that were implemented against Russia meant some brands ceased their operations in Russia. The Directors have prepared a plan to respond to this risk such as diversifying revenue channels and considering the use of aftermarket spare parts for mining equipment that can no longer be sourced directly from suppliers. While the effect from the sanctions to date has had minimal impacts on the Group's operations, there is no certainty over the future impacts of sanctions imposed against Russia.

- Also, in the first half of 2022 Russia implemented sanctions against Western countries. Since the Russian sanctions have been implemented, capital controls have been put in place that put restrictions on payments outside of Russia. Given the parent Company is reliant on cash from its Russian subsidiaries, this temporarily prevented the Parent Company fulfilling its obligation to creditors. Subsequently the Parent Company has received cash from its subsidiary through management service contracts which has enabled it to resume fulfilling its obligations to creditors. While the sanctions are in effect, the Group will be unable to pay dividends from Russia to UK and further to shareholders. There is no certainty over the future impact of sanctions imposed by Russia or Russian imposed capital controls.

In the light of the future potential impacts the Russian geopolitical situation and the resulting sanctions imposed by and against Russia or the Russian imposed capital controls could have on the Group's and Company's operations, and in the absence of a contractual agreement for the Group and Company to continue to defer interest and capital repayments on its loans from its shareholders, together with the other factors described above, the Group's and Company's Directors have identified a material uncertainty relating to the Group's and Company's ability to maintain working capital liquidity to service the Group's and Company's financing arrangements which may result in the need for additional funding.

These material uncertainties may cast significant doubt upon the Group's and Company's ability to continue as a going concern. Notwithstanding these material uncertainties, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in existence for a period of at least 12 months form the date of approval of the financial statements and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

2. BASIS OF PREPARATION (Continued)

Significant Accounting Policies

Foreign currency translation

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

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

Mineral properties

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

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

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

Intangible assets

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

Property, plant and equipment

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

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

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

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

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

BASIS OF PREPARATION (Continued)

Exploration and development assets

Mineral exploration and evaluation costs, including geophysical, topographical, geological and similar types of costs, are capitalized into exploration assets if management concludes that future economic benefits are likely to be realized based on current internal assessment of exploration results and identified mineral resources.

In accordance with IFRS 6 Exploration for and evaluation of mineral resources, the potential indicators of impairment include: management's plans to discontinue the exploration activities, lack of further substantial exploration expenditure planned, expiry of exploration licenses in the period or in the nearest future, or existence of other data indicating the expenditure capitalized is not recoverable. At the end of each reporting period, management assesses whether such indicators exist for the exploration and evaluation assets capitalized.

Exploration and evaluation expenditures are transferred to development assets when commercially-viable resources are identified, respective mining plan and model are prepared and approved. At the time of reclassification exploration and evaluation assets are assessed for impairment based on the economic models prepared.

The costs to remove any overburden and other waste materials to initially expose the ore body, referred to as stripping costs, are capitalized as a part of development assets when these costs are incurred.

Impairment of non-financial assets

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

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

Provision for decommissioning and restoration liability

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

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

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

2. BASIS OF PREPARATION (Continued)

Significant Accounting Policies (Continued)

Financial instruments

Financial assets:

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

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

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

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

Financial liabilities:

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

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

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

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

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

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

Cash and cash equivalents

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

2. BASIS OF PREPARATION (Continued)

Significant Accounting Policies (Continued)

Revenue recognition

Timing of recognition is governed by IFRS 15. Entity recognizes revenues when a performance obligation is satisfied, which is when “control” of the goods has transferred to the customer. Control of goods is transferred at the point of time, when silver is passed to the buyer at the refinery site. Payments terms allows 80% prepayment in advance and the remaining payment based on the final Price, dependent on silver weight per Act of Acceptance and London price on London Market of metals, adjusted for the prepaid amount under provisional price.

Current and deferred income Taxes

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

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

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

Earnings per share

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

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

Share-based payments

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

Borrowing costs

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

Prepaid expenses

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

2. BASIS OF PREPARATION (Continued)

Significant Accounting Policies (Continued)

Inventories

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

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

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

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

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

Inventories related to construction supplies accounted as other non-current assets.

Inventory measured at lower of cost and net realisable value.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

Leases of low value assets; and leases with a duration of 12 months or less.

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

On initial recognition, the carrying value of the lease liability also includes amounts expected to be payable under any residual value guarantee, the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option, any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Lease liabilities accounted under a separate line in financial statement.

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

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

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

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

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

2. BASIS OF PREPARATION (Continued)

Accounting estimates and management judgments

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

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

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

Critical judgements in applying accounting policies:

- Determination of functional currency

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

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

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

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

- Modification gain on shareholder contribution (prior year)

  On 26 May 2020, the Group's major shareholders Aterra and Inflection agreed to further reduce the interest rate applicable to all funds drawn under the Facilities Agreement, as amended, from 9% to 7% per annum and capitalize accrued interest to the principals of loans effectively from 1 April 2020. As this reduction of interest rate was reflective of market conditions having been benchmarked against Russian bank lending rates offered to the Group it has been recognized through finance income.

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

  There was no amendments to loans in 2021.

  On 20 January 2022, the Group announced an amendment to its existing loan agreement between the Company's wholly-owned subsidiary, Joint Stock Company Prognoz, and SKA Assets with respect to a loan in the principal amount of 750,000,000 rubles (equivalent to approximately C$12,000,000) by extending the maturity date of the loan from 31 December 2021 to 31 December 2022 and increasing the interest rate of the loan from 8.27% per annum to 10.27% per annum effective from 01 January 2022 ("**SKA Loan Amendment**"). All other provisions of the Loan Agreement have remain unchanged. The Company filed a material change report in respect to the SKA Loan Agreement on 20 January 2022. (Note 13). As this change was effective in 2022 there is no impact of this modification in the 2021 financial statements.

