SECOND QUARTER REPORT 2008

SILVER BEAR
RESOURCES INC.

high grade
silver in Russia

Native silver discovered at Mangazeisky Project December 2007. Only found in high-grade silver deposits.

SILVER BEAR RESOURCES INC.

(An exploration stage enterprise)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following Management Discussion and Analysis, which has been prepared as of August 13, 2008, related to the unaudited interim consolidated financial results of Silver Bear Resources Inc. (the "Company" or "Silver Bear") operations for the three and six-month period ended June 30, 2008, should be read in conjunction with the most recent audited consolidated financial statements and related notes, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This discussion covers the period ended June 30, 2008. Other pertinent information on the Company is available on SEDAR at www.sedar.com as well as on the Company's web-site at www.silverbearresources.com. For the purpose of preparing our MD&A, the Company considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant effect in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available of investors. We evaluate materiality with reference to all relevant circumstances. All dollar amounts are stated in Canadian dollars unless otherwise indicated.

The following discussion contains forward-looking statements that involve numerous risks and uncertainties. Actual results of the Company could differ materially from those discussed in such forward-looking statements as a result of these risks and uncertainties, including those set forth in this MD&A under "Forward-Looking Statements'' and under "Risk Factors."

OVERVIEW

The primary business of the Company is the evaluation, acquisition, exploration and development of silver properties in the Russian Federation. The Company has not yet earned revenue and is considered to be in the exploration stage. The Company's principal asset is the Mangazeisky Project, located approximately 400 kilometres north of Yakutsk in the Republic of Sakha, Yakutia, in the Russian Federation. The Company was granted the exploration license for the Mangazeisky Project in September 2004 for an initial term of five years.

Silver Bear is focused on further delineating the high grade silver mineralization discovered in the Vertikalny vein of the Mangazeisky Project and the exploration of the 15 other known silver anomalies on the property. Based on the encouraging results from the drilling program concluded in September 2007, Silver Bear believes the Mangazeisky Project has the potential to become a world class silver deposit.

Key milestones for Silver Bear are:

- Complete 10,000 to 12,000 metres of exploration drilling on the Mangazeisky Project during the field season.
- Define a Canadian Institute of Mining "CIM" compliant Inferred resource on a portion of the Vertikalny vein of up to 150 million ounces of silver(1) by January 2009.
- Define a Russian C_2, P_1 and P_2 resource estimate by January 2009.
- Complete a Russian technical and economic conditions report "TEO" by June 2009.
- Complete 40,000 metres of exploration drilling during the 2009 field season.
- Define a CIM compliant Measured, Indicated and Inferred resource estimate of the Vertikalny vein of up to 250 million ounces of silver(1) by the end of 2009.
- Initiate a scoping study examining the financial viability of the project in 2009.
- Commence a feasibility study for the Mangazeisky Project in the late 2009.

Silver Bear believes it can successfully implement its corporate strategy because of its unique strengths.

These strengths include:

- The project is located in a highly prospective silver anomalous region. The Mangazeisky Project is located in the Republic of Sakha, Yakutia, in the Russian Federation, 160 kilometres from High River Gold's high grade Prognoz silver deposit.
- Encouraging exploration results at the Mangazeisky Project indicative of the potential for a high grade silver deposit.
- Extensive management experience. Silver Bear's management team has considerable mining industry experience and is supported by an experienced technical and mining operations team, some of whom have had prior operating experience in the Russian Federation.

THE MANGAZEISKY PROJECT

The Mangazeisky Project consists of one exploration license covering 570 square kilometres which was granted to ZAO Prognoz in September 2004 by the Federal Agency for Subsoil Use "ROSNEDRA" and is valid for an initial term of five years and can be extended in accordance with Russian Federation legal requirements. The license area has been given the status of a "geological allotment" with the preliminary borders outlined and an unlimited licensed depth for investigation. Upon discovering C_1 and C_2 Russian reserves and undertaking of certain other steps as required by Russian law, a production license may be applied for and issued for the production life of the deposit based on technical and economic substantiation of the development of the deposit.

The Mangazeisky project is located within the Republic of Sakha, Yakutia in the Russian Federation; approximately 400 kilometres north of the capital city of Yakutsk, approximately 280 kilometres southwest of the village of Batagai in the Verhoyanskiy district and approximately 240 kilometres northeast of the village of Sangar in the Kobyask Ulas district.

Silver Bear holds its interest in the Mangazeisky Project through its 100% interest in ZAO Prognoz, a Russian Federation closed joint stock company.

Exploration drilling commenced on May 26, 2008 utilizing two diamond drill rigs contracted from Boart Longyear Russia. As at August 11, 2008 the Company had completed 44 drill holes (7,039 metres) of drilling on the Vertikalny target.

Boart Longyear (Russia) is expected to complete between 10,000 and 12,000 metres of diamond drilling on the Vertikalny vein. The Company signed a contract with a Canadian geophysical surveying company to complete an Induced Polarity geophysical survey of the Vertikalny vein, with the objective of completing the geophysical field work by the third quarter of 2008.

THE AVLAYAKAN PROJECT

On May 12, 2008 the Company signed an agreement to sell its 70% interest in Mine Avlayakan LLC for the purchase price of US$8.5 million, plus the assumption of all current and contingent obligations of Silver Bear with regard to the Project. The agreement, which was subject to a number of standard conditions, closed in May 2008. The Company recorded a gain on the sale of $2.5 million during the quarter.

CORPORATE ACTIVITY

On July 16, 2008 Silver Bear completed a private placement of 1,500,000 common shares pursuant to a strategic partnership with the Alfa Group Consortium (the "Alfa Group"), one of Russia's largest privately-owned financial/industrial conglomerates. The 1,500,000 common shares were sold to Impetra Ltd., an indirect wholly-owned subsidiary of the Alfa Group, at the price of $3.00 per share for aggregate gross proceeds to the Company of $4.5 million.

The private placement resulted in the Alfa Group beneficially holding an aggregate of 7,400,000 million common shares of Silver Bear, representing approximately 19.5% of the number of common shares now outstanding.

