



**SILVER  
BEAR**  
RESOURCES Plc

## ANNUAL REPORT AND ACCOUNTS

Registered Number: 10669766 (England and Wales)

*For the year ended 31 December 2022*

*(Expressed in Canadian dollars)*



Mangazeisky Silver Project – Open Pit

# Silver Bear Resources Plc

## Directors' Responsibility for Financial Reporting For the Year Ended 31 December 2022

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

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

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

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

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

**"Vadim Ilchuk"**

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**Vadim Ilchuk**

Director, President, Chief Executive Officer

**"Maxim Matveev"**

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**Maxim Matveev**

Director

**Toronto, Ontario, Canada  
31 March 2023**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Silver Bear Resources Plc

### Opinion

We have audited the consolidated financial statements of Silver Bear Resources Plc (the Company) (Registration Number 10669766, 2<sup>nd</sup> floor Regis House, 45 King William Street, London, United Kingdom, EC4R 9AN) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of comprehensive profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements for the year ended 31 December 2022, which comprise a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Independence Rules for Auditors and Audit Organisations and the Code of Professional Ethics for Auditors adopted in the Russian Federation, which comply with the International Code of Ethics for Professional Accountants (including International Independence Standards) developed by the International Ethics Standards Board for Accountants (IESBA), and we have fulfilled our other responsibilities in accordance with these requirements of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

***Carrying value of Mineral Properties and Plant and Equipment (Note 9, 10)***

The Group's project mining assets, including capitalised mineral Property And Property, plant and equipment represent the Group's most significant assets.

At the year-end, Management performed an impairment test to determine the recoverable amount of mining properties. The recoverable amount was determined with reference to a discounted cash flow which is based on estimates of future cash flows.

Given the significant estimates regarding silver and other commodity prices, foreign exchange rates, reserves and resources, production levels, operating and development costs and capital expenditure as well as economic variables such as discount rates, and the material value of the mining assets we consider the carrying value of the Mineral Properties and Plant and Equipment to be significant audit risk and a key audit matter.

Our procedures regarding this key audit matter included the following:

- Visiting the Mangazeisky mine site to understand the operations, verify the existence of the assets and discuss future mine operating plans with technical management.
- We obtained management's discounted cash flow models and performed data integrity and mechanical checks on the models using our proprietary tool.
- We determined that the basis of preparation of the models was in line with the applicable accounting standards, our expectations and valuation methodology.
- We compared the actual performance during 2022 to budgets for the period in order to assess the quality of management's forecasting.
- We critically challenged the NPV model, focussing on the appropriateness of estimates with reference to empirical data and external evidence with specific emphasis on the following assumptions: silver prices, foreign exchange rates, reserves and resources and production levels, operating and development costs, capital expenditure and discount rates.
- We reviewed the correctness of allocation of impairment loss to mineral property and intangible assets, reviewed the sufficiency of disclosures regarding impairment of mineral property and intangible assets in the consolidated financial statements.
- We benchmarked forecast silver and other commodity prices against publicly available third-party information.
- We reconciled the production profiles and capital expenditure forecasts to the third-party Competent Person's report and approved budget for 2023. We obtained explanations for any differences and corroborated differences to relevant support.
- We reconciled the resources used in the life of mine model to the updated mineral resources statement included in the third-party Competent Person's report and performed procedures to assess their independence, objectivity and competence.
- We reviewed management's sensitivity analysis and performed our own sensitivity analysis on key inputs to assess the impact of changes in assumptions.
- We involved our internal valuations experts to support our assessment of the discount rate applied and discussed the judgments regarding the calculation with the Audit Committee.

- We read the key licence agreements and confirmed that the Group holds valid licences. We considered management's judgment that the exploration licence would be capable of being extended beyond 2023 taking into consideration the legislative process and risks and uncertainties within the operating environments. We assessed the commitments and obligations associated with the licences to confirm compliance with the licences.

We found the judgements and estimates applied by Management in preparing the forecasts to be supportable, although the net present value remains sensitive to changes in the key inputs set out above. We found Management's conclusion that impairment charge was required as at 31 December 2022 to be supported by the underlying model.

### **Other Matter**

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 8 July 2022.

Our audit of the Group's consolidated financial statements is not a statutory audit required by the state authorities of England and Wales.

### **Other Information**

The Director (management) is responsible for the other information. The other information comprises the information included in the annual report and Management Discussion and Analysis (MDA), but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

The Director is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The Auditor in Charge  
of the audit resulting in this independent  
auditor's report  
(Engagement Partner on the audit),  
principal registration number of the entry  
in the State Register of Auditors and  
Audit Organisations 22006023333,  
acting on behalf of the audit  
organisation under Power of Attorney  
No. 69-01/2021-Ю dated 29 September  
2021



(signed)

Lidia Anatolyevna Vayspek

Audit company:  
Unicon Joint Stock Company  
Suite 50, Office I, 3<sup>rd</sup> Floor, Section 11, Block 1, Bldg. 125, Warshavskoye Shosse, Moscow, 117587,  
Russia  
Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations:  
12006020340

31 March 2023

# Silver Bear Resources Plc

## Consolidated Statement of Financial Position

(Canadian dollars)

|   | Note | 31 December<br>2022  | 31 December<br>2021 |
|---|------|----------------------|---------------------|
| <b>ASSETS</b>   |      |                      |                     |
| <b>Non-current assets</b>                               |      |                      |                     |
| Property, plant and equipment                           | 10   | 64,133,124           | 78,949,060          |
| Mineral property  | 9    | 2,170,235            | 10,247,095          |
| Intangible assets                                       | 8    | 82,515               | 180,583             |
| Prepaid non-current assets                              | 6    | 691,252              | 881,469             |
| Other non-current assets                                | 7    | 4,227,657            | 4,040,580           |
| <b>Total non-current assets</b>                         |      | <b>71,304,783</b>    | <b>94,298,787</b>   |
| <b>Current assets</b>                                   |      |                      |                     |
| Inventories   | 5    | 23,292,565           | 18,473,628          |
| Receivables   | 4    | 5,966,475            | 3,670,038           |
| Cash and cash equivalents                               | 3    | 2,553,921            | 1,879,447           |
| Prepaid expenses  | 6    | 1,569,229            | 2,484,281           |
| <b>Total current assets</b>                             |      | <b>33,382,190</b>    | <b>26,507,394</b>   |
| <b>TOTAL ASSETS</b>                                     |      | <b>104,686,973</b>   | <b>120,806,181</b>  |
| <b>EQUITY AND LIABILITIES</b>                           |      |                      |                     |
| <b>Non-current liabilities</b>                          |      |                      |                     |
| Long-term loans   | 13   | 23,557,249           | 167,639,194         |
| Provision for decommissioning and restoration liability | 14   | 4,233,777            | 3,609,228           |
| Lease obligation  | 12   | 187,853              | 2,277,726           |
| <b>Total non-current liabilities</b>                    |      | <b>27,978,879</b>    | <b>173,526,148</b>  |
| <b>Current liabilities</b>                              |      |                      |                     |
| Advances received                                       |      | 143,462              | 639                 |
| Short-term loans  | 13   | 207,352,487          | 27,925,556          |
| Account payable and accrued liabilities                 | 11   | 6,806,188            | 3,515,620           |
| Lease obligation  | 12   | 2,318,302            | 2,931,455           |
| <b>Total current liabilities</b>                        |      | <b>216,620,439</b>   | <b>34,373,270</b>   |
| <b>Total liabilities</b>                                |      | <b>244,599,318</b>   | <b>207,899,418</b>  |
| <b>Equity</b>   |      |                      |                     |
| Share capital   | 15   | 99,569,970           | 99,568,972          |
| Share premium   | 15   | 23,158,166           | 23,106,647          |
| Shareholders contribution                               |      | 5,381,283            | 5,381,283           |
| Contributed surplus                                     | 15   | 14,599,817           | 16,765,939          |
| Cumulative translation adjustment                       |      | 9,234,461            | 14,591,860          |
| Accumulated deficit                                     |      | (291,856,042)        | (246,507,938)       |
| <b>Total equity (deficiency)</b>                        |      | <b>(139,912,345)</b> | <b>(87,093,237)</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                     |      | <b>104,686,973</b>   | <b>120,806,181</b>  |

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

The financial statements on pages 8 to 47 were approved by the Board of Directors on 31 March 2023, and signed on its behalf by:

“Vadim Ilchuk”

Vadim Ilchuk  
Director, President, CEO

“Maxim Matveev”

Maxim Matveev  
Director



# Silver Bear Resources Plc

## Consolidated Statement of Comprehensive Profit/(Loss)

For the years ended 31 December 2022 and 2021

(Canadian dollars)

|  | Note | 2022                | 2021                |
|--|------|---------------------|---------------------|
| <b>Revenue:</b>  |      |                     |                     |
| Metal sales  | 2    | 39,169,165          | 45,315,268          |
| <b>Cost of Sales:</b>  |      |                     |                     |
| Production cost  | 18   | (30,553,236)        | (36,612,528)        |
| Depreciation and amortization  |      | (14,900,817)        | (10,330,423)        |
| Impairment of inventory  | 5    | (1,808,044)         | -                   |
| <b>Gross loss</b>  |      | <b>(8,092,932)</b>  | <b>(1,627,683)</b>  |
| Exploration and evaluation expenses  |      | -                   | (16,738)            |
| General and administrative expenses  | 18   | (4,275,825)         | (4,154,745)         |
| Impairment of PPE and mineral property                                     | 9,10 | (25,783,543)        | -                   |
| Write-off other non-current assets   | 7    | -                   | (909,898)           |
| Write-off of PPE   |      | -                   | (180,418)           |
| Other income   | 17   | 220,276             | 503,766             |
| Other expenses   | 17   | (2,591,572)         | (1,855,944)         |
| <b>Operating loss</b>  |      | <b>(40,523,596)</b> | <b>(8,241,660)</b>  |
| Finance income   | 19   | 63,402              | 24,129              |
| Finance expenses   | 19   | (18,004,555)        | (18,098,949)        |
| Foreign exchange gain/(loss), net /  |      | 10,950,459          | (1,144,304)         |
| <b>Loss before tax</b>   |      | <b>(47,514,290)</b> | <b>(27,460,784)</b> |
| Tax charge   | 25   | (3,786)             | (17,754)            |
| <b>Loss for the year</b>   |      | <b>(47,518,076)</b> | <b>(27,478,538)</b> |
| <b>Other comprehensive loss</b>  |      |                     |                     |
| Items, that may be reclassified subsequently to profit or loss:            |      |                     |                     |
| Exchange differences on translating foreign operations                     |      | (5,357,399)         | 1,131,466           |
| <b>Total comprehensive loss for the year</b>                               |      | <b>(52,875,475)</b> | <b>(26,347,072)</b> |
| <b>Basic and diluted loss per ordinary share, cents per ordinary share</b> |      |                     |                     |
|  | 15   | (0.07)              | (0.04)              |

