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

For the full year ended December 31, 2019

The following MD&A has been prepared as of April 2, 2020 and is related to the audited consolidated financial results of Silver Bear Resources Plc ("Silver Bear" or the "Company") and its wholly-owned subsidiaries, Silver Bear Resources Inc., Silver Bear Resources B.V. and ZAO Prognoz collectively referred to as the ("Group") for the full year ended December 31, 2019. The audited consolidated financial statements for the year ended December 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the audited consolidated financial statements and related notes for the full year ended December 31, 2019. Other pertinent information about the Group is available on SEDAR at www.sedar.com as well as on the Group's website at www.silverbearresources.com. For the purpose of preparing our MD&A, the Group considers the materiality of information. Information is considered material if in the opinion of management: (i) such information results in, or would reasonably be expected to result in, a significant effect in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances. All dollar amounts are stated in Canadian dollars unless otherwise indicated.

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

References to the first, second, third and fourth quarters of 2019 and 2018, or Q1, Q2, Q3 and Q4 of 2019 and 2018 mean, the quarters ending/ended March 31, June 30, September 30 and December 31, 2019 and 2018 respectively.

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

BUSINESS OVERVIEW

The strategy of the Group is to focus on exploration and development of precious metal deposits. The principal asset of the Group is its right to explore and develop the Mangazeisky property ("Mangazeisky"), located approximately 400 kilometres north of Yakutsk in the Republic of Sakha (Yakutia), in the Russian Federation. On June 22, 2018, the Group announced that it had achieved first silver production in April 2018 as a result of its commissioning activities. The Group has achieved commercial production as of July 1, 2019.

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

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

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

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

2019 HIGHLIGHTS

During the year ended December 31, 2019 the Group production statistics included:

- Mined a total of 118,240 tonnes of ore, processed 100,338 tonnes of ore at an average grade of 668 g/t of silver, producing a total of 1,596,987 ounces of silver;
- Sold a total of 1,550,101 ounces of silver totaling production revenue of US$25,392,537 and reported a total comprehensive loss of $4,292,674 and an accumulated deficit of $172,416,878.

In Q1 2019, the Group continued implementing cost reductions in its corporate structure and services, reagent consumption and fuel and energy costs at its Mangazeisky Silver Project, including;

- Securing an additional reduction in the Facilities Agreement interest rate from 10% to 9% per annum from its major shareholders in January 2019; and
- During the quarter, as part of the Group's cost saving measures Silver Bear has assumed the blasting and drilling work from current contractors.

In Q2 2019, the Group consistently worked to improve overall efficiency of its processing line:

- In May 2019, commissioning of the Merrill Crowe process was successfully completed, as a result, going forward the Group expects additional improvements in its silver recoveries; and
- On June 11, 2019, the Group announced the appointment of Mikhail Ilyin as Chief Financial Officer ("CFO").

In Q3 2019, the Group achieved another important milestone for the project when it announced full commercial production on July 1, 2019, in addition to:

- In September 2019, president and Chief Executive Officer ("CEO") of Silver Bear, Vadim Ilchuk officially opened the Group's Vertikalny Mine at the fifth annual Eastern Economic Forum in Far East Russia; and
- In Q3 2019, the Group engaged Wardell Armstrong (Moscow) to provide a review of the mineral resources as well as revised mine and processing plans of Vertikalny and Mangazeisky North deposits (the "Wardell Review"). The Group expects to receive final results of the Wardell Review in the near future. Though the exact amounts are not currently known, initial indications suggest that the current resources at both deposits may be materially overstated. Final results and any impact on the mine and processing plans will be disclosed once the final Wardell Review has been received and assessed.

In Q4 2019, the Group announced an amendment to its existing facilities agreement ("Facilities Agreement Amendment") namely:

- The Facilities Agreement Amendment with Inflection Management Corporation Limited ("Inflection"), a major shareholder of the Group, and Unifirm Limited ("Unifirm"), an affiliate of A.B. Aterra Resources Ltd. ("Aterra"), also a major shareholder of the Group, will include amongst other things a US$4 million increase (see full details below); and
- On December 24, 2019, the Group also announced that the funds from the Facilities Agreement Amendment will go towards the purchase of X-Ray Transmission ("XRT") processing equipment and flotation line construction, which are expected to further improve overall process plant efficiency and lower operational costs.

MANGAZEISKY SILVER PROJECT COMMERCIAL PRODUCTION

The Group achieved first pre-commercial silver production in April 1, 2018 through its commissioning activities at the Mangazeisky Silver Project as construction of the processing plant and associated infrastructure was completed. The Group achieved commercial production at the beginning of the third quarter of this year. During the remainder of the year, the Group continued to increase its productivity in mining and processing on a month over month basis. The table below details the production highlights for the years ended December 31, 2019 and 2018.