Before closing the private placement, the Alfa Group beneficially owned 5,900,000 million Silver Bear common shares, which represented 16.2% of the then issued and outstanding common shares of Silver Bear. Alfa Group advises that the Common Shares were acquired for investment purposes.

On July 16, 2008 Dominic Gualtieri and Alexy Mikhalovski were formally appointed to the Board of Directors of Silver Bear. Mr. Gualtieri, a Canadian, brings a wealth of financial expertise to Silver Bear, having joined Alfa-Bank, a division of the Alfa Group, in 2000 as the Managing Director, Head of Equities. He was previously Group Managing Director of Franklin Templeton Asset Management in South Africa and headed Templeton's Moscow office. Mr. Mikhalovski, who heads up the Alfa Group's gold unit, is a leader in the Russian mining sector, having previously held the position of Managing Director of Alrosa Investment Group.

ZAO Prognoz has received notice of an application by the Yakutia Inter-district Tax Office No. 5 of the Federal Tax Service to the Arbitration Court of the Republic of Sakha (Yakutia) claiming that documentation filed in connection with the registration of ZAO Prognoz in 2003 was signed by a person holding an improperly delegated power of attorney. On that ground, the application requests the Yakutia Arbitration Court to order the liquidation of ZAO Prognoz. A preliminary hearing was held on March 3, 2008 to determine what evidence is necessary to proceed with the case and resolve procedural petitions of the parties. The judge postponed the hearing until July 3, 2008.

A second hearing was held on July 3, 2008, at which time court then ruled that the hearing was to be postponed until August 12, 2008. A third hearing was held on August 12, 2008 at which time the court ruled to reject the claim of the Federal Tax Service to liquidate ZAO Prognoz. An official ruling will be prepared by the court within the next few days of the August 12, 2008 hearing. The Federal Tax Service can file an appeal of the courts decision within thirty days of the official ruling. Should an appeal be filed the Company will take every measure to vigorously defend the claim from the Federal Tax Service as we believe the case is without merit.

RESULTS OF EXPLORATION ACTIVITIES

Silver Bear continues to focus on further delineating the high grade silver mineralization of the Vertikalny vein of its Mangazeisky Project, discovered in 2007, while exploring the project's 15 other known silver anomalies. As of August 11, 2008, 44 holes (7,039 metres) have been completed along the Vertikalny vein. The drilling has intersected favourable mineralization in the majority of the drill holes completed to date, ranging from less than 1.0 metre to greater than 8 metres in thickness.

The following table outlines the results received to date.

Hole ID	Profile	From	To	Length (m)	Silver (g/t)
V07-007	10300	80.6	85.3	4.7	361
V08-022	10200	108.7	109.3	0.6	94
V08-023	10200	30.8	39.2	8.4	2145
Including		34.1	39.2	5.1	2154
V08-024	10300	240.2	242.85	2.65	50
V08-025	10300	123.0	126.8	3.8	182
Including		124.8	125.3	0.5	1118
V08-026	10300	33.1	34.5	1.4	39
V08-026A	10300	16.1	16.7	0.7	55
V08-027	10400	50.85	53.80	2.95	110
V08-028	10400	120.6	124.0	3.4	573
V08-029	10500	21.7	25.7	4.0	74
Including		28.8	33.5	4.7	998
Including		42.6	43.4	0.8	220
Including		49.9	50.9	1.0	89
V08-030	10500	139.5	143.3	3.8	221
V08-031	10600	50.3	53.1	2.8	1739
Including		50.5	51.7	1.2	3901

Hole V08-023 intersected 8.4 metres averaging 2,154 grams of silver per tonne. This hole intersected the Vertikalny mineralized zone approximately 50 metres below Trench 5050 which, in 2007 returned a 10.0 metre interval averaging 480 grams of silver per tonne.

Hole V08-031 intersected 2.8 metres averaging 1,739 grams of silver per tonne. This hole intersected the Vertikalny vein approximately 50 metres above hole V07-006 which, in 2007 returned 8,887 grams per tonne silver over a 6.0 metre interval.

Hole V08-029 intersected several anomalous zones over a 29.2 metre interval, the most significant of which returned 4.7 metres averaging 998 grams of silver per tonne. This hole was situated 50 metres below trench 5014 which, in 2007 returned 663 grams per tonne silver over a 35.5 metre interval.

Hole V08-028 intersected 3.4 metres averaging 573 grams of silver per tonne. This hole is approximately 25 metres below hole V07-004 which, in 2007 intersected 5.7 metres averaging 147 grams of silver per tonne.

Hole V07-007 intersected 4.7 metres averaging 361 grams per tonne of silver and 5.4% zinc. This hole, completed in 2007, was re-assayed when significant zinc results were reported.

Drilling is currently approximately 5,000 metres behind schedule, a result of the inability to efficiently supply spare parts to the drill rigs and unplanned down time resulting from an accident investigation.

Drilling operations were negatively impacted by two prolonged shutdowns as such the 2008 exploration planned drilling is now estimated to be between 10,000 and 12,000 metres. One drill was inoperable for 29 days awaiting replacement parts that could not be delivered to site due to inclement weather conditions that prevented helicopter re-supply. Another drill was shut down for 15 days by Rostexnadzor pending investigation of a non-fatal accident where a drill helper injured his hand. In total, 44 days of lost drill time (equating to 3,500 metres of lost productivity) have impacted the planned program. The remaining 1,500 metre deficit is related to poor drill productivity.

Boart Longyear is currently evaluating options to prolong the drill season beyond early September in an effort to recover from the unplanned shut downs experienced to date. The prolonged delay in accessing the site has also adversely impacted the receipt of analytical results from the drilling completed to date as no samples were shipped from the site until the week of June 29th. The primary assay lab at Aldan is working towards a four week turnaround. The results returned to date represent the original sample shipment which departed site on June 29th.