2. BASIS OF PREPARATION (Continued)

Significant Accounting Policies (Continued)

Key sources of estimation uncertainty:

- Mineral resource estimate

  Mineral resource estimates are estimates of the amount of silver that can be economically and legally extracted from the Group's mining properties. Such resource estimates and their changes may impact the Group's reported financial position and results in the following ways:
  (a) The carrying value of exploration and evaluation assets, mining properties and property, plant and equipment may be affected due to changes in estimated future cash flows.
  (b) Depreciation and amortisation charges in the statement comprehensive income may change where such charges are determined using the unit of production method.
  (c) Provisions for rehabilitation and environmental provisions may change where resource estimate changes affect expectations about when such activities will occur and the associated cost of these activities.

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

  The Group reviews its mineral resource estimates on regular basis and as at 1 April 2020 the Group obtained a mineral resource (not reserve) estimate from a third party, Wardell Armstrong. Wardell Armstrong has issued their report on 10 November 2021 the delay in issuing report due to COVID-19 travel restrictions. This report has superseded the Companies previous estimate of recoverable reserves and resources that was prepared in 2017.

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

- Impairment of mineral properties and property, plant and equipment

  The carrying value of mineral properties and property, plant and equipment is $10,247,095 and $78,949,060, respectively, as disclosed in Note 9 and Note 10. While assessing whether any indications of impairment exist for mineral properties, consideration is given to both external and internal sources of information. Information that management considers includes, changes in the market, and changes in the economic and legal environment in which the Group operates that are not within its control that could affect the recoverable amount of mineral properties. Internal sources of information include the manner in which mineral properties are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Group's mineral properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, reductions in the amount of recoverable mineral reserves and mineral resources, and/or adverse current economics can result in a write-down of the carrying amounts of the Group's mineral properties.

  On 22 June 2020, the Group announced that it has received a draft report from Wardell Armstrong (Moscow) that provides a review of the Company's current mineral resources, as well as draft revised mine and processing plans, for its Vertikalny and Mangazeisky North deposits. The Group had previously disclosed that it had engaged Wardell Armstrong (Moscow) to conduct this review of the mineral resources as well as reassessing mine and processing plans for these deposits. Wardell Armstrong (Moscow) have issued their final report on 10 November 2021.Following additional exploration activities, this included a material change in the mineral resource estimates of both Vertikalny and Mangazeisky North deposits.

  In accordance with IAS 36, the impairment review was undertaken.

2. BASIS OF PREPARATION (Continued)

Significant Accounting Policies (Continued)

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

  Key Assumption used in the impairment test:

- The economic life of the Vertikalny and Mangazeisky North deposits is currently expected to be around 2028 as per management's expectation as of 31 December 2021. While the Mangazeisky North deposit licence expires in 2023, the directors have a high degree of confidence that it will be extended given the renewal process is routine.
- For the following seven years Silver price is US$24.7/ounce as per management's expectation as of 31 December 2021.
- For the following seven years RUB/USD foreign exchange rate 75 as per management's expectation as of 31 December 2021.
- For the following seven years Annual inflation of costs expressed in USD is 2% as per management's expectation as of 31 December 2021.
- For the following seven years Annual inflation of costs expressed in RUB is 4% as per management's expectation as of 31 December 2021.
- Post tax nominal discount rate of 10.8% (pre-tax of 13.5%). This was based on a Capital Asset Pricing Model analysis.
- The situation in Ukraine is considered to be a non- adjusting post balance sheet event.

Based on the key assumptions set out above:

The recoverable amount of Vertikalny and Mangazeisky North deposits ($93.26 mln) exceeds its carrying value of the mining assets less asset retirement obligation of ($88.91 mln) by $4.35 mln and therefore assets were not impaired.

Sensitivity analysis:

		In millions of CAD
Impact if metal prices	Increased by 20%	71
	Decreased by 20%	(74)
Impact if RUB/USD exchange rate	Increased by 20%	32
	Decreased by 20%	(50)
Impact if future capex	Increased by 20%	(9)
	Decreased by 20%	9
Impact if post-tax discount rate:	Increased by 20%	(6)
	Decreased by 20%	7

2. BASIS OF PREPARATION (Continued)

Significant Accounting Policies (Continued)

- Depreciation rates

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

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

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

  On 1 April 2020, the change in accounting estimate occurred, resources were 810 thousand tonnes and depletion for the period 1 April 2020 - 31 December 2020 was 79 thousand tonnes.

  On 1 January 2021 the change in accounting estimate occurred, management reassess estimation of existing resources based on available data and resources used for “life of mine model” were 1,504,232 tonnes. This estimation includes “inferred” resources, that was not included into Wardell Armstrong mineral resource report. Depletion for the period was 90 tonnes.

  The effect of changing in estimate is decreasing depreciation charge for the year from $17,110,528 to $10,330,423. The effect in future periods is not disclosed because estimating it is impracticable.

- Rehabilitation provisions and asset retirement obligations

  The carrying value of the asset retirement obligation is $3,609,228 as disclosed in Note 14. Exploration and development activities carried out by the Group give rise to obligations for environmental rehabilitation. Significant uncertainty exists as to the amount and timing of associated cash flows and regulatory requirements. A Russian Central Bank borrowing rate for a 7-year zero coupon year bond is used in discounting future cash flows as a pre-tax discount rate.

  The expected life of the mine is used as the discounting period. If the estimated discount rate used in the calculation had been higher for 20% than the management estimate, the carrying amount of the provision would have been lower for $346,813 and the interest expense higher for $23,450.

- Ore stocks

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

2. BASIS OF PREPARATION (Continued)

New standards adopted by the Group

There were no new accounting standards that became applicable for annual reporting periods commencing on or after 1 January 2021.There is no material impact on the Group, related to the Interest Rate Benchmark Reform (amendments to IFRS 9Financial Instruments) and impact of the initial application of COVID-19-Rent Concessions beyond 30 June 2021 (amendment to IFRS 16 Leases), as these amendments are not applicable to the Group.