	Year ended December 31, 2019 (1)	Year ended December 31, 2018 (2)
Operating Data		
Ore Mined (tonnes)	118,240	80,831
Ore processed (tonnes)	100,338	51,147
Head grade (g/t Ag)	668	705
Recovery (%)	73.5%	54.6%
Silver ounces produced	1,569,097	594,921
Financial Data		
Silver ounces sold	1,550,101	433,095
Average realized price (US$/oz)	16.38	14.78
Production and pre-production revenues (US$)	25,392,537	6,399,813

(1) Pre-commercial production achieved in April 1, 2018;
(2) Full commercial production achieved on July 1, 2019.

Development & Operational Activities

During the year ended December 31, 2019, the Group mined 118,240 tonnes of ore (Q4 2019: 31,010 tonnes) from its Vertikalny open pit and milled 100,338 tonnes of ore (Q4 2019: 28,568 tonnes), producing 1,569,097 ounces of silver (Q4 2019: 494,249 ounces) contained in dry powder (before smelting losses and refinery adjustment). During the year ended December 31, 2019, the Group sold approximately 1,550,101 ounces of silver at a realized price of US$16.38 Ag/oz (Q4 2019: 522,527 ounces at US$17.31 silver price). For the year ended December 31, 2019, the Group sold 1,550,101 ounces of silver for a production revenue of US$25,392,537

Early in the fourth quarter, the Group's 2020 winter road procurement and transportation planning was well underway, including tender procedures for fuel stores. Prior to the opening of the winter road there were plus 13 cargo flights to the site with a total of approximately 12 tonnes of procurement delivered, mainly spare parts, building and electrical materials, filter-cloths, workwear delivered to site via the Group's new airstrip. In January 2020, approximately 2,402 tonnes of supplies were delivered to site via the winter road with the delivery of the new drill rig and excavator still in progress.

In December 2019, the Group it had increased its existing facilities agreement with two US$2 million additional tranches (Tranche H and Tranche I) the funds will be used to acquire XRT processing equipment and for flotation line construction. The Group expects adding the XRT processing technology to its existing processing line will improve overall process plant efficiency and lower operational costs, as well the flotation equipment will help with the processing of primary ore. The XRT processing equipment will be transported down the 2020 winter road. The Company expects to provide an update on the implementation of the XRT process during the first half of 2020.

As the date of this report there are no construction contractors and approximately 173 Prognoz employees at site. There are also 27 contractors, namely catering and process consultants. As of December 31, 2019, there was no lost time recorded accident at site.

During the third quarter, the Group had reached consistent monthly mining throughput of 9,000 tonnes and increasing silver recoveries and silver production, although they did not meet the feasibility study assumptions. As such, the Group engaged Wardell Armstrong (Moscow) to provide a review of the mineral resources as well as revised mine and processing plans of Vertikalny and Mangazeisky North deposits. Though the exact amounts are not currently known, initial indications suggest that the current resources at both deposits may be materially overstated. Final results and any impact on the mine and processing plans will be disclosed once the final Wardell Review has been received and assessed

In the Second quarter, the Group completed construction of an on-site airstrip the benefits of which include the reducing personnel and cargo logistics costs and lessening flight irregularities due to weather conditions. The Group is also considering building a refueling station at the airstrip in the near future which is expected to further reduce costs.

During the first quarter, to increase silver recovery, an additional Merrill Crowe process was placed at the end of the technological processing circuit. Commissioning of the Merrill Crowe process was completed and was in production at the end of May 2019. As part of the Group's cost saving measures it has taken the blasting and drilling over from current contractors. In March there was a late start to drilling due to the delayed delivery of drilling equipment, which is now on site and operating near to plan.

Corporate & Financing Activities

On December 24, 2019, the Group announced that it has amended its existing facilities agreement (the "Facilities Agreement") with Inflection, a major shareholder of the Group, and Unifirm, an affiliate of Aterra, also a major shareholder of the Group. The amendments to the Facilities Agreement (the "Facilities Agreement Amendments"): (i) provide for two new term loan facility tranches of US$2 million each ("Tranche H" and "Tranche I") for an aggregate of US$4 million, which will become due and repayable on July 31, 2021; and (ii) extend the first interest period under the Facilities Agreement and revise the interest capitalization date to January 1, 2020. The Facilities Agreement Amendments have been conditionally approved by the Toronto Stock Exchange.

The Facilities Agreement Amendments are a "related party transaction" under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") because Inflection and Aterra, an affiliate of Unifirm, are related parties to the Group, as its major shareholders. Pursuant to Section 5.7(f) of MI 61-101, the Group is exempt from obtaining approval of the Group's minority shareholders as a result of the Facilities Agreement Amendments being an amendment to a loan to the Group (obtained from a related party on reasonable commercial terms that are not less advantageous to the Group than if such credit facility was obtained through an arm's length lender) that has no equity or voting component. The Group filed a material change report in respect of the Facilities Agreement Amendments on December 24, 2019.