Meetings were held with various government regulators and flight service providers during the week of June 29th. Positive feedback was received from government agencies with respect to the installation of a weather station at Sibyan-Kul and extension of the airstrip at Mangazeisky, both of which should improve accessibility via fixed wing and helicopter flights. Of more immediate significance; the meetings with local air service providers suggests that flights originating from Battagai (north of Mangazeisky) would be far more likely to successfully access Mangazeisky as there would be no need to fly over the mountain passes. Commercial air flights between Yakutsk and Battagai are scheduled daily. As a result, ZAO Prognoz has contracted a local air service provider out of Battagai to provide an alternative to flights originating from Yakutsk. In the future, this alternative will prevent the prolonged downtime related to delivery of mechanical parts that was experienced earlier in the program.

RESULTS OF OPERATIONS

Period Ended June 30, 2008, compared to Period Ended June 30, 2007

Revenues

As at June 30, 2008, the Company was in the exploration stage and therefore did not have revenues from operations. Interest income was, for the six month period ended June 30, 2008, $0.5 million as compared to $0.1 million for the six month period ended June 30, 2007, an increase of $0.4 million. The increase is attributed to the interest earned on proceeds received from the December 19, 2007 initial public offering of common shares and the January 18, 2008 over-allotment option as well as proceeds from the sale of our Avalyakan project in May, 2008.

Interest income for the three month period ending June 30, 2008 was $0.2 million as compared to $0.1 million for the three month period ending June 30, 2007.

Expenses

Exploration

For the six month period ended June 30, 2008 Silver Bear spent $4.6 million on exploration activities compared with $2.4 million during the 2007 period. All of the $4.6 million was spent on the Mangazeisky Project. Costs associated with the Mangazeisky Project in the six month period ended June 30, 2008 relate to the 2008 exploration program and costs related to the Company's Yakutsk administrative office.

For the three month period ended June 30, 2008 Silver Bear spent $3.1 million on exploration activities compared with $1.8 during the same period in 2007.

General and Administrative and Other

Management salaries for the six month period ended June 30, 2008 were $0.9 million, (six month period ended June 30, 2007 - $0.5 million). In addition, for the six month period ended June 30, 2008, Silver Bear spent $1.0 million on professional fees (six month period ended June 30, 2007 - $0.3 million) primarily for legal, audit and consulting fees. Other general and administrative expenses for the six month period ended June 30, 2008 were $0.7 million, (six month period ended June 30, 2007- $0.3 million).

Management salaries for the three month period ended June 30, 2008 were $0.4 million, (three month period ended June 30, 2007 - $0.3 million). In addition, for the three month period ended June 30, 2008, Silver Bear spent $0.5 million on professional fees (three month period ended June 30, 2007 - $0.3 million) primarily for legal, audit and consulting fees. Other general and administrative expenses for the six month period ended June 30, 2008 were $0.5 million, (three month period ended June 30, 2007- $0.1 million).

Non-cash stock option compensation expense for the six month period ended June 30, 2008 was $0.7 million compared with $0.9 million in the six month period ended June 30, 2007.

Non-cash stock option compensation expense for the three month period ended June 30, 2008 was $0.3 million compared with $0.8 million in the three month period ended June 30, 2007.

Amortization expense for the six month period ended June 30, 2008 was $0.5 million, (six month period ended June 30, 2007 - $0.5 million). The foreign exchange gain for the six month period ended June 30, 2008 was $0.2 million (six month period ended June 30, 2007 was a loss of $0.1) as a result of the translation to Canadian dollars of the financial results of consolidated foreign subsidiaries.

Amortization expense for the three month period ended June 30, 2008 was $0.2 million, (three month period ended June 30, 2007 - $0.2 million). The foreign exchange loss for the three month period ended June 30, 2008 was $0.1 million (three month period ended June 30, 2007 was $0.1) as a result of the translation to Canadian dollars of the financial results of consolidated foreign subsidiaries.

Net Loss

Silver Bear incurred a net loss for the six month period ended June 30, 2008 of $5.3 million or $0.15 per share. This compares to a loss of $6.4 million or $0.28 per share for the six month period ended June 30, 2007. Exploration costs were $4.6 million in the six month period ended June 30, 2008 compared with $2.4 million in the six month period ended June 30, 2007. The Mangazeisky Project accounted for all of the $4.6 million in costs, which primarily related to the 2008 exploration program and costs related to the Company's Yakutsk administrative offices. Non-cash stock option compensation expense for the six month period ended June 30, 2008 was $0.7 million compared with $0.9 million in the six month period ended June 30, 2007. General and administrative expenses for the six month period ended June 30, 2008 were $2.6 million compared with $1.1 million in the prior six month period. The increased general and administrative costs are primarily related to legal fees associated with our Russian litigation, increased investor relations activities and other costs associated with increased staffing in the corporate office.

Silver Bear incurred a net loss for the three month period ended June 30, 2008 of $2.4 million or $0.07 per share. This compares to a loss of $4.9 million or $0.19 per share for the three month period ended June 30, 2007. Exploration costs were $3.1 million in the three month period ended June 30, 2008 compared with $1.8 million in the three month period ended June 30, 2007. The Mangazeisky Project accounted for all of the $3.1 million in costs, which primarily related to the 2008 exploration program and costs related to the Company's Yakutsk administrative offices. Non-cash stock option compensation expense for the three month period ended June 30, 2008 was $0.3 million compared with $0.8 million in the three month period ended June 30, 2007. General and administrative expenses for the three month period ended June 30, 2008 were $1.4 million compared with $0.7 million in the prior three month period. The increase in the general and administrative expenses for the three month period ended June 30, 2008 were for the same reasons as indicated in the six month period explanation.

Silver Bear recorded a $2.5 million gain on the sale of discontinued operations (Avlayakan Mine LLC), for the six month period ended June 30,2008 compared to a net loss of $1.0 million for the six month period ended June 30, 2007.

Liquidity and Capital Resources

At June 30, 2008, Silver Bear had cash of $32.1 million, an amount sufficient to sustain its operations through 2009. On January 18, 2008 the Company completed the sale of 700,000 common shares at a price of $3.00 per common share pursuant to the exercise in part of an over-allotment option by an underwriting syndicate co-led by RBC Capital Markets and Merrill Lynch & Co., and including GMP Securities L.P. and Wellington West Capital Markets Inc. The over-allotment option was granted by the Company to the underwriters in connection with the Company's initial public offering. During the period ended June 30, 2008, the Company invested $1.4 million in inventory for the planned drill program at Mangazeisky. Further, on July 16, 2008, Silver Bear completed a private placement of 1,500,000 common shares to the Alfa Group at $3.00 per share for total gross proceeds of $4.5 million.