New accounting standards issued but not yet effective

The following amendments to the accounting standards were in issue but not yet effective as of date of authorization of these consolidated financial statements:

• IFRS 9 Financial Instruments Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 percent' test for derecognition of financial liabilities), effective for annual periods beginning on or after 1 January 2022;

• Amendments to IAS 1Presentation of Financial Statements regarding the classification of liabilities as current and non-current, effective for annual periods beginning on or after 1 January 2023;

• Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding the costs to include when assessing whether a contract is onerous, effective for annual periods beginning on or after 1 January 2022;

• IFRS 17 Insurance Contracts, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;

• Amendments to IAS 1 and IFRS Practice Statement 2 requiring that an entity discloses its material accounting policies, instead of its significant accounting policies, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;

• Amendments to IAS 8 replacing the definition of a change in accounting estimates with a definition of accounting estimates, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;

• Amendments to IAS 12 clarifying that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, effective for annual period beginning on or after 1 January 2023 with earlier application permitted; and

• Amendments to IFRS 10 Consolidated Financial Statements and IAS 28Investments in Associates and Joint Ventures regarding the sale or contribution of assets between an investor and its associate or joint venture, the effective date of the amendments has yet to be set. However, earlier application of the amendments is permitted.

The Group has determined these standards and interpretations are unlikely to have a material impact on its consolidated financial statements or are not applicable to the Group.

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3. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS

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

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

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

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

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

FINANCIAL RISK FACTORS

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

Market risk

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

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

Credit risk

The Group has no significant concentration of credit risk arising from operations. Cash equivalents consist of interest earning bank accounts held in banks in the Russia and Canada which in the presentational currency total $1,853,168 (2020: $1,275,402) and $26,279(2020: $26,763), respectively. The Group's Canadian chartered banks have a credit rating of at least A2 (Moody's). At 31 December 2021 the Group's Russian banks have a credit rating of at least ba1 (Moody's) same as in comparative period.

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

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

	Group		**Company**	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Receivables from customers	1,244,898	1,350,634	284,528	386,756
Cash and cash equivalents	1,879,447	1,302,165	28,503	81,897
	3,124,345	**2,652,799**	**313,031**	**468,653**

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

3. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS (Continued)

Liquidity risk

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

	31 December 2021	31 December 2020
Total current assets	26,507,394	25,276,471
Total current liabilities	34,373,270	8,455,810

As at 31 December 2021 the Group had total current assets of $26,507,394 (31 December 2020 – $25,276,471) to settle total current liabilities of $34,373,270 (31 December 2020 – $8,455,810), as well as its commitments outlined in Note 21. Total liabilities of $207,899,418 include long-term loans totalling $170,705,444 , fair value gain on modification of loans of $3,066,250 and accrued interest of $15,169,075 on long-term shareholders loans.

As at 31 December 2021, the Group had cash balances of $1,879,447 (31 December 2020 – $1,302,165)

The Group had total lease obligations of $5,209,181 at 31 December 2021 (31 December 2020 – $2,926,166) under a combination of three and five-year leases for equipment in relation to the development of Mangazeisky, as outlined in Note 12.

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

31 December 2021	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	12 to 36 months	36 to 72 months
Current liabilities						
Accounts payable & accrued liabilities	3,515,620	3,515,620	3,515,620	-	-	-
Short-term loans principal	12,667,507	12,667,507		12,667,507		
Short-term loans interest	15,258,049	28,022,810	21,385,452	6,637,358		
Lease liabilities	2,931,455	3,426,188	1,791,088	1,635,100	-	-
Non-current liabilities						
Long-term loans principal	167,639,194	170,705,444	-	-	170,705,444	
Long-term loans interest	-	2,568,159			2,568,159	-
Lease liabilities	2,277,726	2,439,383		-	2,439,383	-
	204,289,551	**223,642,939**	**26,839,850**	**21,090,103**	**175,712,986**	-

The Group has agreed with major shareholder to extend the long term debt of $167,639,194 with its major shareholders, Inflection and Aterra, that currently matures in 2023, to 2028, however for this to be executed it requires approval from TSX. While Management are confident of obtaining this approval, at the date of signing these financial statements this approval had not been obtained.

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

3. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS (Continued)

Interest rate risk

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

Foreign currency risk

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

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

	31 December 2021				31 December 2020			
	GBP	**USD**	**CAD**	**EUR**	**GBP**	**USD**	**CAD**	**EUR**
Current assets:								
Cash and cash equivalents	2	4,759	21,941	-	49	7,792	22,282	-
Receivables	-	-	-	-	-	-	-	-
Total current assets	2	4,759	21,941	-	49	7,792	22,282	-
Current liabilities:								
Accounts payable and accrued liabilities	273,679	109,890	58,304	134,284	215,442	739,781	60,346	13,451
Lease liabilities	-	808,753	-	-	-	778,864		-
Total current liabilities	273,679	918,643	58,304	134,284	215,442	1,518,645	60,346	13,451
Non-current liabilities:								
Long-term loans	-	182,808,269	-	-	-	168,147,966	-	-
Lease liabilities	-	113,764		-	-	943,451		-
Total non-current liabilities	-	182,922,033	-	-	-	169,091,417	-	-

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

	31 December 2021	**31 December 2020**
	Impact on profit or loss	**Impact on profit or loss**
US Dollar strengthening by 20% (2020: strengthening by 20%)	(37,437,427)	(38,059,125)
US Dollar weakening by 20% (2020: weakening by 20%)	37,437,427	38,059,125
CAD strengthening by 20% (2020: strengthening by 20%)	(1,127)	(1,321)
CAD weakening by 20% (2020: weakening by 20%)	1,127	1,321
GBP strengthening by 20% (2020: strengthening by 20%)	(55,103)	(49,738)
GBP weakening by 20% (2020: weakening by 20%)	55,103	49,738
EUR strengthening by 20% (2020: strengthening by 20%)	(27,041)	(2,906)
EUR weakening by 20% (2020: weakening by 20%)	27,041	2,906