On September 5, 2019, during the fifth annual Eastern Economic Forum held in Vladivostok Russia, Mr. Vadim Ilchuk, President and CEO of the Group officially opened Silver Bear's Vertikalny Mine. The video from the opening ceremony can be viewed on the Group's website.

In the second quarter of 2019, the Group announced the appointment of Mr. Mikhail Ilyin as CFO effective June 10, 2019.

Mr. Ilyin first joined Silver Bear as a Group Finance Controller on February 28, 2019. Mr. Ilyin has extensive experience as a financial executive and senior audit consultant. Mr. Ilyin joined the Company from United Cable Group where he was Head of Finance Control. He also served for several years as a Senior Audit Consultant for PricewaterhouseCoopers LLP (Moscow). Mr. Ilyin holds a five-year Specialists degree in Finance and Legal from the Moscow Humanitarian-Economic University in Moscow. Mr. Ilyin will be responsible for overseeing Silver Bear's financial strategy, planning and analysis, accounting and financial reporting and will report to Mr. Vadim Ilchuk, the Group's President and CEO.

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

In January 2019, both Aterra and Inflection agreed to a further reduction in the interest rate applicable to all funds drawn under the Facilities Agreement, as amended, from 10% to 9% per annum, which reduction in interest rates will become effective immediately for the remaining terms of the facilities drawn under the Facilities Agreement.

Exploration Activities

During the 2019 field season, trenching activities were underway within the Mangazeisky exploration license. Other exploration work focused mainly on the Kys-Kuel area located at the south-eastern part of the license area to investigate an anomaly identified during the exploration work during 2018. In total, the Group completed 500 meters of trenching in 2019 field season with approximate 150 samples of ore sent to laboratory for testing. During the third quarter, geophysical equipment was shipped to site and a survey was completed to aid in the planning of the subsequent drilling program planned for 2020.

In addition, geophysical studies were performed at Kyys Kuel and Porfirovy properties. The geophysical surveys were conducted at a scale of 1: 2000 (spaced @ 20 × 5 m) to locate potential mineralisations, study their structural positions, identify ore-bearing structures, and perform detailed geological mapping.

A set of electrical exploration works was performed with the mid-gradient method using capacitive receiving lines: mid-gradient noncontact measurement, mid-gradient induced polarization electrical profiling in the frequency range with galvanic grounding, vertical electrical sensing and magnetic exploration.

As a result, potential mineralization zones have been identified and mapped at both Kyys Kuel and Porfirovy. The results of the surveys were used for planning exploration program 2020.

From 2018 to present, the Company has planned and implemented limited exploration, as it focuses its resources towards achieving full commercial production. On July 1, 2019, the Company achieved full commercial production

Mineral Resource and Reserve Statement for Mangazeisky Silver Project

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

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

Zone	Inferred Resource						
	Tonnes	Grade Au (g/t)	Grade Ag (g/t)	Grade Cu (%)	Contained Metal Au (troy oz)	Contained Metal Ag (troy oz)	Contained Metal Cu (lb)
Porphirovy	80,000	1.7	46	0.6	4,000	115,000	1,000,000

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

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

Qualified Person

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

GOING CONCERN 2020

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern which contemplates that the Group will be able to realize its assets and settle its liabilities in the normal course as they come due for the foreseeable future.

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

The Group has reported $5,444,288 cash and cash equivalents, total operating cash inflow of $5,172,429. The Group has reported a total net loss for the period of $537,791 and net current assets of $25,581,488. The Group is in an overall net liability position of $30,331,919 due to the significant funding from the Group's major shareholders.

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

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

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

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

OUTLOOK FOR Q1 2020

In order to fund further development operations and maintain rights under licenses and agreements, the Group has secured funding in the form of long-term loans of which the principal totals $128,473,156. In consideration of the Group's going concern and following the initiation of silver production in the second quarter of 2018 and now achieving full commercial production in the third quarter of 2019 the Company's priorities for first quarter 2020 are as follows:

- Though COVID-19 may impact the Group's silver production in 2020, the forecast for year is between 3.0 to 3.5 million ounces;
- Transportation of the XRT processing equipment to site, placement of the equipment into the processing circuit and begin new flotation line construction and commissioning;
- Continue to monitor all operations to further optimize operating costs and improve operational efficiencies; and
- Continue to build up operational capabilities and staffing and introduce new systems for production monitoring and management accounting.

Key Drivers and Trends

Silver Price

The Market price of silver is a significant factor determining the Group's financial results. As such, cash flow from the Group's operations and the Group's exploration and development activities could potentially, in the future, be significantly adversely affected by the decline in the price of silver. The silver price fluctuations are beyond the Group's control, at this time the Group does not have plans for a hedging program.