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

**Silver Bear Resources Plc**  
**Consolidated Statement of Changes in Equity**  
For the years ended 31 December 2022 and 2021  
(Canadian dollars)

|  | Share capital     | Share premium     | Shareholders contribution | Contributed surplus | Cumulative translation adjustment | Accumulated Deficit  | Total equity         |
|--|-------------------|-------------------|---------------------------|---------------------|-----------------------------------|----------------------|----------------------|
| <b>Balance - 31 December 2020</b>                    | <b>99,561,998</b> | <b>22,570,500</b> | <b>5,381,283</b>          | <b>16,960,163</b>   | <b>13,460,394</b>                 | <b>(219,298,504)</b> | <b>(61,364,166)</b>  |
| Net loss for the period                              | -                 | -                 | -                         | -                   | -                                 | (27,478,538)         | (27,478,538)         |
| Other comprehensive profit:                          |                   |                   |                           |                     |                                   |                      |                      |
| Cumulative translation adjustment                    | -                 | -                 | -                         | -                   | 1,131,466                         | -                    | 1,131,466            |
| Comprehensive loss for the period                    | -                 | -                 | -                         | -                   | 1,131,466                         | (27,478,538)         | (26,347,072)         |
| Shares issued under share subscription plan, Note 15 | 6,862             | 524,736           | -                         | -                   | -                                 | -                    | 531,598              |
| Shares issued under stock option plan, Note 15       | 112               | 11,411            | -                         | (12,340)            | -                                 | 817                  | -                    |
| Share-based payments, Note 15                        | -                 | -                 | -                         | 86,403              | -                                 | -                    | 86,403               |
| Cancelled and expired options, Note 15               | -                 | -                 | -                         | (268,287)           | -                                 | 268,287              | -                    |
| <b>Balance - 31 December 2021</b>                    | <b>99,568,972</b> | <b>23,106,647</b> | <b>5,381,283</b>          | <b>16,765,939</b>   | <b>14,591,860</b>                 | <b>(246,507,938)</b> | <b>(87,093,237)</b>  |
| Net loss for the period                              | -                 | -                 | -                         | -                   | -                                 | (47,518,076)         | (47,518,076)         |
| Other comprehensive loss:                            |                   |                   |                           |                     |                                   |                      |                      |
| Cumulative translation adjustment                    | -                 | -                 | -                         | -                   | (5,357,399)                       | -                    | (5,357,399)          |
| Comprehensive loss for the period                    | -                 | -                 | -                         | -                   | (5,357,399)                       | (47,518,076)         | (52,875,475)         |
| Shares issued under share subscription plan, Note 15 | 998               | 51,519            | -                         | -                   | -                                 | -                    | 52,517               |
| Share-based payments, Note 15                        | -                 | -                 | -                         | 3,850               | -                                 | -                    | 3,850                |
| Cancelled and expired options, Note 15               | -                 | -                 | -                         | (2,169,972)         | -                                 | 2,169,972            | -                    |
| <b>Balance – 31 December 2022</b>                    | <b>99,569,970</b> | <b>23,158,166</b> | <b>5,381,283</b>          | <b>14,599,817</b>   | <b>9,234,461</b>                  | <b>(291,856,042)</b> | <b>(139,912,345)</b> |

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

# Silver Bear Resources Plc

## Consolidated Statement of Cash Flow

For the years ended 31 December 2022 and 2021

(Canadian dollars)

|  | 2022               | 2021                |
|--|--------------------|---------------------|
| <b>Cash provided by (used in)</b>  |                    |                     |
| <b>Operating activities</b>  |                    |                     |
| <b>Total loss for the year</b>   | (47,518,076)       | (27,478,538)        |
| <i>Adjustments for items not affecting cash:</i>   |                    |                     |
| Depreciation   | 14,677,597         | 10,237,558          |
| Amortization   | 385,100            | 212,980             |
| Share-based payments (Note 18)   | 3,850              | 86,403              |
| Accretion expenses (Note 19)   | 345,377            | 235,090             |
| Unrealized FX movement   | (10,950,459)       | 1,144,304           |
| Write-off of PPE   | -                  | 180,418             |
| Write-off of other non-current assets (Note 7)   | -                  | 909,898             |
| Impairment of PPE and mineral property   | 25,783,543         | -                   |
| Impairment of inventory  | 1,808,044          | -                   |
| Interest income (Note 19)  | (63,402)           | (24,129)            |
| Interest expense (Note 19)   | 17,659,178         | 17,863,859          |
| Net change in non-cash working capital (Note 20)   | (2,166,036)        | (1,009,107)         |
| <b>Net cash (used in)/generated from operations</b>                                      | <b>(35,284)</b>    | <b>2,358,736</b>    |
| <b>Investing activities</b>  |                    |                     |
| Purchases of property, plant and equipment (Note 10)                                     | (5,831,021)        | (9,288,040)         |
| Purchases of intangible assets   | (116,229)          | (96,938)            |
| Exploration and evaluation capital expenditure (Note 10)                                 | (941,442)          | (722,532)           |
| Interest income  | 63,402             | 24,129              |
| <b>Net cash used in investing activities</b>   | <b>(6,825,290)</b> | <b>(10,083,381)</b> |
| <b>Financing activities</b>  |                    |                     |
| Repayment of principal on lease obligations  | (3,173,765)        | (3,229,861)         |
| Repayment of interest on lease obligations   | (520,478)          | (837,496)           |
| Short-term and long-term loans drawn (Note 13)   | 10,142,299         | 12,752,624          |
| Short-term and long-term loans principal repayment (Note 13)                             | (73,023)           | -                   |
| Short-term and long-term loans Interest repayment (Note 13)                              | (380,686)          | (699,242)           |
| <b>Net cash generated from financing activities</b>                                      | <b>5,994,347</b>   | <b>7,986,025</b>    |
| Effect of exchange rate changes on cash and cash equivalents and translation differences | 1,540,700          | 315,902             |
| <b>Increase in cash and cash equivalents during the year</b>                             | <b>674,474</b>     | <b>577,282</b>      |
| <b>Cash and cash equivalents - beginning of the year</b>                                 | <b>1,879,447</b>   | <b>1,302,165</b>    |
| <b>Cash and cash equivalents - end of the year</b>                                       | <b>2,553,921</b>   | <b>1,879,447</b>    |
| <b>Cash and cash equivalents consist of:</b>   |                    |                     |
| Cash   | 2,553,921          | 1,879,447           |

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the years ended 31 December 2022 and 2021

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### 1. NATURE OF OPERATIONS

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

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

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

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

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

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

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

### 2. BASIS OF PREPARATION

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

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

These audited consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors on 31 March 2023.

The financial information for the year ended 31 December 2022 and the year ended 31 December 2021 does not constitute the company's statutory accounts for those years. Statutory accounts for the year ended 31 December 2021 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 December 2022 will be delivered to the Registrar of Companies in due course. The auditors' reports on the accounts for 31 December 2022 is unqualified but draw attention to matters by way of emphasis in relation to going concern and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. The auditors' reports on the accounts for 31 December 2021 is unqualified but draw attention to matters by way of emphasis in relation to going concern and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006

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

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the years ended 31 December 2022 and 2021

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### 2. BASIS OF PREPARATION (Continued)

#### Basis of consolidation

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

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

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

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

#### Going Concern

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

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

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

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

The Group's and Company's cash flow forecast was run with average silver price of \$US 22.0/oz for 2023 and 22.0/oz for 2024 based on independent forecasts for silver sold in Russia.