4. RECEIVABLES

	31 December 2021	31 December 2020
Russian Value Added Tax	1,531,695	1,411,585
Deferred Russian Value Added Tax	893,445	288,173
Receivables from customers	1,244,898	1,350,634
	3,670,038	**3,050,392**

Deferred Russian Value Added Tax relates to the VAT paid on acquisition of materials and services and the costs incurred on the construction of both building and technological equipment. This VAT can be claimed once the assets the VAT relates to are ready for use. The VAT recognized here is on assets that are expected to be available for use in the first quarter of 2022 therefore the asset has been recognized as current.

The amount of VAT recovered in cash during the period was RUB 383,631,294 (CAD: $6,523,074). All VAT is expected to be received.

Receivables from customer mainly consist of receivables from fuel sales. Sales of fuel was accounted on net basis in other income, which comprise of the selling price less cost of fuel.

5. INVENTORIES

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

	31 December 2021	31 December 2020
Fuel and lubricants	3,247,752	3,515,118
Parts and supplies	7,724,864	3,800,097
Reagents	3,086,556	3,037,333
Silver for sale	236,898	174,086
Ore stockpile	559,810	1,719,479
Silver in circuit	3,617,748	5,888,160
	18,473,628	**18,134,273**

The total cost of inventory recognized in cost of sales is $46,942,951 (2020: $49,635,020). Impairment was $nil (2020: $347,057).

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6. PREPAID EXPENSES AND NON-CURRENT ASSETS

Prepaid expenses consist of the following:

	31 December 2021	31 December 2020
Prepayments to suppliers	2,445,757	2,639,357
Taxes	38,524	150,284
	2,484,281	**2,789,641**

Prepaid non-current assets consist of the following:	31 December 2021	31 December 2020
Prepayments for property, plant and equipment	881,469	2,871,150
	881,469	**2,871,150**

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

7. OTHER NON-CURRENT ASSETS

	31 December 2021	31 December 2020
Construction supplies	4,040,580	2,152,680
Non-current inventory	-	813,085
	4,040,580	**2,965,765**

During period there was a write-off of non-current inventory in amount of $909,898 (2020 $nil), this write-off related to electrolysis section that will be not used in existing technological scheme of processing plant.

8. INTANGIBLE ASSETS

Software	31 December 2021	31 December 2020
Balance at the beginning of the year	**299,528**	**281,073**
Additions	1,854	115,933
Amortization	(116,681)	(47,572)
Translation adjustment	(4,118)	(49,906)
Balance at the end of the period	**180,583**	**299,528**

9. MINERAL PROPERTY

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

Mineral property consists of the following:			31 December 2021	31 December 2020
Mangazeisky	**Licenses and Development costs**	**Asset Retirement Obligation**	**2021 Total**	**2020 Total**
Balance at the beginning of the year	**8,869,213**	**3,054,391**	**11,923,604**	**13,896,077**
Depreciation	(518,975)	(504,422)	(1,023,397)	(1,788,892)
Change in estimate	-	(617,167)	(617,167)	514,682
Translation adjustment	(6,984)	(28,961)	(35,945)	(698,263)
Balance at the end of the year	**8,343,254**	**1,903,841**	**10,247,095**	**11,923,604**

Mineral property is made up of the following classes of assets; licenses $570,808 (2019: $584,553, asset retirement obligation $1,903,841 (2020: $3,054,391) and development costs of $7,772,446 (2020: $8,284,660).

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

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

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

10. PROPERTY, PLANT AND EQUIPMENT

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

	Right of the use assets	Mining Assets	Assets under construction	Total
Carrying amount at 31 December 2019	**2,075,691**	**85,032,998**	**9,981,372**	**97,090,061**
Additions	5,523,849	-	4,578,092	10,101,941
Transfers	-	9,850,731	(9,850,731)	-
Disposal at cost	-	-	(52,814)	(52,814)
Depreciation	(2,915,927)	(14,709,308)	-	(17,625,235)
Depreciation eliminated on disposal	-	-	-	-
Translation adjustment	(1,026,366)	(12,399,635)	(1,991,416)	(15,417,417)
Carrying amount at 31 December 2020	**3,657,247**	**67,774,786**	**2,664,503**	**74,096,536**
Additions	6,780,319	744,170	8,534,687	16,059,176
Transfers	-	3,898,241	(3,898,241)	-
Disposal at cost	-	(716,611)	(427,428)	(1,144,039)
Depreciation	(4,597,124)	(4,869,781)	-	(9,466,905)
Depreciation eliminated on disposal	-	532,091	-	532,091
Translation adjustment	499,274	(1,597,119)	(29,954)	(1,127,799)
Carrying amount at 31 December 2021	**6,339,716**	**65,765,777**	**6,843,567**	**78,949,060**

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

The property, plant and equipment as of the period ended 31 December 2021 included $6,843,567 (31 December 2020: $2,664,503) of assets that are not yet ready for use. During the period ended 31 December 2021, $3,898,241 (2020: $8,178,857) of these assets became available for use, they were transferred into property, plant and equipment and depreciation was charged on them. Leased assets are pledged as security for the related lease obligations.

The Group acquires property, plant and equipment on prepayment terms. Cash paid to suppliers of property, plant and equipment and capitalized expenses paid by cash during the period was $10,083,381 (31 December 2020 - $7,504,308).