During the year ended December 31, 2019, the price of silver based on the London Silver Fix PM, fluctuated from a low of US$14.38/oz Ag to a high of US$19.31/oz Ag. The average silver price during the year ended December 31, 2019 was US$16.21/oz Ag and during this period, the Group's average realized silver price was US$16.38 per ounce sold compared to US$14.78 per ounce sold in the comparable period in 2018.

Currency

The Canadian dollar is the Group's reporting currency, and the functional currency of the Group changed from Canadian dollars to Russian rouble in the 2018 financial year, as the majority of underlying transactions for the Group are undertaken in roubles. The Group's revenues is denominated in US dollars as silver sales is priced in US dollars. The Group's main sources of foreign exchange exposure are the US dollar. During the year ended December 31, 2019, the foreign exchange gain was $20.5 million compared primarily as a result of the strengthening of the Russian Rouble against the US dollar.

RESULTS OF OPERATIONS

For the year ended December 31, 2019, compared to the year ended December 31, 2018

Revenues

Pre-commercial production commenced at the Mangazeisky silver mine as a result of commissioning activities in April 2018, full commercial production was achieved on July 1, 2019. For the three-month period ended December 31, 2019, the Group sold a total of 522,527 ounces of silver (for same period in 2018, 245,302 ounces of silver) at an average price of US$17.31 per ounce of silver (for same period in 2018, US$14.58 per ounce silver) resulting in total commercial production revenue of US$9.05 million (for same period in 2018, revenue of US$3.58 million) in accordance with IFRS 15. For the year ended December 31, 2019, the Group sold a total of 1,550,101 ounces of silver (for the year 2018, 433,095 ounces silver) at an average price of US$16.38 per ounce of silver (for the year 2018, US$14.78 per ounce silver) resulting in total pre-commercial and commercial production revenue of US$25.39 million (for the year 2018, revenue of US$6.40 million) in accordance with IFRS 15. Pre-commercial production revenue has been recorded under the Mangazeisky silver property in accordance with IFRS.

Interest income on the cash balances held in the bank for the year ended December 31, 2019 was due to low bank interest rates and cash balances. As at December 31, 2019, the Group had other income of $1.2 million related to sales of supplies to contractors and employees ($1.36 million for year ended December 31, 2018).

Expenses

Exploration

For the year ended December 31, 2019, the Group spent $0.12 million on exploration activities, compared to $0.19 million during the year ended December 31, 2018. Costs associated with the Mangazeisky silver project for the year ended December 31, 2019 relate limited trenching and preparation and field work for the 2019 exploration programs. Exploration expenses were lower in both 2019 and 2018 in part due to increased development and production activity on site.

Construction and Development

Capital expenditure on property plant and equipment in the period to date amounted to $4.5 million (December 31, 2018: $33.85 million), net book value for property, plant and equipment amounted $97.09 million (December 31, 2018 $96.92 million) and a net book value for mineral property amounting to $13.89 million as at December 31, 2019 (December 31, 2018 $12.03 million).

General and Administrative

General and administrative expenses for the year ended December 31, 2019 was $3.49 million, compared to the $4.59 million incurred during the year ended December 31, 2018, costs increased starting in the third quarter 2019 reflecting the Group's announcement of commercial production on July 1, 2019 and recognition of AO Prognoz general and administrative costs in the consolidated income statement starting in the third quarter of 2019.

Management compensation for the year ended December 31, 2019 was $0.88 million, compared to $1.56 million for the year ended December 31, 2018.

Non-Cash Items

Depreciation expense for the year ended December 31, 2019 was $10.15 million compared to $1.92 million in the year ended December 31, 2018. Property, plant and equipment ready for use related to mining and processing activities depreciated using a unit-of production method based on estimated economically recoverable reserves, which results in a depreciation charge proportional to the depletion of reserves.

Non-cash share-based compensation expense for the year ended December 31, 2019 was $0.42 million compared to $0.54 million during the same period in 2018. The mining industry has been very competitive and this type of compensation is an attractive incentive. The timing of the grants varies from year to year based on milestones achieved and plan availability. Consequently, the quarterly and annual expenses can vary widely.

The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option). Expected volatility is based on the historical share price volatility over the past five (5) years. The expected life of the option was calculated based on the history of option exercises.

The foreign exchange gain for the year ended December 31, 2019 was $20.48 million compared to a loss of $26.62 million for the year ended December 31, 2018 primarily as a result of the strengthening of the Russian Rouble against the US dollar.