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

- As of 31 December 2022, the Group had \$2,553,921 (31 December 2021: \$1,879,447) cash and cash equivalents, and net current liabilities of \$183,285,887 (31 December 2021: net current liabilities of \$7,865,876). These current liabilities include the Group debt of \$205,698,340 (31 December 2021: \$182,808,269 included in non-current liabilities) with its major shareholders, Inflection and Aterra, for which interest accrues monthly that matures in 2023.
- In the period ended 31 December of 2022 the Group generated total operating cash outflow of \$35,284 (2021: cash inflow of \$2,358,736). Since period ended there has been no deterioration in production or sales as a result of the geopolitical situation between Russia and Ukraine or imposed sanctions.
- In the Group's cashflow forecast, the Directors have assumed that the Group is able to defer interest repayments on its loans and obtain loan extensions from its shareholders for loans that matures in 2023. This forecast shows that cash remains positive for the 18 month period from the date of approval of these financial statements. In the event that the Group is unable to defer interest payments or obtain a loan extension from its shareholders the Group would have insufficient cash to satisfy these liabilities.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the years ended 31 December 2022 and 2021

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### 2. BASIS OF PREPARATION (Continued)

#### Going concern (Continued)

- While there is currently no contracted written agreement to defer interest repayments to the Group's shareholders, the Group's Directors note that in the past they have been successful in both securing financing from its Shareholders and deferring interest repayments to them. For this reason and based on the Group's long-term relationships with their shareholders, the Directors have a reasonable expectation that they will be able to continue deferring interest payments.
- The Group has agreed with major shareholder to extend the shareholder's loans with its major shareholders, Inflection and Aterra, that currently matures in 2023, to 2028, however agreement cannot be executed due to nine package of EU sanctions against Russian Federation that prohibits new investing and new financing into Russian mining sector. Management are undertaking the following initiatives, namely: a) Seeking a Russian bank or financial institution capable of refinancing the current shareholder debt facility and providing the additional financing required to complete construction of the new flotation facility and allow for the underground mining at Vertikalny and/or b) Seeking a prospective joint-partner or financier or buyer for the Vertikalny Mine and the Mangazeisky Project assets. Management believes that its lenders will work with it (subject to compliance with all applicable sanctions) while it seeks a solution.
- During 2022 year due to the geopolitical situation between Russia and Ukraine multiple sanctions were declared against Russia by Western countries. There are no sanctions against the Group, however sanctions that were implemented against Russia meant some brands ceased their operations in Russia. The Directors have prepared a plan to respond to this risk such as diversifying revenue channels and considering the use of aftermarket spare parts for mining equipment that can no longer be sourced directly from suppliers. While the effect from the sanctions to date has had minimal impacts on the Group's operations, there is no certainty over the future impacts of sanctions imposed against Russia.
- Also, during 2022-year Russia implemented sanctions against Western countries. Since the Russian sanctions have been implemented, capital controls have been put in place that put restrictions on payments outside of Russia. Given the parent Company is reliant on cash from its Russian subsidiaries, this temporarily prevented the Parent Company fulfilling its obligation to creditors. Subsequently the Parent Company has received cash from its subsidiary through management service contracts which has enabled it to resume fulfilling its obligations to creditors. While the sanctions are in effect, the Group will be unable to pay dividends from Russia to UK and further to shareholders. There is no certainty over the future impact of sanctions imposed by Russia or Russian imposed capital controls.

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

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

Due to the fact that the open pit Vertikalny ends in 2023, Management expects a further decline in silver production. In 2023, the Group plans to focus on the production of silver ore concentrate, as well as silver bars from ore left over from part of the Vertikalny open pit.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the years ended 31 December 2022 and 2021

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### 2. BASIS OF PREPARATION (Continued)

#### Significant Accounting Policies

##### Foreign currency translation

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

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

##### Mineral properties

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

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

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

##### Intangible assets

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

##### Property, plant and equipment

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

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

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

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

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

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the years ended 31 December 2022 and 2021

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### **BASIS OF PREPARATION (Continued)**

#### **Exploration and development assets**

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

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

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

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

#### **Impairment of non-financial assets**

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

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

#### **Provision for decommissioning and restoration liability**

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

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

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



# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the years ended 31 December 2022 and 2021

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### 2. BASIS OF PREPARATION (Continued)

#### Significant Accounting Policies (Continued)

##### Financial instruments

Financial assets:

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

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

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

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

##### Financial liabilities:

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

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

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

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

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

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

##### Cash and cash equivalents

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

**Silver Bear Resources Plc**  
**Notes to Consolidated Financial Statements**  
For the years ended 31 December 2022 and 2021

**2. BASIS OF PREPARATION (Continued)**

**Significant Accounting Policies (Continued)**

**Revenue recognition**

Timing of recognition is governed by IFRS 15. Entity recognizes revenues when a performance obligation is satisfied, which is when “control” of the goods has transferred to the customer. Control of goods is transferred at the point of time, when silver is passed to the buyer at the refinery site.

Revenues from major customer are shown in the table below:

|   | <b>31 December 2022</b> | <b>In %</b> | <b>31 December 2021</b> | <b>In %</b> |
|---|-------------------------|-------------|-------------------------|-------------|
| <b>Total silver sales revenue</b>                   | <b>39,169,165</b>       |             | <b>45,315,268</b>       |             |
| <i>Total silver sales revenue by countries:</i>     |                         |             |                         |             |
| <i>Russian Federation</i>                           | 39,169,165              | 100%        | 45,315,268              | 100%        |
| <b>Total silver sales revenue</b>                   | <b>39,169,165</b>       |             | <b>45,315,268</b>       |             |
| <i>Total silver sales revenue by counteragents:</i> |                         |             |                         |             |
| <i>Sberbank PAO</i>                                 | 18,733,702              | 48%         | 45,315,268              | 100%        |
| <i>Trismegis OOO</i>                                | 7,315,314               | 19%         | -                       | -           |
| <i>Solfer OOO</i>                                   | 10,641,436              | 27%         | -                       | -           |
| <i>Others</i>                                       | 2,478,713               | 6%          | -                       | -           |
| <b>Total silver sales revenue</b>                   | <b>39,169,165</b>       |             | <b>45,315,268</b>       |             |

**Current and deferred income Taxes**

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

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

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

**Earnings per share**

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

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

**Share-based payments**

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

**2. BASIS OF PREPARATION (Continued)**

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the years ended 31 December 2022 and 2021

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### Significant Accounting Policies (Continued)

#### Borrowing costs

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

#### Prepaid expenses

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

#### Inventories

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

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

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

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

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

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

Inventory measured at lower of cost and net realisable value.

#### Leases

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

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

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

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

Lease liabilities accounted under a separate line in financial statement.

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

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

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

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

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

## 2. BASIS OF PREPARATION (Continued)

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the years ended 31 December 2022 and 2021

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### Accounting estimates and management judgments

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

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

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

*Critical judgements in applying accounting policies:*

- Determination of functional currency

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

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

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

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

## **2. BASIS OF PREPARATION (Continued)**

### **Significant Accounting Policies (Continued)**

*Key sources of estimation uncertainty:*

- Mineral resource estimate

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

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

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

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

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

- Impairment of mineral properties and property, plant and equipment

The carrying value of mineral properties and property, plant and equipment as of 31 December 2022 is \$2,170,235 and \$64,133,124, respectively, as disclosed in Note 9 and Note 10. While assessing whether any indications of impairment exist for mineral properties, consideration is given to both external and internal sources of information. Information that management considers includes, changes in the market, and changes in the economic and legal environment in which the Group operates that are not within its control that could affect the recoverable amount of mineral properties. Internal sources of information include the manner in which mineral properties are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Group's mineral properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, reductions in the amount of recoverable mineral reserves and mineral resources, and/or adverse current economics can result in a write-down of the carrying amounts of the Group's mineral properties.

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

In accordance with IAS 36, the impairment test was undertaken on 31 December 2022.

**Silver Bear Resources Plc**  
**Notes to Consolidated Financial Statements**  
*For the years ended 31 December 2022 and 2021*

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**2. BASIS OF PREPARATION (Continued)**

**Significant Accounting Policies (Continued)**

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

Key Assumption used in the impairment test:

- The economic life of the Vertikalny and Mangazeisky North deposits is currently expected to be around 2029 as per management's expectation as of 31 December 2022. While the Mangazeisky North deposit licence expires in 2023, the directors have a high degree of confidence that it will be extended given the renewal process is routine.
- For the following seven years Silver price is US\$24.7/ounce as per management's expectation as of 31 December 2022.
- For the following seven years RUB/USD foreign exchange rate 75 as per management's expectation as of 31 December 2022.
- For the following seven years average annual inflation of costs expressed in USD is 2.44 % as per management's expectation as of 31 December 2022.
- For the following seven years annual inflation of costs expressed in RUB is 4% as per management's expectation as of 31 December 2022.
- Post tax nominal discount rate of 16% (pre-tax of 17%). This was based on a Capital Asset Pricing Model analysis.

Based on the key assumptions set out above:

The recoverable amount of Vertikalny and Mangazeisky North deposits \$82,794,481.

Carrying value of the mining assets is shown in table below:

|   |                    |
|---|--------------------|
| PPE and mineral property                        | 93,743,897         |
| Less right of the use assets                    | (3,114,144)        |
| Less exploration assets                         | (1,696,569)        |
| Less asset retirement obligation                | (4,233,777)        |
| Adjustment for net working capital              | 23,878,617         |
| <b>Total carrying value for impairment test</b> | <b>108,578,024</b> |

The recoverable amount below carrying value of mining assets for \$25,783,543 thousand.

As a result of the test impairment charge in amount of \$ 7,192,346 was allocated to mineral property and impairment charge in amount of \$ 18,591,197 was allocated to property plant and equipment, totaling \$25 783,543 impairment charge.

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**Notes to Consolidated Financial Statements**  
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**2. BASIS OF PREPARATION (Continued)**

**Significant Accounting Policies (Continued)**

Sensitivity analysis:

|                                   |                  | In millions of CAD |
|-----------------------------------|------------------|--------------------|
| Impact if metal prices            | Increased by 20% | 58                 |
|                                   | Decreased by 20% | (58)               |
| Impact if RUB/USD exchange rate   | Increased by 20% | 28                 |
|                                   | Decreased by 20% | (41)               |
| Impact if future capex            | Increased by 20% | (5)                |
|                                   | Decreased by 20% | 5                  |
| Impact if post-tax discount rate: | Increased by 20% | (13)               |
|                                   | Decreased by 20% | 15                 |

- Depreciation rates

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

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

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

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

On 1 January 2021 the change in accounting estimate occurred, management reassess estimation of existing resources based on available data and resources used for "life of mine model" were 1,504,232 tonnes. This estimation includes "inferred" resources, that was not included into Wardell Armstrong mineral resource report. Depletion for the period 1 January 2020- 31 December 2022 was 223 tonnes.

- Rehabilitation provisions and asset retirement obligations

The carrying value of the asset retirement obligation as of 31 December 2022 is \$4,233,777 as disclosed in Note 14. Exploration and development activities carried out by the Group give rise to obligations for environmental rehabilitation. Significant uncertainty exists as to the amount and timing of associated cash flows and regulatory requirements. A Russian Central Bank borrowing rate for a 7-year zero coupon year bond is used in discounting future cash flows as a pre-tax discount rate.