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

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

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

	Processing plant	Mining vehicles	Infrastructure and other	Total
Carrying amount at 31 December 2019	**769,618**	**894,724**	**411,349**	**2,075,691**
Additions	1,420,191	4,103,658	-	5,523,849
Depreciation	(678,505)	(1,913,050)	(324,372)	(2,915,927)
Translation adjustment	(311,779)	(666,838)	(47,749)	(1,026,366)
Carrying amount at 31 December 2020	**1,199,525**	**2,418,494**	**39,228**	**3,657,247**
Additions	-	5,627,833	1,152,486	6,780,319
Depreciation	(729,484)	(3,472,793)	(394,847)	(4,597,124)
Translation adjustment	77,277	378,917	43,080	499,274
Carrying amount at 31 December 2021	**547,318**	**4,952,451**	**839,947**	**6,339,716**

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	31 December 2021	31 December 2020
Trade and other payables	1,492,224	1,817,224
Accrued liabilities	1,151,434	1,060,010
Property tax liabilities	373,436	397,214
Other taxes and other liabilities	498,526	407,712
Amounts owed to group undertakings	-	-
	3,515,620	**3,682,160**

12. LEASES

The Group have long and short-term lease agreements for the purchase of equipment in relation to the development of the Mangazeisky project payable in monthly instalments of circa US$ 259,000. The lease payments have been discounted at rates of between 11.02% and 20.00%. The Group made down payments of 20% of the cost of the equipment.

During 2021 group has entered into new lease agreements for total amount of $5,582,944, these new agreements related to purchases of mining vehicles.

Interest expenses on lease liabilities were $832,243, total cash outflow for leases was $4,067,357.

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

	31 December 2021	31 December 2020
Within one year	3,426,188	1,973,324
Within two to five years	2,439,383	1,321,378
Over 5 years	-	-
	5,865,571	**3,294,702**
Future finance charges on finance leases	(656,390)	(368,536)
Present value of the net lease payments	**5,209,181**	**2,926,166**
Current portion	2,931,455	1,688,373
Long-term portion	2,277,726	1,237,793
Total obligations under leases	**5,209,181**	**2,926,166**

13. LONG-TERM AND SHORT-TERM LOANS

			31 December 2021			31 December 2020
Lender	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
Long-term shareholder loans:						
Unifirm Ltd (formerly A.B. Aterra Resources Ltd)	34,311,410	-	34,311,410	34,664,242	-	34,664,242
Inflection Management Corp.	136,394,034	-	136,394,034	137,796,607	-	137,796,607
Fair value gain on modification of loans	(3,066,250)	-	(3,066,250)	(7,398,016)	-	(7,398,016)
Total long-term shareholders loans	**167,639,194**	**-**	**167,639,194**	**165,062,833**	**-**	**165,062,833**
Short-term shareholder loans:						
Unifirm Ltd (formerly A.B. Aterra Resources Ltd)		3,048,950	3,048,950		620,105	620,105
Inflection Management Corp.		12,120,125	12,120,125		2,465,028	2,465,028
SKA Assets Management	12,667,507	88,974	12,756,481			-
Total short-term shareholders loans	**12,667,507**	**15,258,049**	**27,925,556**	**-**	**3,085,133**	**3,085,133**
Total shareholders loans	**180,306,701**	**15,258,049**	**195,564,750**	**165,062,833**	**3,085,133**	**168,147,966**

Movement in long-term loans and short-term interest is analyzed as follows in USD:

	Unifirm (formerly Aterra)		**Inflection**		**Gain on modification of loans**	**Total**
	Principal	***Interest***	***Principal***	***Interest***		
	USD	***USD***	***USD***	***USD***	***USD***	***USD***
As at 31 December 2019 (USD)	**19,601,242**	**7,296,898**	**79,695,628**	**25,164,392**	**(2,805,832)**	**128,952,328**
As at 31 December 2019 (CAD)	**25,360,652**	**9,440,938**	**103,112,504**	**32,558,417**	**(3,630,267)**	**166,842,244**
Principal amounts received	-	-	2,000,000	-	-	2,000,000
Interest accrued	-	1,908,076	-	7,649,878	2,992,392	12,550,346
Principal and interest repayment	-	(972,993)	-	(3,867,823)	-	(4,840,816)
Capitalization of interest	7,742,827	(7,742,827)	27,001,968	(27,001,968)	-	-
Gain on modification of loans recognized through finance income	-	-	-	-	(5,847,969)	(5,847,969)
As at 31 December 2020 (USD)	**27,344,069**	**489,155**	**108,697,596**	**1,944,479**	**(5,661,408)**	**132,813,890**
As at 31 December 2020 (CAD)	**34,664,242**	**620,105**	**137,796,607**	**2,465,028**	**(7,398,016)**	**168,147,966**
Principal amounts received	-	-	-	-	-	-
Interest accrued	-	1,940,669	-	7,714,510	3,217,797	12,872,976
Principal and interest repayment	-	-	-	-	-	-
As at 31 December 2021 (USD)	**27,344,069**	**2,429,824**	**108,697,596**	**9,658,989**	**(2,443,611)**	**145,686,867**
As at 31 December 2021 (CAD)	**34,311,410**	**3,048,950**	**136,394,034**	**12,120,125**	**(3,066,250)**	**182,808,269**