Impairment provision for inventory

By result of the year-end inventory stock count an impairment charge was recorded in the financial statement in the amount of $1.6 million. Breakdown of the impaired inventory provide below:

Inventory	**Amount, CAD**
Spare parts	1,223,927
Oil and lubricants	280,597
Construction materials	62,467
Other materials	131,024
	1,698,015

This impairment charge mainly relates to spare parts for equipment. The impaired inventory relates to the usage of inventories that was not properly supported by documentation and thus not appropriately posted into the accounting system.

Management has prepared an action plan to implement improvements in the control design and procedures, but note that the control of the year end stock count, where the error was identified, was actioned appropriately.

Net Profit/Loss

The Group recognised a net loss for the year ended December 31, 2019 of $0.53 million, or $0.001 per share. This compares to a loss of $36.61 million or $0.055 per share for the year ended December 31, 2018.

Liquidity and Capital Resources

The Group’s approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due by continual review of budgets and forecasts and discussions with shareholders and other providers of finance as appropriate. As at December 31, 2019, the Group had cash and cash equivalents of $5.4 million. The Group has total current assets of $31.5 million and total current liabilities of $5.9 million. Non-current liabilities total $171.1 million, which includes long term loans of $124.8 million and accrued interest of $41.9 million.

The Group has total obligations of $0.26 million under finance leases for mining and processing equipment being paid over the next three years. Historically, the Group has been able to meet its required property development schedule by raising funds from existing shareholders and in the public markets and is optimistic that it will continue to do so but there is no guarantee that sufficient funds will be raised. In order to fund development operations and maintain rights under licenses and agreements, the Group has secured funding in the form of long-term loans of $166.8 million and the Group may be dependent on securing additional financing until such time that it generates sufficient operating cash flow to meet its liabilities.

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

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

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

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

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

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

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

In January 2019, both Aterra and Inflection agreed to a further reduction in the interest rate applicable to all funds drawn under the Facilities Agreement, as amended, from 10% to 9% per annum, which reduction in interest rates will become effective immediately for the remaining terms of the facilities drawn under the Facilities Agreement.

On December 24, 2019, the Group announced that it has amended its existing facilities agreement (the "Facilities Agreement") with Inflection, a major shareholder of the Group, and Unifirm, an affiliate of Aterra, also a major shareholder of the Group. The amendments to the Facilities Agreement (the "Facilities Agreement Amendments"): (i) provide for two new term loan facility tranches of US$2 million each ("Tranche H" and "Tranche I") for an aggregate of US$4 million, which will become due and repayable on July 31, 2021; and (ii) extend the first interest period under the Facilities Agreement and revise the interest capitalization date to January 1, 2020. The Facilities Agreement Amendments have been conditionally approved by the Toronto Stock Exchange.

The Facilities Agreement Amendments are a "related party transaction" under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") because Inflection and Aterra, an affiliate of Unifirm, are related parties to the Group, as its major shareholders. Pursuant to Section 5.7(f) of MI 61-101, the Group is exempt from obtaining approval of the Group's minority shareholders as a result of the Facilities Agreement Amendments being an amendment to a loan to the Group (obtained from a related party on reasonable commercial terms that are not less advantageous to the Group than if such credit facility was obtained through an arm's length lender) that has no equity or voting component. The Group filed a material change report in respect of the Facilities Agreement Amendments on December 24, 2019.

The following table summarizes the Group's contractual obligations as at December 31, 2019:

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

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

In 2016, the Group entered into long term lease agreements for the purchase of equipment in relation to the development and operating of the Mangazeisky project payable in monthly instalments of circa US$85,000. The lease payments have been discounted at rates of between 9.5% and 21.9%. The Group made down payments of between 0.4% and 33.6% of the cost of the equipment.

In 2019, the Group entered into long term lease agreement for the purchase of equipment in relation to the operating of the Mangazeisky project payable in monthly instalments of circa US$4,100. The lease payments have been discounted at rates of between 12.6%. The Group made down payments of 20%

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

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

The Group may be involved in legal proceedings from time to time, arising in the ordinary course of its business. Typically, the amount of ultimate liability with respect to these actions will not, in the opinion of management, materially affect the Group's financial position, results of operations or cash flows. There were no material outstanding legal proceedings as of December 31, 2019.

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

Off-Balance Sheet Arrangements

The Group has no off-balance sheet arrangements.

Capital Stock

As at December 31, 2019 the Group had issued and outstanding 672,140,902 Common shares. As of April 2, 2020, the Group had issued and outstanding 672,346,570 Common Shares.

The maximum aggregate number of Shares reserved by the Group for issuance and which may be purchased upon the exercise of all options granted under its Stock Option Plan together with all securities issuable under the Group's Share Bonus Plan and the Group's Non-Executive Director Subscription Plan (the "Subscription Plan"), together referred to as "Security Based Compensation Plans", is to be not greater than 10% of the outstanding Shares (on a non-diluted basis) issued and outstanding at the time of the granting of the options. As at December 31, 2019 the total number of options and shares available for issue under the Security Based Compensation Plans was 67,214,090. A total of 38,239,340 options and share under the Group's Security Based Compensation Plans are available for future issue as at December 31, 2019.