Commitments

In order to maintain the exploration license at the Mangazeisky Project in good standing, Silver Bear is required to conduct certain minimum levels of exploration activity. The planned exploration programs for 2008 and 2009 more than satisfy the work commitments established in the License Agreement.

Silver Bear has operating lease commitments as at June 30, 2008 totaling $8,685 of which 50% will be assumed by Western Goldfields Inc. pursuant to Silver Bear's cost sharing agreement with Western Goldfields. Silver Bear's net outlays will be $965 in the remainder of 2008, $1,930 in 2009 and $1,448 in 2010. In relation to the cost sharing agreement with Western Goldfields, the Company anticipates paying approximately $146,000 in respect to the lease of head office premises for the remainder of the year.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Capital Stock

As at June 30, 2008 the Company had issued and outstanding 36,435,569 Common Shares (December 31, 2007, 35,735,569 shares outstanding).

Summary of Quarterly Results

	Jun-08	Mar-08	Dec-07	Sep-07
Net Loss	(2,434,315)	(2,913,780)	(2,749,436)	(3,732,761)
Basic and diluted loss per share (cents per share)	(0.07)	(0.08)	(0.10)	(0.15)
Cash and cash equivalents	32,087,043	27,873,668	30,295,581	7,183,413
Total assets	38,904,042	40,396,900	41,180,972	16,492,689
Total long-term financial liabilities	252,942	248,959	245,360	-

	Jun-07	Mar-07	Dec-06	Sep-06
Net Loss	(4,921,237)	(1,457,563)	(1,706,384)	(3,535,170)
Basic and diluted loss per share (cents per share)	(0.19)	(0.07)	(0.09)	(0.20)
Cash and cash equivalents	10,383,567	13,114,315	1,978,930	3,833,435
Total assets	20,175,969	22,482,635	6,450,814	8,375,480
Total long-term financial liabilities	-	-	-	-

Related Party Transactions

In March 2006, the Company entered into a cost sharing agreement with Western Goldfields Inc. ("WGI"), under which half of the Company's office overhead is charged to WGI. WGI is related to the Company as the senior executives of WGI also serve as senior executives of the Company. At June 30, 2008 and December 31, 2007, $17,904 and $31,052, respectively, were receivable from WGI under this agreement. These amounts were received in July 2008 and January 2008, respectively.

SIGNIFICANT ACCOUNTING POLICIES

CHANGE IN ACCOUNTING POLICIES

CAPITAL DISCLOSURES AND FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on January 1, 2008.

CAPITAL DISCLOSURES

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook section in note 3 to these interim financial statements.

FINANCIAL INSTRUMENTS

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in note 4 to these interim financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no significant changes to the Company's internal control over financial reporting that occurred during the most recent period ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

DISCLOSURE CONTROLS

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2008 and have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

RISK FACTORS

An investment in the Shares is considered to be speculative due to the nature of Silver Bear's business and the present stage of its development. For a discussion of risk factors and additional information please refer to the Company's 2007 Annual MD&A, the 2007 Annual Information Form and other filings, which are available on the Company's web site www.silverbearresources.com and on www.sedar.com or upon request from the Company.

OUTLOOK

MANGAZEISKY PROJECT

Key milestones for Silver Bear are:

- Complete 10,000 to 12,000 metres of exploration drilling on the Mangazeisky Project during the field season.
- Define a Canadian Institute of Mining "CIM" compliant Inferred resource on a portion of the Vertikalny vein of up to 150 million ounces of silver[1] by January 2009.
- Define a Russian C_2, P_1 and P_2 resource estimate by January 2009.

- Complete a Russian technical and economic conditions report "TEO" by June 2009.
- Complete 40,000 metres of exploration drilling during the 2009 field season.
- Define a CIM compliant Measured, Indicated and Inferred resource estimate of the Vertikalny vein of up to 250 million ounces of silver[1] by the end of 2009.
- Initiate a scoping study examining the financial viability of the project in 2009.
- Commence a feasibility study for the Mangazeisky Project in late 2009.

Wardrop Engineering Ltd, Swindon, United Kingdom, have been awarded a contract to complete the NI 43-101 Technical Report summarizing the resources of the Vertikalny vein for 2008. Wardrop's Scope of Services also includes identifying and managing a Russian Engineering company to complete a Russian C_2, P_1 and P_2 resource estimate and Russian technical and economic conditions report "TEO" on the project. Both the estimate and the report are vital components in Silver Bear's objective of converting the existing exploration license to an exploitation license within the time frame outlined in the current License Agreement. Work on this project began in early August, 2008.

A third party contractor is in the process of mobilizing men and material to site to complete a geophysical survey of the Vertikalny vein with the objective of defining additional strike length and down dip exploration targets.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements relating to, but not limited to, the Company's expectations, estimates, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "budget", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that are inherently subject to a number of business and economic risks and uncertainties and contingencies. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any forward-looking statement. These risks, uncertainties and other factors include, but are not limited to, the following: failure to establish estimated resources and reserves; the grade and recovery of ore which is mined varying from estimates; capital and operating costs varying significantly from estimates; delays in obtaining or failures to obtain required governmental, environmental or other project approvals; changes in national and local government legislation, taxation or regulations; political or economic developments; inflation; changes in currency exchange rates; fluctuations in commodity prices; delays in the development of projects, challenges from governmental authorities of Silver Bear's validity of the title to it Russian assets, and other factors, disclosed herein and other documentation filed by the Company in SEDAR. All forward-looking statements in this MD&A are qualified by these cautionary statements.

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

[1] The reader is cautioned that the targets expressed above and elsewhere in this MD&A are based on Silver Bear's assessment of the geological data currently available and are conceptual in nature. There has been insufficient exploration with respect to these targets to define any estimates of quantities. There is no guarantee that the targeted estimates will be delineated through additional exploration. These are objectives set by the Company and they are not estimates of quantities as contemplated by section 2.3 of NI 43-101. There is no assurance that these objectives will materialize.