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

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

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

	Unifirm (formerly Aterra)		Inflection		Gain on modification of loans	FV gain
	Principal	Interest	Principal	Interest		
	CAD$	CAD$	CAD$	CAD$	CAD$	CAD$
As at 31 December 2019	**25,360,652**	**9,440,937**	**103,112,504**	**32,558,418**	**(3,630,267)**	**166,842,244**
Principal amounts received	-	-	2,351,454	-	-	**2,351,454**
Interest accrued	-	2,607,065	-	10,448,965	4,000,216	**17,056,246**
Principal and interest repayment	-	(1,380,091)	-	(5,475,330)	-	**(6,855,421)**
Capitalization of interest	11,151,990	(11,151,990)	38,890,925	(38,890,925)	-	**-**
Foreign exchange loss	4,198,677	2,461,964	17,852,811	8,536,927	-	**33,050,379**
Gain on modification of loans recognized through finance income	-	-	-	-	(8,050,595)	**(8,050,595)**
Translation adjustment	(6,047,077)	(1,357,780)	(24,411,087)	(4,713,027)	282,630	**(36,246,341)**
As at 31 December 2020	**34,664,242**	**620,105**	**137,796,607**	**2,465,028**	**(7,398,016)**	**168,147,966**
Principal amounts received	-	-	-	-	-	**-**
Interest accrued	-	2,437,601	-	9,689,904	4,029,896	**16,157,401**
Principal and interest repayment	-	-	-	-	-	**-**
Foreign exchange loss	248,950	22,329	989,622	88,763	-	**1,349,664**
Translation adjustment	(601,782)	(31,085)	(2,392,195)	(123,570)	301,870	**(2,846,762)**
As at 31 December 2021	**34,311,410**	**3,048,950**	**136,394,034**	**12,120,125**	**(3,066,250)**	**182,808,269**

On 1 January 2019, the Group's major shareholders Aterra and Inflection agreed to further reduce the interest rate applicable to all funds drawn under the Facilities Agreement, as amended, from 10% to 9% per annum. The accrued interest accrued quarterly, and is payable on 1 January, 1 April, 1 July and 1 October in each calendar year starting from 31 December 2019 and on the maturity date, being 20 March 2023. The modification of the loan interest from 10% to 9% in 2019 was considered to be non-substantive and resulted recognition of shareholders contribution reserve of $3,574,206.

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

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

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

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

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

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

	SKA Assets Management		
	Principal	***Interest***	**Total**
As at 31 December 2020	**-**	**-**	**-**
Principal amounts received	12,752,624	-	12,752,624
Interest accrued	-	788,814	788,814
Principal and interest repayment	-	(699,242)	(699,242)
Translation adjustment	(85,117)	(598)	(85,715)
As at 31 December 2021	**12,667,507**	**88,974**	**12,756,481**

On 4 February 2021, the Group entered into a loan agreement with SKA ASSETS MANAGEMENT LIMITED, a company under common control with Inflection, in the amount of RUB 750,000,000 (equivalent to approximately C$12,000,000) with an interest rate of 8.27% per annum, accruing interest on a monthly basis. The Principal will be due and payable on 31 December 2021.

On 19 January 2022, the Group entered into an amendment of agreement with SKA ASSETS MANAGEMENT LIMITED, a company under common control with Inflection extending the maturity date to 31 December 2022, with an interest rate of 10.27% per annum effectively from 1 January 2022.

14. PROVISION FOR DECOMMISSIONING AND RESTORATION LIABILITY

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

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

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

Asset retirement obligation consists of the following:

	31 December 2021	**31 December 2020**
Balance at the beginning of the year	**4,040,784**	**4,034,245**
Accretion expense	235,090	230,207
Impact of change to underlying cost estimate	-	-
Impact of rates adjustment	(617,167)	514,682
Translation adjustment	(49,479)	(738,350)
Balance at the end of the year	**3,609,228**	**4,040,784**

At 31 December 2021, the expected life of the Mangazeisky project has been assessed to be 7 years. The projected cost for reclamation and closure of the Mangazeisky project in 2026 has been estimated to be $4.4m. A Russian Government 7-year zero coupon year bond of 8.45% (2020 5.87%) has been used in discounting of future cash flows

15. SHAREHOLDERS' EQUITY

Common shares

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

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

Common shares		31 December 2021		31 December 2020
	Number of common shares	$	Number of common shares	$
Balance - Beginning of the year	**673,690,423**	**99,561,998**	**672,140,902**	**99,559,336**
Issued under stock option plan	64,017	112	-	-
Issued under share subscription plan	3,991,642	6,862	1,304,521	2,234
Issued under share bonus plan	-	-	245,000	428
Shares issued during the period	-	-	-	-
Balance - End of the year	**677,746,082**	**99,568,972**	**673,690,423**	**99,561,998**

Share premium

	31 December 2021	31 December 2020
Balance - Beginning of the year	**22,570,500**	**22,410,054**
Shares issued under share subscription plan	524,736	160,446
Shares issued under stock option plan	11,411	-
Balance - End of the year	**23,106,647**	**22,570,500**

Share premium comprises the amount subscribed for share capital in excess of nominal value.

Share Subscription Plan

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

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

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

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

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

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

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

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

15. SHAREHOLDER'S EQUITY (Continued)

Share Subscription Plan(Continued)

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

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

On 12 February 2021, the Group issued 64,017 common shares under exercising of stock option for the nominal fee of £0.001.

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

On 26 April 2021, the Group issued 78,750 common shares under the non-executive director subscription plan for the nominal fee of £0.001.

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

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

On 21 December 2021, the Group issued 544,652 common shares under the non-executive director subscription plan for the nominal fee of £0.001.

Stock options

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

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

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

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

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

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

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

15. SHAREHOLDERS' EQUITY (Continued)

Stock options (Continued)

During the period ended 31 December 2021, options generated a share-based payments expense of $86,403 (31 December 2020: $114,896). The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability and exercise restrictions (including the probability of meeting market conditions attached to the option). Expected volatility is based on the historical share price volatility over the past 4 years. The expected life of the option was calculated based on the history of option exercises.

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

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

As at 31 December 2021, the Group had share options outstanding and exercisable as follows:

	Outstanding		Exercisable	
Expiry year	Number	Weighted average exercise price, $	Number	Weighted average exercise price, $
2022	18,000,000	0.24	18,000,000	0.24
2023	4,100,000	0.26	4,100,000	0.26
2024	333,333	0.27	166,667	0.25
	22,433,333	**0.25**	**22,266,667**	**0.24**

The weighted average remaining contractual life of share options outstanding at the end of the period was 442 days (2020: 782 days).