At the Group's special meeting of shareholders held on September 27, 2019, shareholders approved the authority to allot a total of 3 million ordinary shares under the Group's Security Based Compensation Plans, for period of 15 months or until the Group's next annual general meeting of shareholders in 2020.

As at December 31, 2019, the Group had share options outstanding and exercisable as follows:

	Outstanding		Exercisable	
Expiry Year	**Number**	**Weighted average exercise price ($)**	**Number**	**Weighted average exercise price ($)**
2020	800,000	0.19	800,000	0.19
2021	1,651,000	0.28	1,651,000	0.19
2022	18,000,000	0.24	18,000,000	0.24
2023	4,100,000	0.26	733,334	0.23
2024	500,000	0.22	-	-
	25,051,000	**0.24**	**21,184,333**	**0.23**

As at December 31, 2019 the Group had Nil warrants outstanding.

Summary of Quarterly Results ($)

	Dec-19	**Sep-19**	**Jun-19**	**Mar-19**
Revenue	11,919,215	9,013,130	**-**	**-**
Net Profit/(Loss) after tax	(5,332,582)	(3,460,143)	43,455	8,211,479
Basic Profit/(loss) per share	(0.01)	(0,01)	0.00	0.01
Cash and cash equivalents	5,444,288	1,781,616	376,776	521,570
Total assets	146,761,025	146,260,151	149,539,761	149,378,197
Total long-term financial liabilities	166,842,243	168,258,236	174,056,846	165,546,573

	Dec-18	**Sep-18**	**Jun-18**	**Mar- 18**
Revenue	**-**	**-**	**-**	**-**
Net loss after tax	(15,185,603)	(7,031,305)	(12,545,698)	(1,854,140)
Basic and diluted loss per share	(0.02)	(0.03)	(0.02)	(0.00)
Cash and cash equivalents	1,141,663	1,038,503	907,297	3,977,449
Total assets	139,654,043	142,994,299	142,612,089	143,977,806
Total long-term financial liabilities	164,902,664	151,823,682	146,352,694	138,720,543

Summary of Annual Results ($)

	2019	2018	2017
Revenue	20,932,345	-	-
Net loss after tax	(537,791)	(36,616,746)	(8,827,078)
Basic loss per share	(0.00)	(0.05)	(0.03)
Cash and cash equivalents	5,444,288	1,141,663	24,314,402
Total assets	146,761,025	139,654,043	135,711,414
Total long-term financial liabilities	171,137,842	164,902,664	130,992,182

Starting from 1 July 2019 the group announced commercial production and recognizing revenue in profit and loss.

Net profit after tax includes forex gain mainly from shareholders borrowings denominated in US dollar amount of $20.48 million.

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

As at December 31, 2019									
Country/ Property	**Cash and cash equivalents**	**Inventories**	**Prepaid expenses**	**Receivables**	**Mineral Properties**	**Property, plant and equipment**	**Depreciation**	**Interest expense**	**Net profit before tax for the period**
Russia	5,308,151	19,564,508	3,563,870	3,712,956	13,896,077	97,090,061	(10,149,338)	(13,970,686)	5,139,359
Canada	136,137	-	(0)	-	-	-	-	-	(4,760,350)
	5,444,288	**19,564,508**	**3,563,870**	**3,712,956**	**13,896,077**	**97,090,061**	**(10,149,338)**	**(13,970,686)**	**379,009**

As at December 31, 2018									
Country/ Property	**Cash and cash equivalents**	**Inventories**	**Prepaid expenses**	**Receivables**	**Mineral Properties**	**Property, plant and equipment**	**Depreciation**	**Interest expense**	**Net (loss) before tax for the year**
Russia	1,117,720	19,134,628	2,647,904	4,166,445	12,027,009	96,924,301	(1,920,182)	(3,451,581)	(34,183,004)
Canada	23,943	-	35,194	-	-	-	-	-	(2,419,179)
	1,141,663	**19,134,628**	**2,683,098**	**4,166,445**	**12,027,009**	**96,924,301**	**(1,920,182)**	**(3,451,581)**	**(36,602,183)**

RELATED PARTY TRANSACTIONS

(a) Financing transactions

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

COMPENSATION OF KEY MANAGEMENT

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

	2019	2018
Salaries, fees and short-term employee benefits	504,332	754,158
Termination payments	-	271,995
Share-based payments	382,575	535,798
Total	**886,907**	**1,561,951**

As at December 31, 2019 the Group owed key management $281,027 (December 31, 2018: $105,797) for fees and bonuses payable in accordance with contracts and agreements.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

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

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

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

Critical judgement in applying accounting policies:

- Determination of functional currency

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

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

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

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

- Commercial production

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

- Capitalization of development costs

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

Key sources of estimation uncertainty:

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

The Group uses proven and probable mineral reserves, that at the beginning of commercial production was 717 tonnes, depletion for the period 1 July 2019- 31 December 2019 was 58 tonnes.