SILVER BEAR RESOURCES INC.

(An exploration stage enterprise)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008 and 2007

(unaudited)

SILVER BEAR RESOURCES INC.

(An exploration stage enterprise)

CONSOLIDATED BALANCE SHEET

(Canadian Dollars) (unaudited)

	June 30, 2008	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	$ 32,087,043	$ 30,295,581
Related party receivable (note 13)	17,904	31,052
Non-controlling interest (note 5)	-	151,592
Inventories (note 6)	2,035,738	628,196
Prepaid expenses (note 7)	922,441	2,305,284
Miscellaneous receivables	81,918	50,232
Deferred stock offering costs	214,456	-
	35,359,500	33,461,937
Capital assets		
Mineral properties (notes 4, 8 and 17)	959,670	959,670
Property, plant and equipment (note 9)	2,584,870	874,147
Asset held for sale (note 4)	-	5,885,218
	$ 38,904,040	$ 41,180,972
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities from continuing operations (note 10)	$ 2,101,982	$ 1,127,478
Accounts payable and accrued liabilities from discontinued operations (note 4)	-	200,265
	$ 2,101,982	$ 1,327,743
Long-term liabilities		
Asset retirement obligation (note 17)	252,942	245,360
Non-controlling interest (note 11)	-	127
Shareholders' equity		
Capital Stock (note 12)	69,551,324	67,991,311
Warrants (note 12)	184,008	273,575
Contributed surplus (note 12)	7,654,108	6,835,085
Deficit	(40,840,324)	(35,492,229)
	36,549,116	39,607,742
	$ 38,904,040	$ 41,180,972

Going concern (note 1)

Commitments and contingency (note 15)

See accompanying notes to interim consolidated financial statements

SILVER BEAR RESOURCES INC.

(An exploration stage enterprise)

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS AND DEFICIT

(Canadian Dollars) (unaudited)

	Three months Ended June 30,		Six months Ended June 30,	
	2008	2007	**2008**	2007
Income				
Interest income	**$ 179,766**	$ 73,291	**$ 465,393**	$ 95,322
Expenses				
Exploration costs	**3,059,013**	1,807,922	**4,644,360**	2,380,958
Stock option compensation (note 12)	**304,353**	812,470	**729,456**	939,671
Amortization	**245,649**	238,191	**537,391**	469,836
General and administrative	**1,406,358**	701,323	**2,627,557**	1,121,446
Penalty shares (note 12)	**-**	647,233	**-**	647,233
Foreign exchange loss (gain)	**102,098**	118,577	**(197,653)**	129,503
Accretion expense	**3,982**	-	**7,582**	-
Expenses from continued operations	**5,121,453**	4,325,716	**8,348,693**	5,688,647
Non-controlling interest (Note 5)	**(5,345)**	(256,245)	**(33,178)**	(256,245)
Loss and Comprehensive Loss for the period from continuing operations	**(4,936,342)**	(3,996,180)	**(7,850,122)**	(5,337,080)
Discontinued operations (note 4)	**2,502,027**	(925,057)	**2,502,027**	(1,041,719)
Net Loss	**(2,434,315)**	(4,921,237)	**(5,348,095)**	(6,378,799)
Deficit - Beginning of the period	**(38,406,009)**	(24,088,796)	**(35,492,229)**	(22,631,234)
Deficit - End of the period	**$ (40,840,324)**	$ (29,010,033)	**$ (40,840,324)**	$ (29,010,033)
Weighted average number of common shares outstanding	**36,435,569**	25,524,606	**36,370,184**	22,852,340
Loss per share from continuing operations (note 12)	**$ (0.14)**	$ (0.16)	**$ (0.22)**	$ (0.24)
Income (Loss) per share from discontinued operations (note 12)	**0.07**	(0.03)	**0.07**	(0.04)
Loss per share	**$ (0.07)**	$ (0.19)	**$ (0.15)**	$ (0.28)

Going concern (note 1)

See accompanying notes to consolidated financial statements

SILVER BEAR RESOURCES INC.

(An exploration stage enterprise)

CONSOLIDATED STATEMENT OF CASH FLOWS

(Canadian Dollars) (unaudited)

	Three months Ended June 30,		Six months Ended June 30,	
	2008	2007	**2008**	2007
Cash provided by (used in)				
Operating activities				
Loss from continuing operations	**$ (4,936,342)**	$ (3,996,180)	**$ (7,850,122)**	$ (5,337,080)
Items not affecting cash:				
Amortization	**245,649**	238,191	**537,391**	469,836
Accretion expense	**3,982**	-	**7,582**	-
Stock option compensation	**304,353**	812,470	**729,456**	939,671
Penalty shares issued	**-**	647,233	**-**	647,233
Net change in non-cash working capital (note 14)	**2,508,713**	657,580	**1,082,859**	366,333
Net cash from continuing operations	**(1,873,644)**	(1,640,706)	**(5,492,834)**	(2,914,007)
Financing activities				
Issuance of common shares	**(366,958)**	677	**1,560,013**	17,279,568
Deferred stock issuance costs	**(214,456)**	-	**(214,456)**	-
Non-controlling interest	**(127)**	-	**(127)**	127
Cash generated from financing activities	**(581,541)**	677	**1,345,430**	17,279,695
Investing activities				
Acquisition of property, plant and equipment	**(1,686,319)**	(165,661)	**(2,248,113)**	(194,377)
Cash generated from investing activities	**(1,686,319)**	(165,661)	**(2,248,113)**	(194,377)
Increase (decrease) in cash and cash equivalents from continuing operations	**(4,141,505)**	(1,805,690)	**(6,395,517)**	14,171,311
Increase (decrease) in cash and cash equivalents during the period from discontinued operations (note 4)	**8,368,058**	(925,058)	**8,186,979**	(5,766,674)
Cash and cash equivalents - beginning of the period	**27,860,490**	13,114,315	**30,295,581**	1,978,930
Cash and cash equivalents - end of the period	**$ 32,087,043**	$ 10,383,567	**$ 32,087,043**	$ 10,383,567
Supplementary disclosure of non-cash financing and				
Issuance of warrants	**-**	184,008	**-**	184,008
Expenses of common share issue	**-**	(184,008)	**-**	(184,008)
Issuance of penalty shares	**-**	647,233	**-**	647,233
Expenses of penalty share issue	**-**	(647,233)	**-**	(647,233)

SILVER BEAR RESOURCES INC.