Contributed surplus consists of the following:

	31 December 2021	31 December 2020
Balance - Beginning of the year	**16,960,163**	**16,975,267**
Share-based payments	86,403	114,896
Exercised options	(12,340)	-
Expired / Cancelled / Forfeited options	(268,287)	(130,000)
Balance - End of the year	**16,765,939**	**16,960,163**

15. SHAREHOLDERS' EQUITY (Continued)

Earnings per share

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

	31 December 2021	31 December 2020
Net Loss	(27,478,538)	(47,011,626)
Weighted average number of shares used in basic EPS	676,065,239	672,872,643
Basic loss per share	(0.04)	(0.07)
Exercisable stock options	22,266,667	22,917,667
Weighted average number of shares used in diluted EPS	698,331,906	695,790,310
Diluted loss per share	(0.04)	(0.07)

Diluted earnings per share equates to earning per share due to loss resulting in an anti-dilutive impact.

16. RELATED PARTY DISCLOSURES

(a) Financing transactions

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

(b) Purchases from related parties

During the period ended 31 December 2021 the Group has acquired construction materials from TechnoNicol, the company under common control, with Inflection in amount of $281,441 (2020: $9,469), prepayment balance as at 31 December 2021 was $7,218 (2020: prepayment $454)

(c) Compensation of key management

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

	2021	2020
Salaries, fees and short-term employee benefits	520,501	538,116
Share-based payments	69,048	81,187
	589,649	**619,303**

(d) Interest in other entities

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

16. RELATED PARTY DISCLOSURES (Continued)

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

The prinicipal activites of the Group's subsidaries are as follows:
- Silver Bear Resources Inc. – holding company; and
- AO Prognoz - acquisition, exploration, evaluation and development of precious metal properties.

17. OTHER INCOME AND EXPENSES

OTHER INCOME

	2021	2020
Meals distribution	45,198	64,449
Winter road maintenance	-	123,197
Rent	89,271	212,510
Income from fuel sales	84,860	62,942
Other income	284,437	23,176
	503,766	**486,274**

OTHER EXPENSES

	2021	2020
Property tax	(1,599,840)	(1,794,249)
Penalties	(15,079)	-
Other expenses	(241,025)	(288,826)
	(1,855,944)	**(2,083,075)**

18. PRODUCTION COST, GENERAL AND ADMINISTRATIVE EXPENSES

Production cost:

	2021	2020
Employee compensation	(10,056,545)	(8,472,345)
Process reagents	(1,971,807)	(3,884,044)
Repair and maintenance	(4,421,972)	(3,315,320)
Fuel	(5,068,282)	(3,337,644)
Mining tax	(2,936,304)	(3,274,267)
Blasting	(3,246,325)	(2,627,575)
Energy	(1,117,786)	(1,339,515)
Refinery	(267,890)	(360,964)
Other	(4,097,698)	(4,092,750)
Change in finished goods and work in progress	(3,427,919)	513,728
	(36,612,528)	**(30,190,696)**

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

General and administrative expenses:

	2021	2020
Employee compensation	(2,311,378)	(2,301,506)
Professional fees	(297,874)	(240,947)
Auditors' remuneration – subsidiary audit	(53,419)	(51,456)
Auditors' remuneration – Group audit	(371,547)	(242,148)
Office expenses	(56,239)	(24,833)
Travel expenses	(15,560)	(17,593)
Legal fees	(180,945)	(306,094)
Investor relations expenses	(101,942)	(100,601)
Depreciation	(25,213)	(26,287)
Amortisation	(94,904)	(44,680)
Rent	(241,534)	(180,785)
IT and communications	(192,145)	(63,305)
Other expenses	(212,045)	(232,283)
	(4,154,745)	**(3,832,518)**

The average number of employees during the period was 433 (2020: 354).

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

	2021	2020
Salaries, fees and short-term employee benefits	(12,281,520)	(10,658,955)
Share-based payments	(86,403)	(114,896)
	(12,367,923)	**(10,773,851)**

19. FINANCE INCOME AND EXPENSE

Finance Expense

	2021	2020
Interest accrued from loans	(16,946,215)	(17,056,246)
Interest accrued from prepayments	(117,122)	(48,417)
Interest accrued from lease obligations	(800,522)	(538,697)
Accretion expenses	(235,090)	(230,207)
	(18,098,949)	**(17,873,567)**

Finance Income

	2021	2020
Non-substantive modification gain	-	8,050,595
Interest from deposits	24,129	18,440
	24,129	**8,069,035**

20. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	2021	2020
Receivables	(685,796)	(105,316)
Advances received	(110,235)	(48,262)
Inventories	(385,651)	(2,504,658)
Prepaid expenses	225,116	(405,252)
Accounts payable and accrued liabilities	(52,541)	(828,381)
	(1,009,107)	**(3,891,869)**

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

21. CAPITAL COMMITMENTS AND CONTINGENCIES

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

The Group may be involved in legal proceedings from time to time, arising in the ordinary course of its business. The amount of ultimate liability with respect to these actions will not, in the opinion of management, materially affect the Group's financial position, results of operations or cash flows. There were no material outstanding legal proceedings as of 31 December 2021.