The expected life of the mine is used as the discounting period. If the estimated discount rate used in the calculation had been higher for 20% than the management estimate, the carrying amount of the provision would have been lower for \$668,998 and the interest expense higher for \$25,728.

# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the years ended 31 December 2022 and 2021

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### 2. BASIS OF PREPARATION (Continued)

#### Significant Accounting Policies (Continued)

- Ore stocks

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

#### Accounting developments not yet adopted

- A number of standards and interpretations issued by the IASB that are effective for periods beginning after 31 December 2022 (the date of the company's next annual financial statements) the Group has elected not to adopt early.
- IFRS 17 Insurance Contracts (effective 1 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Classification of Liabilities as Current or Non-current (effective 1 January 2023);
- Amendments to IAS 12 Income Taxes - Deferred Tax on Assets and Liabilities Arising from a Single Transaction (effective 1 January 2023).
- The Group does not expect the application of these amendments to have a material impact on its consolidated financial statements.



# Silver Bear Resources Plc

## Notes to Consolidated Financial Statements

For the years ended 31 December 2022 and 2021

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### 2. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS

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

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

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

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

There were no changes in the Group's approach to capital management during the period ended 31 December 2022 compared to the year ended 31 December 2021. The Group is not subject to externally imposed capital requirements.

#### FINANCIAL RISK FACTORS

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

##### Market risk

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

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

##### Credit risk

The Group has no significant concentration of credit risk arising from operations. Cash equivalents consist of interest earning bank accounts held in banks in the Russia and Canada which in the presentational currency total \$2,527,884 (31 December 2021: \$1,853,168) and \$26,037 (31 December 2021: \$26,279), respectively. The Group's Canadian chartered banks have a credit rating of at least A2 (Moody's). At 31 December 2022 the Group's Russian banks have a credit rating of at least ca (Moody's). (31 December 2021: at least ba1 (Moody's)).

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

|                            | 31 December<br>2022 | 31 December<br>2021 |
|----------------------------|---------------------|---------------------|
| Receivables from customers | 5,958,104           | 1,244,898           |
| Cash and cash equivalents  | 2,553,921           | 1,879,447           |
|                            | <b>8,512,025</b>    | <b>3,124,345</b>    |

**Silver Bear Resources Plc**  
**Notes to Consolidated Financial Statements**  
For the years ended 31 December 2022 and 2021

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

**Liquidity risk**

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

|                           | 31 December<br>2022 | 31 December<br>2021 |
|---------------------------|---------------------|---------------------|
| Total current assets      | 33,382,190          | 26,507,394          |
| Total current liabilities | 216,620,439         | 34,373,270          |

As at 31 December 2022 the Group had total current assets of \$33,382,190 (31 December 2021 – \$26,507,394) to settle total current liabilities of \$216,620,439 (31 December 2021 – \$34,373,270), as well as its commitments outlined in Note 21. These current liabilities include shareholder loans totalling \$177,310,564, and accrued interest of \$28,340,138 on shareholders loans.

The Group has agreed with major shareholder to extend the shareholder's loans with its major shareholders, Inflection and Aterra, that currently matures in 2023, to 2028, however agreement cannot be executed due to nine package of EU sanctions against Russian Federation that prohibits new investing and new financing into Russian mining sector.

Management are undertaking the following initiatives, namely: a) Seeking a Russian bank or financial institution capable of refinancing the current shareholder debt facility and providing the additional financing required to complete construction of the new flotation facility and allow for the underground mining at Vertikalny and/or b) Seeking a prospective joint-partner or financier or buyer for the Vertikalny Mine and the Mangazeisky Project assets. Management believes that its lenders will work with it (subject to compliance with all applicable sanctions) while it seeks a solution.

As at 31 December 2022, the Group had cash balances of \$2,553,921 (31 December 2021 – \$1,879,447)

The Group had total lease obligations of \$2,506,155 at 31 December 2022 (31 December 2021 – \$5,209,181) under a combination of three and five-year leases for equipment in relation to the development of Mangazeisky, as outlined in Note 12.

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

| 31 December<br>2022                    | Carrying<br>amount | Contractual cash<br>flows | 6 months or less   | 6 to 12<br>months | 12 to 36<br>months |
|--|--------------------|---------------------------|--------------------|-------------------|--------------------|
| <b>Current liabilities</b>             |                    |                           |                    |                   |                    |
| Accounts payable & accrued liabilities | 6,806,188          | 6,806,188                 | 6,806,188          | -                 | -                  |
| Short-term loans principal             | 177,568,285        | 177,310,565               | 177,310,565        | -                 | -                  |
| Short-term loans interest              | 29,784,202         | 35,476,037                | 33,987,839         | 1,488,197         | -                  |
| Lease liabilities                      | 2,318,302          | 3,165,749                 | 1,761,276          | 1,404,473         | -                  |
| <b>Non-current liabilities</b>         |                    |                           |                    |                   |                    |
| Long-term loans principal              | 23,557,249         | 23,814,968                | 128,715            | 129,005           | 23,557,248         |
| Long-term loans interest               | -                  | 5,765,114                 | -                  | -                 | 5,765,114          |
| Lease liabilities                      | 187,853            | 236,400                   | -                  | -                 | 236,400            |
|  | <b>240,222,079</b> | <b>252,575,021</b>        | <b>219,994,583</b> | <b>3,021,675</b>  | <b>29,558,762</b>  |

**Silver Bear Resources Plc**  
**Notes to Consolidated Financial Statements**  
For the years ended 31 December 2022 and 2021

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

**Liquidity risk (Continued)**

| 31 December 2021                       | Carrying amount    | Contractual cash flows | 6 months or less  | 6 to 12 months    | 12 to 36 months    |
|--|--------------------|------------------------|-------------------|-------------------|--------------------|
| <b>Current liabilities</b>             |                    |                        |                   |                   |                    |
| Accounts payable & accrued liabilities | 3,515,620          | 3,515,620              | 3,515,620         | -                 | -                  |
| Short-term loans principal             | 12,667,507         | 12,667,507             |                   | 12,667,507        |                    |
| Short-term loans interest              | 15,258,049         | 28,022,810             | 21,385,452        | 6,637,358         |                    |
| Lease liabilities                      | 2,931,455          | 3,426,188              | 1,791,088         | 1,635,100         | -                  |
| <b>Non-current liabilities</b>         |                    |                        |                   |                   |                    |
| Long-term loans principal              | 167,639,194        | 170,705,444            | -                 | -                 | 170,705,444        |
| Long-term loans interest               | -                  | 2,568,159              |                   |                   | 2,568,159          |
| Lease liabilities                      | 2,277,726          | 2,439,383              |                   | -                 | 2,439,383          |
|  | <b>204,289,551</b> | <b>223,345,111</b>     | <b>26,692,160</b> | <b>20,939,965</b> | <b>175,712,986</b> |

**Interest rate risk**

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

**Foreign currency risk**

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

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

|  | 31 December 2022 |             |         |        | 31 December 2021 |             |        |         |
|--|------------------|-------------|---------|--------|------------------|-------------|--------|---------|
|  | GBP              | USD         | CAD     | EUR    | GBP              | USD         | CAD    | EUR     |
| <b>Current assets:</b>                   |                  |             |         |        |                  |             |        |         |
| Cash and cash equivalents                | -                | 10,222      | 21,525  | -      | 2                | 4,759       | 21,941 | -       |
| Receivables                              | -                | 5,610,504   | -       | -      | -                | -           | -      | -       |
| <b>Total current assets</b>              | -                | 5,620,726   | 21,525  | -      | 2                | 4,759       | 21,941 | -       |
| <b>Current liabilities:</b>              |                  |             |         |        |                  |             |        |         |
| Accounts payable and accrued liabilities | 109,550          | 295,599     | 113,547 | 60,564 | 273,679          | 109,890     | 58,304 | 134,284 |
| Lease liabilities                        | -                | 658,484     | -       | -      | -                | 808,753     | -      | -       |
| <b>Total current liabilities</b>         | 109,550          | 954,083     | 113,547 | 60,564 | 273,679          | 918,643     | 58,304 | 134,284 |
| <b>Non-current liabilities:</b>          |                  |             |         |        |                  |             |        |         |
| Long-term loans                          | -                | 206,406,381 | -       | -      | -                | 182,808,269 | -      | -       |
| Lease liabilities                        | -                | 94,358      | -       | -      | -                | 113,764     | -      | -       |
| <b>Total non-current liabilities</b>     | -                | 206,500,739 | -       | -      | -                | 182,922,033 | -      | -       |

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

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

**Foreign currency risk (Continued)**

|   | 31 December<br>2022      | 31 December<br>2021      |
|---|--------------------------|--------------------------|
|   | Impact on profit or loss | Impact on profit or loss |
| US Dollar strengthening by 20% (2021: strengthening by 20%) | (40,172,279)             | (37,437,427)             |
| US Dollar weakening by 20% (2021: weakening by 20%)         | 40,172,279               | 37,437,427               |
| CAD strengthening by 20% (2021: strengthening by 20%)       | (12,034)                 | (1,127)                  |
| CAD weakening by 20% (2021: weakening by 20%)               | 12,034                   | 1,127                    |
| GBP strengthening by 20% (2021: strengthening by 20%)       | (1,849,198)              | (55,103)                 |
| GBP weakening by 20% (2021: weakening by 20%)               | 1,849,198                | 55,103                   |
| EUR strengthening by 20% (2021: strengthening by 20%)       | (12,197)                 | (27,041)                 |
| EUR weakening by 20% (2021: weakening by 20%)               | 12,197                   | 27,041                   |

**4. RECEIVABLES**

|                                  | 31 December<br>2022 | 31 December<br>2021 |
|----------------------------------|---------------------|---------------------|
| Russian Value Added Tax          | -                   | 1,531,695           |
| Deferred Russian Value Added Tax | 8,371               | 893,445             |
| Receivables from customers       | 5,958,104           | 1,244,898           |
|                                  | <b>5,966,475</b>    | <b>3,670,038</b>    |

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

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

**5. INVENTORIES**

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

|                     | 31 December<br>2022 | 31 December<br>2021 |
|---------------------|---------------------|---------------------|
| Fuel and lubricants | 2,374,850           | 3,247,752           |
| Parts and supplies  | 8,692,630           | 7,724,864           |
| Reagents            | 2,514,955           | 3,086,556           |
| Silver for sale     | 8,211               | 236,898             |
| Ore stockpile       | 8,581,467           | 559,810             |
| Silver in circuit   | 1,120,452           | 3,617,748           |
|                     | <b>23,292,565</b>   | <b>18,473,628</b>   |

Net realisable value test performed that represent the estimated future sales price of the product based on contained silver and metals prices, less estimated costs to complete production and bring the product to sale. As a result of net realisable value test impairment charge in amount of \$1,808,044 was recognized (2021: \$nil)

The total cost of inventory recognized in cost of sales is \$45,454,053 (2021: \$46,942,951).