- Rehabilitation provisions and asset retirement obligations

  The carrying value of the asset retirement obligation is $4,034,245, 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 10-year zero coupon year bond is used in discounting future cash flows as a pre-tax discount rate.

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

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

- Impairment of mineral properties and property, plant and equipment
- The carrying value of mineral properties and property, plant and equipment is $13,896,077 and $97,060,061 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.
- Management has reviewed and evaluated the existence of impairment triggers and concluded that no impairment triggers existed as at 31 December 2019. Management have assessed the recoverable amount of its mineral properties and property, plant and equipment by performing a value in use calculation, expected future economic benefits and cash flow from the are exceed carrying value of mineral properties and property, plant and equipment.

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

- Assets' carrying values and impairment charges

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Subject to the limitations, if any, described below, the Group's CEO and CFO, have as at the year ended December 31, 2019, designed Disclosure and Control Procedures, ("DC&P") or caused it to be designed under their supervision, to provide reasonable assurance that:

- material information relating to the issuer is made known to us by others, particularly during the period in which the annual and interim filings are being prepared; and
- information required to be disclosed by the issuer in its annual and interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

- Internal control over financial reporting has been designed, based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

There have been no significant changes to the Group's disclosure controls and procedures and internal controls over financial reporting that occurred during the year ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Group's disclosure controls and procedures and internal control over financial reporting. Management assesses existing internal controls over financial reporting is sufficient and effective.

The Audit and Governance Committees of the Group have reviewed this MD&A and the audited consolidated financial statements for the year ended December 31, 2019, and the Group's board of directors approved these documents prior to their release.

CHANGES TO INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no significant changes to the Group's internal controls over financial reporting that occurred during the year ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect the Group's internal control over financial reporting.

SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS and include the significant accounting policies as described in Note 2 of the December 31, 2019 audited consolidated financial statements.

NEW ACCOUNTING STANDARDS

New standards and interpretations adopted by the Group

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

Amendments to IFRS 9: Prepayment Features with Negative Compensation

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

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

IFRS 16 – Leases ("IFRS 16")

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

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

The Group has reviewed its arrangements in place and has concluded that the adoption of this standard does not have a material impact on the financial results of the Group as all leases of the Group are already was accounted as financial lease under property plant and equipment and leased liabilities

The Group applied retrospective modified approach without adjustment in accounts, finance lease was transferred to right of the used assets accounted in property plant and equipment, finance lease liabilities was transferred to lease liabilities accounted in lease obligations.

CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS

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

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

The property in which the Group currently has an interest is as of July 1, 2019 in commercial production, at this time the Group could potentially be dependent on external financing to fund ongoing activities.

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

There were no changes in the Group's approach to capital management during the year ended December 31, 2019 compared to the year ended December 31, 2018. Neither the Group nor its subsidiaries are subject to externally imposed capital requirements.

FINANCIAL INSTRUMENTS AND RISK FACTORS

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

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

The Group's financial instruments consist of cash, restricted cash, accounts receivable, short-term loans, finance leases and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. The Group's non-current financial instruments consist of long-term loans and finance leases. The fair value of these instruments approximates their carrying values as any differences are not material. The Group has no financial instruments recorded at fair value.

Financial assets and financial liabilities as at December 31, 2019 and December 31, 2018 were as follows:

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

31 December 2018	**Cash and receivables**	**Loans and other liabilities**	**TOTAL**
Cash and cash equivalents	1,141,663	-	**1,141,663**
Accounts receivable	294,020	-	**294,020**
Long-term loans	-	(163,102,592)	**(163,102,592)**
Accounts payables and accrued liabilities	-	(2,914,448)	**(2,914,448)**
Finance leases	-	(2,345,737)	**(2,345,737)**
	1,435,683	**(168,362,777)**	**(166,927,094)**

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

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

Credit risk

The Group has no significant concentration of credit risk arising from operations. Cash equivalents consist of interest earning bank accounts held in banks in the United Kingdom, Canada and Russia which in the presentational currency total $1,910, $23,338 and $5,419,040 respectively. The Group's United Kingdom bank has a credit rating of at least baa3 (Moody's), Canadian chartered banks have a credit rating of at least A2 (Moody's) and the Group's Russian banks have a credit rating of at least ba1 (Moody's).

Miscellaneous receivables and prepaid expenses other than tax refunds due from the Canadian and Russian tax authorities are insignificant. Management believes that the credit risk concentration with respect to accounts receivable is not higher than the country credit risk.