22. SEGMENTED INFORMATION

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

As at 31 December 2021

Country/Property	Cash	Inventories	Prepaid	Receivables	Mineral Properties	Property plant and equipment	Depreciation	Interest expense	Loss before tax
Russia - Mangazeisky	1,824,665	18,473,628	3,224,500	3,670,038	10,247,095	78,949,060	(10,237,558)	(18,098,949)	(27,219,124)
Corporate	54,782	-	141,250	-	-	-	-	-	(241,660)
	1,879,447	**18,473,628**	**3,365,750**	**3,670,038**	**10,247,095**	**78,949,060**	**(10,237,558)**	**(18,098,949)**	**(27,460,784)**

As at 31 December 2020

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

23. FINANCIAL INSTRUMENTS

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

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

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

31 December 2021	**Cash and receivables**	**Loans and other liabilities**	**TOTAL**
Cash and cash equivalents	1,879,447	-	**1,879,447**
Accounts receivable	1,244,898	-	**1,244,898**
Short-term loans	-	(27,925,556)	**(27,925,556)**
Long-term loans	-	(167,639,194)	**(167,639,194)**
Advances received	-	(639)	**(639)**
Accounts payables and accrued liabilities	-	(2,643,658)	**(2,643,658)**
Lease liabilities	-	(5,209,181)	**(5,209,181)**
	3,124,345	**(203,418,228)**	**(200,293,883)**

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

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

24. NET DEBT RECONCILIATION

	Long and short-term loans	Long and short-term lease obligation	Subtotal	Cash and cash equivalents	Total
Net Debt as 31 December 2019	**(166,842,243)**	**(888,300)**	**(167,730,543)**	**5,444,288**	**(162,286,255)**
Cash flow	4,503,967	3,606,534	**8,110,501**	(3,346,787)	**4,763,714**
Non-cash changes:					
New leases	-	(4,507,822)	**(4,507,822)**	-	**(4,507,822)**
Accrual of interest	(17,056,246)	(538,697)	**(17,594,943)**	-	**(17,594,943)**
Modification gain	8,050,595	-	**8,050,595**	-	**8,050,595**
FX differences	(33,050,379)	(433,932)	**(33,484,311)**	63,266	**(33,421,045)**
Translation differences	36,246,340	(163,949)	**36,082,391**	(858,602)	**35,223,789**
Net Debt as 31 December 2020	**(168,147,966)**	**(2,926,166)**	**(171,074,132)**	**1,302,165**	**(169,771,967)**
Cash flow	(12,053,382)	4,067,357	**(7,986,025)**	261,380	**(7,724,646)**
Non-cash changes:					
New leases	-	(5,582,944)	**(5,582,944)**	-	**(5,582,944)**
Accrual of interest	(16,946,215)	(832,243)	**(17,778,458)**	-	**(17,778,458)**
Modification gain	-	-	**-**	-	**-**
FX differences	(1,349,664)	13,891	**(1,335,773)**	1,227	**(1,334,546)**
Translation differences	2,932,477	50,924	**2,983,401**	314,675	**3,298,077**
Net Debt as 31 December 2021	**(195,564,750)**	**(5,209,181)**	**(200,773,931)**	**1,879,447**	**(198,894,484)**

25. INCOME TAXES

	2021	**2020**
Current tax expense	(17,754)	(10,782)
Total tax expense	**(17,754)**	**(10,782)**

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

	2021	**2020**
Profit/(Loss) before taxation	(27,460,784)	(47,000,844)
Statutory tax rate	20.00%	20.00%
Tax benefit of statutory rate	5,492,157	9,400,169
Expenses not deductible for income tax purposes	(2,219,852)	(2,466,633)
Recognition of previously written off deferred tax asset	-	-
Deferred taxes not recognized for the period	316,013	(516,856)
Tax losses carried forward not recognized	(3,606,072)	(6,427,462)
Total tax expense	**(17,754)**	**(10,782)**

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

In addition, ZAO Prognoz has approximately $37,516,663 (2020: $33,894,607) of non-capital losses for Russian income tax purposes. Silver Bear PLC has approximately $2,728,990 (2020: $2,192,837) in non-capital losses that can be carried forward indefinitely.

26. CONTROLLING AND ULTIMATE CONTROLLING PARTY

The controlling and ultimate controlling party is Kolesnikov Sergei Anatolievich.

27. SUBSEQUENT EVENTS

Loan Extension

On 20 January 2022, the Group announced an amendment to its existing loan agreement between the Company's wholly-owned subsidiary, Joint Stock Company Prognoz, and SKA Assets with respect to a loan in the principal amount of 750,000,000 rubles (equivalent to approximately C$12,000,000) by extending the maturity date of the loan from 31 December 2021 to 31 December 2022 and increasing the interest rate of the loan from 8.27% per annum to 10.27% per annum effective from 01 January 2022 ("**SKA Loan Amendment**"). All other provisions of the Loan Agreement have remain unchanged. The Company filed a material change report in respect to the SKA Loan Agreement on 20 January 2022.

Geopolitical situation

In the first half of 2022, due to the geopolitical situation between Russia and Ukraine multiple sanctions were declared against Russia by Western countries. There are no sanctions against the Group, however sanctions that were implemented against Russia meant some brands ceased their operations in Russia. Management has prepared a plan to respond to this risk such as diversifying revenue channels and considering the use of aftermarket spare parts for mining equipment that can no longer be sourced directly from suppliers. While the effect from the sanctions to date has had minimal impacts on the Group's operations, there is no certainty over the future impacts of sanctions imposed against Russia.

Also, in the first half of 2022 Russia implemented sanctions against Western countries. Since the Russian sanctions have been implemented, capital controls have been put in place that put restrictions on payments outside of Russia. Given the parent Company is reliant on cash from its Russian subsidiaries, this temporarily prevented the Parent Company fulfilling its obligation to creditors. Subsequently the Parent Company has received cash from its subsidiary through management service contracts which has enabled it to resume fulfilling its obligations to creditors. While the sanctions are in effect, the Group will be unable to pay dividends from Russia to UK and further to shareholders. There is no certainty over the future impact of sanctions imposed by Russia or Russian imposed capital controls.

Cease trade order

On 01 April 2022 the Company announced that it had been issued a cease trade order ("CTO") by the Ontario Securities Commission ("OSC") for not filing the following periodic disclosure documents (collectively "Annual Filings") by the filing deadline of 31 March 2022.