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

Prepaid expenses consist of the following:

|                          | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> |
|--------------------------|-----------------------------|-----------------------------|
| Prepayments to suppliers | 1,399,659                   | 2,445,757                   |
| Taxes                    | 169,570                     | 38,524                      |
|                          | <b>1,569,229</b>            | <b>2,484,281</b>            |

Prepaid non-current assets consist of the following:

|   | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> |
|---|-----------------------------|-----------------------------|
| Prepayments for property, plant and equipment | 691,252                     | 881,469                     |
|   | <b>691,252</b>              | <b>881,469</b>              |

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

**7. OTHER NON-CURRENT ASSETS**

|                         | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> |
|-------------------------|-----------------------------|-----------------------------|
| Construction supplies   | 3,774,050                   | 4,040,580                   |
| Non-current inventories | 453,607                     | -                           |
|                         | <b>4,227,657</b>            | <b>4,040,580</b>            |

During period ended 31 December 2022 there were no a write-off of non-current inventory.

During comparable period ended 31 December 2021 there was a write-off of non-current inventory in amount of \$909,898, this write-off related to electrolysis section that will be not used in existing technological scheme of processing plant.

**8. INTANGIBLE ASSETS**

| <b>Software</b>                             | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> |
|---|-----------------------------|-----------------------------|
| <b>Balance at the beginning of the year</b> | <b>180,583</b>              | <b>299,528</b>              |
| Additions                                   | -                           | 1,854                       |
| Amortization                                | (119,302)                   | (116,681)                   |
| Translation adjustment                      | 21,234                      | (4,118)                     |
| <b>Balance at the end of the period</b>     | <b>82,515</b>               | <b>180,583</b>              |

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**9. MINERAL PROPERTY**

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

|   |                                      |                                   | 31 December<br>2022 | 31 December<br>2021 |
|---|--------------------------------------|-----------------------------------|---------------------|---------------------|
| Mangazeisky                                 | Licenses and<br>Development<br>costs | Asset<br>Retirement<br>Obligation | Total               | Total               |
| <b>Balance at the beginning of the year</b> | <b>8,343,254</b>                     | <b>1,903,841</b>                  | <b>10,247,095</b>   | <b>11,923,604</b>   |
| Depreciation                                | (761,690)                            | (299,308)                         | (1,060,998)         | (1,023,397)         |
| Change in estimate                          | -                                    | (70,205)                          | (70,205)            | (617,167)           |
| Impairment of mineral property              | (7,192,346)                          | -                                 | (7,192,346)         |                     |
| Translation adjustment                      | 51,204                               | 195,485                           | 246,689             | (35,945)            |
| <b>Balance at the end of the period</b>     | <b>440,422</b>                       | <b>1,729,813</b>                  | <b>2,170,235</b>    | <b>10,247,095</b>   |

Mineral property is made up of the following classes of assets; licenses \$440,422 (2021: \$570,808), asset retirement obligation \$1,729,813 (2021: \$1,903,841) and development costs of \$nil (2021: \$7,772,446).

At 31 December 2022 annual impairment test was performed, as a result impairment charge in amount of \$7,192,346 was charged to capitalised development costs

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

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

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

**10. PROPERTY, PLANT AND EQUIPMENT**

Reconciliation of the carrying amount at the beginning and end of the periods ended 31 December 2022 and 31 December 2021:

|  | Right of the use<br>assets | Mining Assets     | Assets under<br>construction | Total             |
|--|----------------------------|-------------------|------------------------------|-------------------|
| <b>Carrying amount at 31 December 2020</b> | <b>3,657,247</b>           | <b>67,774,786</b> | <b>2,664,503</b>             | <b>74,096,536</b> |
| Additions                                  | 6,780,319                  | 744,170           | 8,534,687                    | 16,059,176        |
| Transfers                                  | -                          | 3,898,241         | (3,898,241)                  | -                 |
| Disposal at cost                           | -                          | (716,611)         | (427,428)                    | (1,144,039)       |
| Depreciation                               | (4,597,124)                | (4,869,781)       | -                            | (9,466,905)       |
| Depreciation eliminated on disposal        | -                          | 532,091           | -                            | 532,091           |
| Translation adjustment                     | 499,274                    | (1,597,119)       | (29,954)                     | (1,127,799)       |
| <b>Carrying amount at 31 December 2021</b> | <b>6,339,716</b>           | <b>65,765,777</b> | <b>6,843,567</b>             | <b>78,949,060</b> |
| Additions                                  | -                          | 1,006,985         | 6,662,680                    | 7,669,665         |
| Transfers                                  | -                          | 7,064,984         | (7,064,984)                  | -                 |
| Disposal at cost                           | -                          | (956,253)         | (140,229)                    | (1,096,482)       |
| Depreciation                               | (4,041,940)                | (9,356,952)       | -                            | (13,398,892)      |
| Depreciation eliminated on disposal        | -                          | 773,419           | -                            | 773,419           |
| Impairment of mining assets                | -                          | (18,591,197)      | -                            | (18,591,197)      |
| Translation adjustment                     | 742,073                    | 8,002,763         | 1,082,715                    | 9,827,551         |
| <b>Carrying amount at 31 December 2022</b> | <b>3,039,849</b>           | <b>53,709,526</b> | <b>7,383,749</b>             | <b>64,133,124</b> |

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**10. PROPERTY, PLANT AND EQUIPMENT (Continued)**

The property, plant and equipment as of the period ended 31 December 2022 included \$7,383,749 (31 December 2021: \$6,843,567) of assets that are not yet ready for use. During the period ended 31 December 2022, \$7,064,984 (31 December 2021: \$3,898,241) of these assets became available for use, they were transferred into property, plant and equipment and depreciation was charged on them. Leased assets are pledged as security for the related lease obligations.

The Group acquires property, plant and equipment on prepayment terms. Cash paid to suppliers of property, plant and equipment and capitalized expenses paid by cash during the period was \$6,772,463 (For the period ended 31 December 2021 - \$10,010,572).

At 31 December 2022 annual impairment test was performed, as a result impairment charge in amount of \$18,591,197 was charged to mining assets

All the property plant and equipment of the Group is pledged to shareholders under borrowings agreements.  
Assets under construction includes a flotation building for the amount of \$ 5,125,128 (31 December 2021: 3,092,051)

Mining assets include exploration and evaluation assets \$1,696,572 (31 December 2021: \$736,477).

Mining assets (except exploration and evaluation assets) depreciated on unit of production basis in proportion of depletion of resources.

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

|  | Processing plant | Mining vehicles  | Infrastructure and other | Total            |
|--|------------------|------------------|--------------------------|------------------|
| <b>Carrying amount at 31 December 2020</b> | <b>1,199,525</b> | <b>2,418,494</b> | <b>39,228</b>            | <b>3,657,247</b> |
| Additions                                  | -                | 5,627,833        | 1,152,486                | 6,780,319        |
| Depreciation                               | (729,484)        | (3,472,793)      | (394,847)                | (4,597,124)      |
| Translation adjustment                     | 77,277           | 378,917          | 43,080                   | 499,274          |
| <b>Carrying amount at 31 December 2021</b> | <b>547,318</b>   | <b>4,952,451</b> | <b>839,947</b>           | <b>6,339,716</b> |
| Additions                                  | -                | -                | -                        | -                |
| Depreciation                               | (495,889)        | (3,114,123)      | (431,928)                | (4,041,940)      |
| Translation adjustment                     | 68,663           | 578,336          | 95,074                   | 742,073          |
| <b>Carrying amount at 31 December 2022</b> | <b>120,092</b>   | <b>2,416,664</b> | <b>503,093</b>           | <b>3,039,849</b> |

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**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consist of the following:

|                                   | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> |
|-----------------------------------|-----------------------------|-----------------------------|
| Trade and other payables          | 3,961,554                   | 1,492,224                   |
| Accrued liabilities               | 836,128                     | 1,151,434                   |
| Property tax liabilities          | 373,879                     | 373,436                     |
| Social contribution taxes         | 1,057,092                   | 224,034                     |
| VAT                               | 540,775                     | -                           |
| Mineral extraction tax            | -                           | 259,485                     |
| Other taxes and other liabilities | 36,760                      | 15,007                      |
|                                   | <b>6,806,188</b>            | <b>3,515,620</b>            |

**12. LEASE OBLIGATION**

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

On September 2022, the Group entered into lease-back agreements with Interleasing OOO and on the terms of the Interleasing OOO, these lease-back agreements were classified as financial liability in accordance with IFRS 9. (Note 13).

For period ended 31 December 2022 Interest expenses on lease liabilities were \$506,890 (2021: \$800,522), total cash outflow for leases was \$3,694,243 (2021: \$4,067,357).