Liquidity risk

The Group's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due by continual review of budgets and forecasts and discussions with shareholders and other providers of finance as appropriate. As at 31 December 2019 the Group had total current assets of $31,536,590 (31 December 2018 – $26,491,829) to settle total current liabilities of $5,955,101 (31 December 2018 – $4,803,844), as well as its commitments outlined in Note 20. Total liabilities of $171,137,843 include long-term loans totaling $128,473,156 accrued interest of $41,999,355 and fair value gain on modification of loans of ($3,630,267).

The Group had total obligations of $888,300 at 31 December 2019 (31 December 2018 – $2,345,737) under a combination of three and five-year leases for equipment in relation to the development of Mangazeisky, as outlined in Note 12. For more information, please refer to section *Risk Factors and Uncertainties,* subsection *Liquidity Concerns and Future Financings*.

Interest rate risk

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

Foreign currency risk

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

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

RISK FACTORS AND UNCERTAINTIES

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

In light of the World Health Organization ("WHO") declaring COVID-19 a global pandemic in March of this year, the Group has developed and implemented a response and mitigation plan for both its Yakutsk head office and Mangazeisky mine site. At the date of this report we have not yet had any major disruptions at either sites or to our planned production and operations, however we continue to monitor the situation ensuring we keep the safety of our work force our main priority.

Risks of Operating in the Russian Federation

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

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

Nature of Mining, Mineral Exploration and Development Projects

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

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

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

Liquidity and Future Financing

In April of 2018 the Group achieved first silver production through its commissioning activities, the Group achieved commercial production on July 1, 2019, despite achieving this major milestone there are no guarantees the Group will continue to have consistent source of operating cash flows going forward and may require additional capital in the future and no assurance can be given that such capital will be available at all or available on terms acceptable to the Group. The success and the pricing of any future capital raising and/or debt financing will be dependent upon the prevailing market conditions at that time and the outcomes of any relevant feasibility studies and exploration programs. If additional capital is raised by an issue of securities, this may have the effect of diluting shareholders' interests in the Group. Any debt financing, if available, may involve financial covenants which may limit the Group’s operations. In order to fund development operations and maintain rights under licenses and agreements, the Group has secured funding in the form of long-term loans in the principal amount of $128,473,156.

Fluctuations in Metal Prices

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

Political, Economic and Legislative Risk

The economy of the Russian Federation continues to display characteristics of an emerging market, which includes certain currency conversion risks. The prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments. Russian Federation laws, licenses and permits have been in a state of change and new laws may be given retroactive effect. Such licenses and permits, including the obtainment from the Russian Federation authorities of a mining license to replace the exploration license in respect to the Mangazeisky Project, may not be obtained on a basis consistent with our current expectations.

Further, ambiguity exists with regard to the interpretation of licenses and permits and the application of rules and regulations with regard to exploration activities in the Russian Federation. The suspension, limitation in scope or revocation of an exploration or mining license or the levying of substantial fines or penalties could have a material adverse effect on our exploration or development activities in the Russian Federation and the Group's financial results. In such circumstances the exploration and development activities may be significantly and adversely affected. It is also not unusual in the context of dispute resolution in the Russian Federation for parties to use the uncertainty in the Russian Federation legal environment as leverage in business negotiations. In addition, Russian Federation tax legislation is subject to varying interpretations and constant change. Furthermore, the Group's interpretation of tax legislation may not coincide with that of Russian Federation tax authorities. As a result, transactions may be challenged by the tax authorities and the Group's Russian operations may be assessed, which could result in significant additional taxes, penalties and interest. The periods remain open to review by the tax authorities for three years (although the statute of limitations in certain circumstances may not time bar the tax claims). In addition, Russian Federation authorities and court systems have been shown to be unpredictable. Challenges to the Group's assets and operations in the Russian Federation may be brought by authorities for reasons that the Group is unable to predict and which may result in material adverse changes to the Group.

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

Insurance and Uninsured Risks

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

Environmental Risks and Regulations

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

Government Regulation

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

Licenses and Permits

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

Significant Shareholders

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

Title to Properties

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

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

Competition

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

Dependence on Key Personnel and Shortage of Labour Force

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

Foreign Exchange Risk

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

Repatriation of Earnings

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

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

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

- i) total amount of credit agreement does not exceed US$5,000;
- ii) resident is a lending agency;
- iii) resident is a physical body and is not an individual entrepreneur; and
- iv) resident is a federal executive organ specially empowered by the state government.

Stock Exchange Prices

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

Conflicts of Interest

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

Mineral Resource Estimate

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

Effecting Service of Process

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

Inclement Weather and Climate Conditions

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

ADDITIONAL INFORMATION

Additional information relating to the Group, including its Annual Information Form for the year ended December 31, 2019 is available on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

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

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