(An exploration stage enterprise)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2008 (unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Silver Bear Resources Inc. (the "Company" or "Silver Bear") was incorporated under the Business Corporations Act of the Province of Ontario, Canada, on April 8, 2004 and continued under Articles of Continuance dated August 30, 2004 under the Business Corporations Act (Yukon) and February 1, 2005 under the Business Corporations Act (Ontario). The primary business of the Company is evaluation, acquisition and exploration of silver and gold mineral properties in the Russian Federation. The principal assets of the Company are projects described in Note 8. The exploration strategy of the Company is to focus on the discovery of silver deposits. To date Silver Bear has not earned revenue and is considered to be in the exploration stage.

As at June 30, 2008, the Company has no source of operating cash flows. The Company's ability to meet its obligations and continue as a going concern is dependent on the ability to identify and complete future funding. While the Company has been successful in raising financing to date, there can be no assurance that it will be able to do so in future.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due. As at June 30, 2008, the Company had no source of operating cash and reported a loss for the three and six month periods of $2.4 and $5.3 respectively, and an accumulated deficit of $40.8 million as at that date. In order to fund its future operations, maintain its rights under licences and agreements and to advance its projects, the Company must secure sufficient future funding. In these circumstances, there exists substantial doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, as to the appropriateness of the use of accounting principles applicable to a going concern. The Company secured funding through an initial public offer of its common shares in December 2007, and an over-allotment option was completed on January 18, 2008 for aggregate gross proceeds of $32.1 million. On July 16, 2008 the Company completed a private placement of 1.5 million common shares for an aggregate gross proceeds to the Company of $4.5 million to meet its exploration requirements and contractual obligations and to continue as a going concern. While the Company has been successful in raising financing to date, there can be no assurance that it will be able to do so in future.

These unaudited interim consolidated financial statements do not include adjustments or disclosures that may result should the Company not be able to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, and the reported net loss and balance sheet classifications used. These adjustments could be material.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PRESENTATION

The preparation of these unaudited interim consolidated financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements except for those items noted below.

The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the years ended December 31, 2007, since they do not contain all disclosures required by GAAP for annual financial statements. These unaudited interim consolidated financial statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

These unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The unaudited interim consolidated financial statements include the accounts of the Company and all of its subsidiaries. All significant inter-company balances and transactions are eliminated on consolidation.

These unaudited interim consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries: Silver Bear Holdings Limited (a Barbados corporation) which was incorporated on April 27, 2004 ("Holdings"), ZAO Prognoz (a Russian Federation corporation) which was acquired on October 21, 2004. These unaudited interim consolidated financial statements include the assets and liabilities of the Company as June 30, 2008 and its results of operations and its cash flows for the year ended December 31, 2007. All significant inter-company accounts and transactions have been eliminated on consolidation.

b) SIGNIFICANT ACCOUNTING POLICIES

Change in accounting policies

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on January 1, 2008.

Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook section in note 3 to these interim financial statements.

Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in note 3 to these interim financial statements.

3. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The property in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the six months ended June 30, 2008 compared to the year ended December 31 2007. Neither the Company nor its subsidiaries is subject to externally imposed capital requirements.

FINANCIAL RISK FACTORS

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

Credit risk

The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of interesting earning bank accounts, which are invested with a Canadian chartered bank and management believes the risk of loss to be remote. Miscellaneous receivables consist of taxes due from the Federal Government of Canada and interest receivable from a Canadian chartered bank. Management believes that the credit risk concentration with respect to accounts receivable is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2008, the Company had a cash balance of $32,087,043, (December 31, 2007 - $30,295,581) to settle current liabilities of $2,101,982 (December 31, 2007 - $1,327,743).

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high interest earning bank accounts with Canadian chartered banks as well as Government of Canada Treasury Bills. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Foreign currency risk

The Company's functional currency is the Canadian dollar. The Company funds certain exploration and administrative expenses on a transaction by transaction basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Sensitivity analysis

The Company's cash and cash equivalents are measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying amount of accounts receivable equals fair market value.

Based on management's knowledge and experience of the financial markets, the Company believes the following statements to be reasonable.

- The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.
- Price risk is remote since the Company is not a producing entity.

4. MINE AVLAYAKAN LLC

On June 1, 2006, the Company acquired a 70% interest in Mine Avlayakan LLC ("Avlayakan") from Gold Mining Artel ("Vostok"). Avlayakan was incorporated to hold exploration and gold production licenses in the Avlayakan and Kirankan license areas in the Khabarovsk region of the Russian Federation.

The purchase price paid by Silver Bear was US$5,100,000 (Cdn. $5,852,854). Of this amount, US$1,000,000 was paid on June 16, 2006 and the balance of US$4,100,000 was paid on March 31, 2007. These payments have been treated as property acquisition costs and the financial statements of Avlayakan have been consolidated as at March 31, 2007.

On May 12, 2008 the Company signed an agreement to sell its 70% interest in Mine Avlayakan LLC for the purchase price of US$8,500,000 million, plus the assumption of all current and contingent obligations of Silver Bear with regard to the Project. The agreement, which was subject to a number of standard conditions, closed in May 2008. The Company recorded a gain on the sale of discontinued operations of $2,502,027 million during the quarter.

Net assets pertaining to the Avlayakan property were as follows:

		May 2008		December 2007
Cash and cash equivalents	$	**276**	$	19,086
Mineral properties		**5,852,854**		5,852,854
Property, plant and equipment		**11,157**		13,278
Accounts payable and accrued liabilities		**(19,186)**		(200,265)
	$	**5,845,101**	$	5,684,953

The 2007 comparative balance sheet classifies the Avlayakan property as an asset held for sale. The consolidated statement of operations and comprehensive loss and deficit has separately presented the results from discontinued operations.