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

|  | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> |
|--|-----------------------------|-----------------------------|
| Within one year                                | 3,165,749                   | 3,426,188                   |
| Within two to five years                       | 236,400                     | 2,439,383                   |
| Over 5 years                                   | -                           | -                           |
|  | <b>3,402,149</b>            | <b>5,865,571</b>            |
| Future finance charges on finance leases       | (895,994)                   | (656,390)                   |
| <b>Present value of the net lease payments</b> | <b>2,506,155</b>            | <b>5,209,181</b>            |
| Current portion                                | 2,318,302                   | 2,931,455                   |
| Long-term portion                              | 187,853                     | 2,277,726                   |
| <b>Total obligations under leases</b>          | <b>2,506,155</b>            | <b>5,209,181</b>            |



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For the years ended 31 December 2022 and 2021

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

| Lender   | 31 December 2022   |                   |                    | 31 December 2021   |                   |                    |
|--|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|
|  | Principal          | Interest          | Total              | Principal          | Interest          | Total              |
| <b>Long-term loans:</b>                          |                    |                   |                    |                    |                   |                    |
| Unifirm Ltd (formerly A.B. Aterra Resources Ltd) | -                  | -                 | -                  | 34,311,410         | -                 | 34,311,410         |
| Inflection Management Corp.                      | -                  | -                 | -                  | 136,394,034        | -                 | 136,394,034        |
| Interleasing OOO                                 | 450,321            | -                 | 450,321            | -                  | -                 | -                  |
| SKA Assets Management                            | 23,106,928         | -                 | 23,106,928         | -                  | -                 | -                  |
| Fair value gain on modification of loans         | -                  | -                 | -                  | (3,066,250)        | -                 | (3,066,250)        |
| <b>Total long-term loans</b>                     | <b>23,557,249</b>  | <b>-</b>          | <b>23,557,249</b>  | <b>167,639,194</b> | <b>-</b>          | <b>167,639,194</b> |
| <b>Short-term loans:</b>                         |                    |                   |                    |                    |                   |                    |
| Unifirm Ltd (formerly A.B. Aterra Resources Ltd) | 35,639,024         | 5,696,304         | 41,335,328         | -                  | 3,048,950         | 3,048,950          |
| Inflection Management Corp.                      | 141,671,541        | 22,643,834        | 164,315,375        | -                  | 12,120,125        | 12,120,125         |
| Interleasing OOO                                 | 257,720            | -                 | 257,720            | -                  | -                 | -                  |
| SKA Assets Management                            | -                  | 1,444,064         | 1,444,064          | 12,667,507         | 88,974            | 12,756,481         |
| Fair value gain on modification of loans         | -                  | -                 | -                  | -                  | -                 | -                  |
| <b>Total short-term loans</b>                    | <b>177,568,285</b> | <b>29,784,202</b> | <b>207,352,487</b> | <b>12,667,507</b>  | <b>15,258,049</b> | <b>27,925,556</b>  |
| <b>Total loans</b>                               | <b>201,125,534</b> | <b>29,784,202</b> | <b>230,909,736</b> | <b>180,306,701</b> | <b>15,258,049</b> | <b>195,564,750</b> |

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

|                                     | Unifirm (formerly Aterra) |                  | Inflection         |                   | Gain on modification of loans | Total              |
|-------------------------------------|---------------------------|------------------|--------------------|-------------------|-------------------------------|--------------------|
|                                     | Principal<br>USD          | Interest<br>USD  | Principal<br>USD   | Interest<br>USD   | USD                           | USD                |
| <b>As at 31 December 2020 (USD)</b> | <b>27,344,069</b>         | <b>489,155</b>   | <b>108,697,596</b> | <b>1,944,479</b>  | <b>(5,661,408)</b>            | <b>132,813,891</b> |
| <b>As at 31 December 2020 (CAD)</b> | <b>34,664,242</b>         | <b>620,105</b>   | <b>137,796,607</b> | <b>2,465,028</b>  | <b>(7,398,016)</b>            | <b>168,147,966</b> |
| Interest accrued                    | -                         | 1,940,669        | -                  | 7,714,510         | 3,217,797                     | 12,872,976         |
| <b>As at 31 December 2021 (USD)</b> | <b>27,344,069</b>         | <b>2,429,824</b> | <b>108,697,596</b> | <b>9,658,989</b>  | <b>(2,443,611)</b>            | <b>145,686,867</b> |
| <b>As at 31 December 2021 (CAD)</b> | <b>34,311,410</b>         | <b>3,048,950</b> | <b>136,394,034</b> | <b>12,120,125</b> | <b>(3,066,250)</b>            | <b>182,808,269</b> |
| Interest accrued                    | -                         | 1,940,669        | -                  | 7,714,510         | 2,443,611                     | 12,098,790         |
| <b>As at 31 December 2022 (USD)</b> | <b>27,344,069</b>         | <b>4,370,493</b> | <b>108,697,596</b> | <b>17,373,499</b> | <b>-</b>                      | <b>157,785,657</b> |
| <b>As at 31 December 2022 (CAD)</b> | <b>35,639,024</b>         | <b>5,696,304</b> | <b>141,671,541</b> | <b>22,643,834</b> | <b>-</b>                      | <b>205,650,703</b> |

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

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

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

|                               | Unifirm (formerly Aterra) |                   | Inflection         |                   | Gain on modification of loans | Total              |
|-------------------------------|---------------------------|-------------------|--------------------|-------------------|-------------------------------|--------------------|
|                               | Principal<br>CAD\$        | Interest<br>CAD\$ | Principal<br>CAD\$ | Interest<br>CAD\$ | CAD\$                         | CAD\$              |
| <b>As at 31 December 2020</b> | <b>34,664,242</b>         | <b>620,105</b>    | <b>137,796,607</b> | <b>2,465,028</b>  | <b>(7,398,016)</b>            | <b>168,147,966</b> |
| Interest accrued              | -                         | 2,437,601         | -                  | 9,689,904         | 4,029,896                     | <b>16,157,401</b>  |
| Foreign exchange loss         | 248,950                   | 22,329            | 989,622            | 88,763            | -                             | <b>1,349,664</b>   |
| Translation adjustment        | (601,782)                 | (31,085)          | (2,392,195)        | (123,570)         | 301,870                       | <b>(2,846,762)</b> |
| <b>As at 31 December 2021</b> | <b>34,311,410</b>         | <b>3,048,950</b>  | <b>136,394,034</b> | <b>12,120,125</b> | <b>(3,066,250)</b>            | <b>182,808,269</b> |
| Interest accrued              | -                         | 2,452,483         | -                  | 9,749,062         | 3,113,524                     | <b>15,315,069</b>  |
| Foreign exchange loss         | (1,896,835)               | (49,309)          | (7,540,261)        | (196,011)         | -                             | <b>(9,682,416)</b> |
| Translation adjustment        | 3,224,449                 | 244,180           | 12,817,768         | 970,658           | (47,274)                      | <b>17,209,781</b>  |
| <b>As at 31 December 2022</b> | <b>35,639,024</b>         | <b>5,696,304</b>  | <b>141,671,541</b> | <b>22,643,834</b> | -                             | <b>205,650,703</b> |

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

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

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

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

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

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

Movement in long-term loan and short-term interest from it is analyzed as follows in CAD:

|  | <b>SKA Assets Management</b> |                                  |                   |
|--|------------------------------|----------------------------------|-------------------|
|  | <i>Principal</i>             | <i>Interest<br/>(short-term)</i> | <i>Total</i>      |
| <b>As at 31 December 2020</b>                        | -                            | -                                | -                 |
| Principal amounts received                           | 12,752,624                   | -                                | 12,752,624        |
| Interest accrued                                     | -                            | 788,814                          | 788,814           |
| Principal and interest repayment                     | -                            | (699,242)                        | (699,242)         |
| Translation adjustment                               | (85,117)                     | (598)                            | (85,715)          |
| <b>As at 31 December 2021</b>                        | <b>12,667,507</b>            | <b>88,974</b>                    | <b>12,756,481</b> |
| Principal amounts received before modification       |                              |                                  |                   |
| Interest accrued before modification                 | -                            | 1,035,947                        | 1,035,947         |
| Principal and interest repayment before modification | -                            | (329,339)                        | (329,339)         |
| Derecognition due to modification on 1 October 2022  | (12,667,507)                 | 795,582                          | (11,871,925)      |
| Recognition of new loan on 1 October 2022            | 12,667,507                   | (795,582)                        | 11,871,925        |
| Principal amounts received after modification        | 9,237,891                    | -                                | 9,237,891         |
| Interest accrued after modification                  | -                            | 673,032                          | 673,032           |
| Translation adjustment                               | 1,201,530                    | (24,550)                         | 1,176,980         |
| <b>As at 31 December 2022</b>                        | <b>23,106,928</b>            | <b>1,444,064</b>                 | <b>24,550,992</b> |

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

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

On 6 October 2022, the Group entered into an amendment of agreement with SKA ASSETS MANAGEMENT LIMITED, a company under common control with Inflection extending the maturity date to 31 December 2025, with an interest rate of 12.50% per annum and increase principal of loan in the amount of RUB 2,250,000,000 (equivalent to approximately C\$43,000,000) effectively from 1 October 2022. The modification of the loan was considered to be substantive and resulted derecognition of old loan in the amount of \$11,871,925 and recognition of new loan at fair value of \$11,871,925.

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

|                                  | Interleasing 000 |          | Total          |
|----------------------------------|------------------|----------|----------------|
|                                  | Principal        | Interest |                |
| <b>As at 31 December 2020</b>    | -                | -        | -              |
| Principal amounts received       | -                | -        | -              |
| Interest accrued                 | -                | -        | -              |
| Principal and interest repayment | -                | -        | -              |
| Translation adjustment           | -                | -        | -              |
| <b>As at 31 December 2021</b>    | -                | -        | -              |
| Principal amounts received       | 904,408          | -        | 904,408        |
| Interest accrued                 | -                | 51,347   | 51,347         |
| Principal and interest repayment | (73,023)         | (51,347) | (124,370)      |
| Translation adjustment           | (123,344)        | -        | (123,344)      |
| <b>As at 31 December 2022</b>    | <b>708,041</b>   | -        | <b>708,041</b> |

On September 2022, the Group entered into lease-back agreements with Interleasing 000 and on the terms of the Interleasing 000, these lease-back agreements were classified as financial liability in accordance with IFRS 9.

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

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

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

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

Asset retirement obligation consists of the following:

|   | 31 December<br>2022 | 31 December<br>2021 |
|---|---------------------|---------------------|
| <b>Balance at the beginning of the year</b> | <b>3,609,228</b>    | <b>4,040,784</b>    |
| Accretion expense                           | 345,377             | 235,090             |
| Impact of rates adjustment                  | (70,208)            | (617,167)           |
| Translation adjustment                      | 349,380             | (49,479)            |
| <b>Balance at the end of the year</b>       | <b>4,233,777</b>    | <b>3,609,228</b>    |

At 31 December 2022, the expected life of the Mangazeisky project has been assessed to be 7 years. The projected cost for reclamation and closure of the Mangazeisky project in 2028 has been estimated to be \$7.4m. A Russian Government 7-year zero coupon year bond of 9.89% (2021 8.45%) has been used in discounting of future cash flows

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**15. SHAREHOLDERS' EQUITY**

**Common shares**

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

All issued shares are fully paid. Reconciliation of the number and value of common shares at the beginning and end of the period ended 31 December 2022 and 31 December 2021:

| Common shares                          | 31 December 2022        |                   | 31 December 2021        |                   |
|--|-------------------------|-------------------|-------------------------|-------------------|
|  | Number of common shares | \$                | Number of common shares | \$                |
| <b>Balance - Beginning of the year</b> | <b>677,746,082</b>      | <b>99,568,972</b> | <b>673,690,423</b>      | <b>99,561,998</b> |
| Issued under stock option plan         | -                       | -                 | 64,017                  | 112               |
| Issued under share subscription plan   | 583,529                 | 998               | 3,991,642               | 6,862             |
| Issued under share bonus plan          | -                       | -                 | -                       | -                 |
| Shares issued during the period        | -                       | -                 | -                       | -                 |
| <b>Balance - End of the year</b>       | <b>678,329,611</b>      | <b>99,569,970</b> | <b>677,746,082</b>      | <b>99,568,972</b> |

**Share premium**

|   | 31 December 2022  | 31 December 2021  |
|---|-------------------|-------------------|
| <b>Balance - Beginning of the year</b>      | <b>23,106,647</b> | <b>22,570,500</b> |
| Shares issued under share subscription plan | 51,519            | 524,736           |
| Shares issued under stock option plan       | -                 | 11,411            |
| <b>Balance - End of the year</b>            | <b>23,158,166</b> | <b>23,106,647</b> |

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

**Share Subscription Plan**

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

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

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

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

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

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

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

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

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### 15. SHAREHOLDERS' EQUITY (Continued)

#### Share Subscription Plan (Continued)

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

On 2 February 2022, the Group issued 451,764 common shares under the non-executive director subscription plan for the nominal fee of £0.001.

On 16 February 2022, the Group issued 131,765 common shares under the non-executive director subscription plan for the nominal fee of £0.001.

#### Stock options

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

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

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

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

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

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

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

During the period ended 31 December 2021, options generated a share-based payments expense of \$3,850 (2021: \$50,308). The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability and exercise restrictions (including the probability of meeting market conditions attached to the option). Expected volatility is based on the historical share price volatility over the past 4 years. The expected life of the option was calculated based on the history of option exercises.

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**15. SHAREHOLDERS' EQUITY (Continued)**

**Stock options (Continued)**

Reconciliation of the number of options at the beginning and end of the periods ended 31 December 2022 and 31 December 2021 follows:

|  | 31 December<br>2022 |   | 31 December<br>2021 |   |
|--|---------------------|---|---------------------|---|
|  | Number              | Weighted average<br>exercise price,<br>\$ | Number              | Weighted<br>average<br>exercise price, \$ |
| <b>Balance - Beginning of the year</b> | <b>22,433,333</b>   | <b>0.25</b>                               | <b>24,251,000</b>   | <b>0.25</b>                               |
| Granted                                | -                   | -   | -                   | -   |
| Exercised                              | -                   | -   | (166,667)           | 0.11                                      |
| Expired / Cancelled / Forfeited        | (18,000,000)        | 0.24                                      | (1,651,000)         | 0.19                                      |
| <b>Balance - End of the year</b>       | <b>4,433,333</b>    | <b>0.27</b>                               | <b>22,433,333</b>   | <b>0.25</b>                               |

As at 31 December 2022, the Group had share options outstanding and exercisable as follows:

| Expiry year | Outstanding      |   | Exercisable      |  |
|-------------|------------------|---|------------------|--|
|             | Number           | Weighted average<br>exercise price,<br>\$ | Number           | Weighted average<br>exercise price, \$ |
| 2023        | 4,100,000        | 0.26                                      | 4,100,000        | 0.26                                   |
| 2024        | 333,333          | 0.27                                      | 333,333          | 0.27                                   |
|             | <b>4,433,333</b> | <b>0.27</b>                               | <b>4,433,333</b> | <b>0.27</b>                            |

The weighted average remaining contractual life of share options outstanding at the end of the period was 392 days (2021: 442 days).

Contributed surplus consists of the following:

|   | 31 December<br>2022 | 31 December<br>2021 |
|---|---------------------|---------------------|
| <b>Balance - Beginning of the year</b>  | <b>16,765,939</b>   | <b>16,960,163</b>   |
| Share-based payments                    | 3,850               | 86,403              |
| Exercised options                       | -                   | (12,340)            |
| Expired / Cancelled / Forfeited options | (2,169,972)         | (268,287)           |
| <b>Balance - End of the year</b>        | <b>14,599,817</b>   | <b>16,765,939</b>   |

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**15. SHAREHOLDERS' EQUITY (Continued)**

**Earnings per share**

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

|   | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> |
|---|-----------------------------|-----------------------------|
| Net loss  | (47,518,076)                | (27,478,538)                |
| Weighted average number of shares used in basic EPS   | 678,271,641                 | 676,065,239                 |
| Basic loss per share                                  | (0.07)                      | (0.04)                      |
| Exercisable stock options                             | 4,433,333                   | 22,917,667                  |
| Weighted average number of shares used in diluted EPS | 682,704,974                 | 698,982,906                 |
| Diluted loss per share                                | (0.07)                      | (0.04)                      |



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**16. RELATED PARTY DISCLOSURES**

**(a) Financing transactions**

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

**(b) Purchases from related parties**

As at 31 December 2022 the Group has a nil outstanding balances with TechnoNicol, the company under common control, with Inflection (2021: prepayment \$7,218). During the period ended 31 December 2022 the Group has acquired construction materials from TechnoNicol in amount of \$36,223 (For the same period in 2021: \$281,441)

**(c) Compensation of key management**

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

|   | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> |
|---|-----------------------------|-----------------------------|
| Salaries, fees and short-term employee benefits | 584,962                     | 520,501                     |
| Share-based payments                            | 4,907                       | 69,048                      |
|   | <b>589,869</b>              | <b>589,549</b>              |

**(d) Interest in other entities**

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

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

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

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

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**17. OTHER INCOME AND EXPENSES**

**OTHER INCOME**

|                        | <b>2022</b>    | <b>2021</b>    |
|------------------------|----------------|----------------|
| Meals distribution     | 117,935        | 45,198         |
| Rent                   | 56,080         | 89,271         |
| Income from fuel sales | 44,546         | 84,860         |
| Other income           | 1,715          | 284,437        |
|                        | <b>220,276</b> | <b>503,766</b> |

**OTHER EXPENSES**

|                      | <b>2022</b>        | <b>2021</b>        |
|----------------------|--------------------|--------------------|
| Loss from fuel sales | (750,388)          | -                  |
| Property tax         | (1,659,805)        | (1,599,840)        |
| Penalties            | -                  | (15,079)           |
| Other expenses       | (181,379)          | (241,025)          |
|                      | <b>(2,591,572)</b> | <b>(1,855,944)</b> |

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

**Production cost:**

|   | <b>2022</b>         | <b>2021</b>         |
|---|---------------------|---------------------|
| Employee compensation                         | (12,367,160)        | (10,056,545)        |
| Process reagents                              | (2,985,647)         | (1,971,807)         |
| Repair and maintenance                        | (5,523,920)         | (4,421,972)         |
| Fuel  | (4,655,615)         | (5,068,282)         |
| Mining tax                                    | (2,530,955)         | (2,936,304)         |
| Blasting                                      | (2,645,493)         | (3,246,325)         |
| Energy  | (2,692,014)         | (1,117,786)         |
| Refinery                                      | (237,189)           | (267,890)           |
| Other   | (4,218,523)         | (4,097,698)         |
| Change in finished goods and work in progress | 7,303,280           | (3,427,919)         |
|   | <b>(30,553,236)</b> | <b>(36,612,528)</b> |

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

**General and administrative expenses:**

|                                     | <b>2022</b>        | <b>2021</b>        |
|-------------------------------------|--------------------|--------------------|
| Employee compensation               | (2,628,251)        | (2,311,378)        |
| Professional fees                   | (212,063)          | (297,874)          |
| Auditors' remuneration - Audit fees | (121,691)          | (424,966)          |
| Office expenses                     | (49,518)           | (56,239)           |
| Travel expenses                     | (31,099)           | (15,560)           |
| Legal fees                          | (134,074)          | (180,945)          |
| Investor relations expenses         | (103,554)          | (101,942)          |
| Depreciation                        | (41,017)           | (25,213)           |
| Amortization                        | (120,863)          | (94,904)           |
| Rent                                | (307,534)          | (241,534)          |
| IT and communications               | (309,852)          | (192,145)          |
| Other expenses                      | (216,309)          | (212,045)          |
|                                     | <b>(4,275,825)</b> | <b>(4,154,745)</b> |

The average number of employees during the period was 339 (For the period ended 2021: 278).