5. RECEIVABLE FROM NON-CONTROLLING INTEREST

Under the terms of the Framework Financing Agreement for the Avlayakan project, the Company was required to unilaterally fund Avlayakan's exploration activities and feasibility study costs of up to US$3,000,000. Costs above that limit were funded by the Company and the non-controlling interest partner in proportion to their respective equity interests in the charter capital of Avlayakan. The Company paid costs in excess of US$3,000,000 and reflected the portion of the excess relating to the non-controlling interest partner as a receivable. Also see Note 4.

6. INVENTORIES

		June 30, 2008		December 31, 2007
Fuel and lubricants	$	**1,086,358**	$	273,134
Explosives		**225,619**		22,161
Drilling supplies and food		**723,761**		387,301
Transportation costs in inventory		**649,887**		352,367
		2,685,625		1,034,963
Adjustments / Writedown of inventory		**-**		(54,400)
Provision for reduction to net realizable value		**(649,887)**		(352,367)
	$	**2,035,738**	$	628,196

7. PREPAID EXPENSES

		June 30, 2008		December 31, 2007
Project advances - Mangazeisky				
Fuel	$	**-**	$	1,230,730
Exploration Equipment, Supplies and Services		**787,728**		966,627
Transportation		-		29,481
Rent		**16,052**		24,394
Other		**118,661**		54,052
	$	**922,441**	$	2,305,284

8. MINERAL PROPERTIES

		June 30, 2008		December 31, 2007
Mangazeisky - exploration license	$	**959,670**	$	959,670

The Company acquired the exploration licences in respect of the Arkachan and Mangazeisky properties when it acquired all the shares of ZAO Prognoz on October 21, 2004. The cost attributed to the mineral properties was determined as US$890,310 of which approximately 20% was allocated to the Arkachan property and approximately 80% to the Mangazeisky property. The value of the Arkachan license was written off at December 31, 2005 based on the results of the 2005 drilling program.

The following disclosure provides cumulative exploration costs pursuant to CICA Accounting Guideline 11 "Enterprises in the Development Stage".

	June 30, 2008	December 31, 2007
Mangazeisky	$ 15,279,027	$ 10,635,040
Russian management costs	1,563,283	1,563,283
Corporate costs related to exploration activities	477,784	477,411
	$ 17,320,094	$ 12,675,734

9. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2008			December 31, 2007		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Exploration plant and equipment						
Mangazeisky property site	$ 4,290,761	$ 2,434,656	$ 1,856,105	$ 2,730,361	$ 2,006,905	$ 723,456
Assembly in progress	606,434	-	606,434	-	-	-
Yakutsk office	130,377	92,732	37,645	99,931	77,431	22,500
Other office furniture, equipment and leasehold improvements	395,453	310,767	84,686	449,333	321,142	128,191
	$ 5,423,025	$ 2,838,155	$ 2,584,870	$ 3,279,625	$ 2,405,478	$ 874,147

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2008	December 31, 2007
Exploration costs - Mangazeisky project	$ 1,337,490	$ 308,609
Accounts payable and accrued liabilities	764,492	818,869
	$ 2,101,982	$ 1,127,478

11. NON-CONTROLLING INTEREST

The non-controlling interest in Avlayakan represented the cost to the non-controlling shareholder's 30% investment in the charter capital of Avlayakan. As at May 27, 2008, the non-controlling interest was eliminated upon the sale of the Company's 70% interest in mine Avalyakan LLC. (see Note 4).

12. SHAREHOLDERS EQUITY

At the Company's special meeting of shareholders held on December 4, 2007, shareholders approved a consolidation of the Common Shares based on a ratio of one new Common Share for each three outstanding Common Shares of Silver Bear (the "Share Consolidation"). Accordingly, the Company has retroactively adjusted share capital and per share amounts to reflect the impact of the Share Consolidation.

COMMON SHARES

Authorized:

Unlimited number of common shares and preference shares issued:

	Period ended June 30, 2008		Year ended December 31, 2007	
	Number of common shares	**$**	Number of common shares	$
Balance-Beginning of period	**35,735,569**	**67,991,312**	19,324,271	22,908,565
Issued pursuant to Initial Public Offering (a)	**700,000**	**1,560,012**	10,000,000	27,339,953
Issued pursuant to private placement, net (b)	**-**	**-**	6,195,555	17,095,560
Issuance of penalty shares (c)	**-**	**-**	215,743	647,233
Balance- End of period	**36,435,569**	**69,551,324**	35,735,569	67,991,311

(a) On December 19, 2007, Silver Bear Resources Inc. successfully completed its initial public offering of 10,000,000 common shares at a price of $3.00 per share for gross proceeds of $30,000,000. Net proceeds after payment of Agent's commission of 6% and related expenses were $27,339,953. Silver Bear granted the underwriter an option to purchase an additional 1,500,000 common shares at the price of $3.00 per share. The option was exercisable, in whole or in part, within 30 days of the closing to cover any over-allotments and for market stabilization purposes. On January 18, 2008 Silver Bear Resources completed the sale of 700,000 common shares at a price of $3.00 per common share pursuant to the exercise in part of an over-allotment option for gross proceeds of $2,100,000 (net proceeds of $1,560,012) the underwriting syndicate was co-led by RBC Capital Markets and Merrill Lynch & Co., and included GMP Securities L.P. and Wellington West Capital Markets Inc. No further over allotment options remain outstanding.

(b) On March 16 and 20, 2007, the Company completed a private placement of 6,195,555 common shares at a price of $3.00 per common share for gross proceeds of $18,586,667. Net cash proceeds to the Company, after payment of Agent's commission of 6% and legal expenses were $17,279,568. In addition to the Agent's commission, the Company granted the Agent a non-transferable Broker Warrants, of 185,866 common shares, at the private placement price of $3.00 per share, valued at $184,008.

(c) Subscribers to the Septemebr 21, 2006 issue were entitled to receive an additional 10% in common shares if Silver Bear had not completed an initial public offering or reverse take-over transaction in Canada, which resulted in there being a market for the common shares, by June 30, 2007. Pursuant to this provision, 215,743 shares were issued for no additional consideration on June 29, 2007. The value of $647,233 attributed to these shares was expensed and included in share capital.