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

**Employee compensation:**

|   | <b>2022</b>         | <b>2021</b>         |
|---|---------------------|---------------------|
| Salaries, fees and short-term employee benefits | (14,991,561)        | (12,281,520)        |
| Share-based payments                            | (3,850)             | (86,403)            |
|   | <b>(14,995,411)</b> | <b>(12,367,923)</b> |

**19. FINANCE INCOME AND EXPENSE**

**Finance Expense**

|   | <b>2022</b>         | <b>2021</b>         |
|---|---------------------|---------------------|
| Interest accrued from loans             | (17,152,288)        | (16,946,215)        |
| Interest accrued from prepayments       | -                   | (117,122)           |
| Interest accrued from lease obligations | (506,890)           | (800,522)           |
| Accretion expenses                      | (345,377)           | (235,090)           |
|   | <b>(18,004,555)</b> | <b>(18,098,949)</b> |

**Finance Income**

|                        | <b>2022</b>   | <b>2021</b>   |
|------------------------|---------------|---------------|
| Interest from deposits | 63,402        | 24,129        |
|                        | <b>63,402</b> | <b>24,129</b> |

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

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

|  | <b>2022</b>        | <b>2021</b>        |
|--|--------------------|--------------------|
| Receivables                              | (2,094,805)        | (685,796)          |
| Advances received                        | 61,006             | (110,235)          |
| Inventories                              | (5,283,346)        | (385,651)          |
| Prepaid expenses                         | 1,159,137          | 225,116            |
| Accounts payable and accrued liabilities | 3,991,972          | (52,541)           |
|  | <b>(2,166,036)</b> | <b>(1,009,107)</b> |

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

**21. CAPITAL COMMITMENTS AND CONTINGENCIES**

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

The Group may be involved in legal proceedings from time to time, arising in the ordinary course of its business. The amount of ultimate liability with respect to these actions will not, in the opinion of management, materially affect the Group's financial position, results of operations or cash flows. There were no material outstanding legal proceedings as of 31 December 2022.

**22. SEGMENTED INFORMATION**

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

As at 31 December 2022

| Country/Property     | Cash             | Inventories       | Prepaid          | Receivables      | Mineral Properties | Property plant and equipment | Depreciation        | Interest expense    | Loss before tax     |
|----------------------|------------------|-------------------|------------------|------------------|--------------------|------------------------------|---------------------|---------------------|---------------------|
| Russia - Mangazeisky | 2,356,070        | 23,292,565        | 2,039,881        | 5,966,475        | 2,170,235          | 64,133,124                   | (14,677,597)        | (18,004,555)        | (47,347,234)        |
| Corporate            | 197,851          | -                 | 220,600          | -                | -                  | -                            | -                   | -                   | (167,056)           |
|                      | <b>2,553,921</b> | <b>23,292,565</b> | <b>2,260,481</b> | <b>5,966,475</b> | <b>2,170,235</b>   | <b>64,133,124</b>            | <b>(14,677,597)</b> | <b>(18,004,555)</b> | <b>(47,514,290)</b> |

As at 31 December 2021

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

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**23. FINANCIAL INSTRUMENTS**

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

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

The Group's current financial instruments consist of cash, accounts receivable, short-term loans, lease liabilities and accounts payable and accrued liabilities. These financial assets and liabilities are measured at amortised cost. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. The Group's non-current financial instruments consist of long-term loans and lease liabilities. The fair value of these instruments approximates their carrying values as any differences are not material. Financial assets and financial liabilities as at 31 December 2022 and 31 December 2021 were as follows:

| <b>31 December 2022</b>                   | <b>Cash and receivables</b> | <b>Loans and other liabilities</b> | <b>TOTAL</b>         |
|---|-----------------------------|------------------------------------|----------------------|
| Cash and cash equivalents                 | 2,553,921                   | -                                  | <b>2,553,921</b>     |
| Accounts receivable                       | 5,958,104                   | -                                  | <b>5,958,104</b>     |
| Short-term loans                          | -                           | (207,352,487)                      | <b>(207,352,487)</b> |
| Long-term loans                           | -                           | (23,557,249)                       | <b>(23,557,249)</b>  |
| Advances received                         | -                           | (143,462)                          | <b>(143,462)</b>     |
| Accounts payables and accrued liabilities | -                           | (4,797,682)                        | <b>(4,797,682)</b>   |
| Lease liabilities                         | -                           | (2,506,156)                        | <b>(2,506,156)</b>   |
|   | <b>8,512,025</b>            | <b>(238,357,036)</b>               | <b>(229,845,011)</b> |

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

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

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**24. NET DEBT RECONCILIATION**

|                                     | Long and short-term loans | Long and short-term lease obligation | Subtotal             | Cash and cash equivalents | Total                |
|-------------------------------------|---------------------------|--------------------------------------|----------------------|---------------------------|----------------------|
| <b>Net Debt as 31 December 2020</b> | <b>(168,147,966)</b>      | <b>(2,926,166)</b>                   | <b>(171,074,132)</b> | <b>1,302,165</b>          | <b>(169,771,967)</b> |
| Cash flow                           | (12,053,382)              | 4,067,357                            | (7,986,025)          | 261,380                   | (7,724,645)          |
| <i>Non-cash changes:</i>            |                           |                                      |                      |                           |                      |
| New leases                          | -                         | (5,582,944)                          | (5,582,944)          | -                         | (5,582,944)          |
| Accrual of interest                 | (16,946,215)              | (832,243)                            | (17,778,458)         | -                         | (17,778,458)         |
| FX differences                      | (1,349,664)               | 13,891                               | (1,335,773)          | 1,227                     | (1,334,546)          |
| Translation differences             | 2,932,477                 | 50,924                               | 2,983,401            | 314,675                   | 3,298,076            |
| <b>Net Debt as 31 December 2021</b> | <b>(195,564,750)</b>      | <b>(5,209,181)</b>                   | <b>(200,773,931)</b> | <b>1,879,447</b>          | <b>(198,894,484)</b> |
| Cash flow                           | (9,688,590)               | 3,694,243                            | (5,994,347)          | (866,226)                 | (6,860,573)          |
| <i>Non-cash changes:</i>            |                           |                                      |                      |                           |                      |
| Accrual of interest                 | (17,152,288)              | (506,890)                            | (17,659,178)         | -                         | (17,659,178)         |
| FX differences                      | 9,682,416                 | 43,043                               | 9,725,459            | (23,549)                  | 9,701,909            |
| Translation differences             | (18,186,524)              | (527,369)                            | (18,713,893)         | 1,564,249                 | (17,149,644)         |
| <b>Net Debt as 31 December 2022</b> | <b>(230,909,736)</b>      | <b>(2,506,155)</b>                   | <b>(233,415,891)</b> | <b>2,553,921</b>          | <b>(230,861,970)</b> |

**25. INCOME TAXES**

|                          | 2022           | 2021            |
|--------------------------|----------------|-----------------|
| Current tax expense      | (3,786)        | (17,754)        |
| <b>Total tax expense</b> | <b>(3,786)</b> | <b>(17,754)</b> |

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

|   | 2022           | 2021            |
|---|----------------|-----------------|
| Loss before taxation                            | (47,514,290)   | (27,460,784)    |
| Statutory tax rate                              | 20.00%         | 20.00%          |
| Tax benefit of statutory rate                   | 9,502,858      | 5,492,157       |
| Expenses not deductible for income tax purposes | (2,244,176)    | (2,219,852)     |
| Deferred taxes not recognized for the period    | (7,262,468)    | 316,013         |
| Tax losses carried forward not recognized       | -              | (3,606,072)     |
| <b>Total tax expense</b>                        | <b>(3,786)</b> | <b>(17,754)</b> |

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

# Silver Bear Resources Plc

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### 26. CONTROLLING AND ULTIMATE CONTROLLING PARTY

The controlling and ultimate controlling party is Kolesnikov Sergei Anatolievich.

### 27. SUBSEQUENT EVENTS

Due to the adoption in late 2022, of the 9<sup>th</sup> Sanctions Package by the European Union against Russia (“**EU 9<sup>th</sup> Sanctions Package**”), which include a prohibition against new investment and new financing of companies in the Russian mining sector the Company’s lenders Inflection and Aterra, both companies incorporated in the European Union, have determined that they are each unable to enter into the Facilities Agreement Amendments.

The lenders have determined that the EU 9<sup>th</sup> Sanctions Package prohibits the FA Amendments specifically: (i) the extension of the maturity dates for Tranches F, G, H and I that became due 1 January 2023 to 31 December 2027 in the total amount of principal of 36,288,278 USD and accumulated interest of 5,800,076 USD; and (ii) other Tranches that will become due 20 March 2023 to 31 December 2028 in the total amount of principal of 99,753,386 USD and accumulated interest of 15,943,916 USD. The FA Amendments were approved by the shareholders of the Company at the Company’s Annual General and Special Meeting of shareholders on 05 October 2022.

Despite the support of the Company’s lenders the recently imposed EU 9<sup>th</sup> Sanctions Package have impacted its ability to complete construction of the flotation facility and initiate the underground mining at its Vertikalny Mine. After careful consideration of the Company’s current mining operations, cash position, scheduled debt payments, forecast revenue and expenses, the Company’s Board of Directors has determined that management in the short-term will undertake the following initiatives, namely:

- a) Seek a Russian bank or financial institution capable of refinancing the current shareholder debt facility and providing the additional financing required to complete construction of the new flotation facility and allow for the underground mining at Vertikalny; and/or
- b) Seek a prospective joint-partner or financier or buyer for the Vertikalny Mine and the Mangazeisky Project assets.

Management believes that its lenders will work with it (subject to compliance with all applicable sanctions) while it seeks a solution.