WARRANTS

	June 30, 2008		December 31, 2007	
	Number	**Exercise Price**	Number	Exercise Price
Balance-Beginning of period	**304,812**	**$ 2.70**	118,946	$ 2.25
Granted	**-**	**-**	185,866	3.00
Expired	**(118,946)**	**2.25**	-	-
Balance- End of period	**185,866**	**$ 3.00**	304,812	$ 2.70

(a) In connection with the private placement of common shares on March 20, 2007, the Company issued 185,866 broker warrants to the agents as part of their compensation. The broker warrants are exercisable at a price of $3.00 per warrant and expire on September 20, 2008. For purposes of valuation, the fair value of the warrants was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 65%; risk-free rate of return of 3.95% and an expected life of 1.5 years. The broker warrants were valued at $184,008 on issue.

(b) In connection with the private placement of common shares on September 21, 2006, the Company issued 118,946 broker warrants to the agents as part of their compensation. These broker warrants are exercisable at a price of $2.25 per warrant and expired on March 21, 2008. For purposes of valuation, the fair value of the warrants was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 65%; risk-free rate of return of 4.93% and an expected life of 1.5 years. The warrants had a value of $89,567 on issue.

STOCK OPTIONS

	June 30, 2008		December 31, 2007	
	Number	**Exercise Price**	Number	Exercise Price
Balance-Beginning of period	**2,841,654**	**$ 3.76**	1,433,328	$ 4.50
Granted	**195,002**	**3.00**	1,408,326	3.00
Balance- End of period	**3,036,656**	**3.71**	2,841,654	3.76

In February, 2008, an additional 195,002 stock options were granted to various directors and an employee of the Company. The exercise price of the options is $3.00 and the term is seven years. For purposes of valuation, the fair value of the stock options was estimated on the date of the grant using the Black-Scholes stock option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 65%; risk-free rate of return of 4.37% and an average expected life of 6 years. The stock options rest as follows: one third immediately, one third on the first anniversary of the grant and the third one on the second anniversary of the grant. The fair value assigned to those stock options is $280,438.

In 2007 1,408,326 stock options were granted to various directors and employees of the Company. The exercise price of the options is $3.00 and the term is seven years. For purposes of valuation, the fair value of the stock options was estimated on the date of the grant using the Black-Scholes stock option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 65%; risk-free rate of return of 4.37% and an average expected life of 6 years. The stock options vest as follows: one third immediately, one third on the first anniversary of the grant and one third on the second anniversary of the grant. The fair value assigned to these stock options was $2,653,301.

CONTRIBUTED SURPLUS

		June 30, 2008		December 31, 2007
Balance-Beginning of period	$	**6,835,085**	$	5,100,703
Stock option compensation		**729,456**		1,734,382
Value assigned to expired warrants		**89,567**		-
Balance- End of period	$	**7,654,108**	$	6,835,085

LOSS PER SHARE

As a result of net losses in each of the periods, the potential effect of exercising stock options and warrants has not been included in the calculation of loss per share because to do so would be anti-dilutive.

13. RELATED PARTY TRANSACTIONS

The Company is related to Western Goldfields Inc. ("WGI") as the senior executives of WGI also serve as senior executives of the Company. Both WGI and the Company currently share office space and costs related to office overhead. At June 30, 2008 and December 31, 2007 $17,904 and $31,052, respectively, were receivable from WGI. These amounts were received in July 2008 and January 2008, respectively.

14. NET CHANGE IN NON-CASH WORKING CAPITAL

	Three month ended				Six months ended			
		June 30, 2008		June 30, 2007		June 30, 2008		June 30, 2007
Receivable from related party	$	**364**	$	(13,777)	$	**(13,148)**	$	(13,777)
Non-controlling interest receivable		**176,221**		(254,887)		**151,592**		(254,887)
Inventories		**(273,426)**		(176,170)		**(1,407,542)**		(408,476)
Prepaid expenses		**1,670,988**		(34,454)		**1,382,843**		(186,869)
Miscellaneous receivables		**(65,639)**		(17,323)		**(31,686)**		(7,014)
Accounts payable and accrued liabilities		**1,000,205**		1,154,191		**974,504**		1,237,356
	$	**2,508,713**	$	657,580	$	**1,082,859**	$	366,333

15. COMMITMENTS AND CONTINGENCY

In order to maintain the exploration licenses at the Mangazeisky Project and Avlayakan Project in good standing, Silver Bear is required to conduct certain minimum levels of exploration activity. Under the terms of the Agreement of a Purchase of an interest in Vostok dated June 1, 2006, Silver Bear committed to spend US$3.0 million on exploration and feasibility study work on the Avlayakan Project. During the year 2007, Silver Bear completed the required spending.

Silver Bear has entered into a contract with Boart Longyear Russia, to complete up to 16,000 metres of diamond drilling at the Mangazeisky project. Performance of the work which commenced in the second quarter of 2008 and is expected to be completed by the third quarter of 2008. In January 2008, the Company paid 8,575,000 rubles (approximately US$352,000) to Boart Longyear as an advance payment for the work to be completed. This advance will be set off against the final payment due to Boart Longyear upon completion of performance.

Silver Bear has operating lease commitments as at June 30, 2008 totaling $8,685 of which 50% will be assumed by Western Goldfields Inc. pursuant to Silver Bear's cost sharing agreement with Western Goldfields. Silver Bear's net outlays will be $965 in the remainder of 2008, $1,930 in 2009 and $1,448 in 2010.

16. SEGMENTED INFORMATION

The Company's operating segments include one property in the Russian Federation, (Mangazeisky) and a corporate office in Toronto, Canada. In May, 2008 the Company sold in 70% interest in Mine Avlayakan LLC.

The following is segmented information as at June 30, 2008.

	As at June 30, 2008					
Country/Property	Cash and cash equivalents	Inventories	Prepaid expenses	Other Current Assets	Mineral Properties	Property, plant and equipment
Russia - Mangazeisky	10,511	2,035,738	835,565	-	959,670	2,500,180
Canada - corporate	32,076,532	-	86,876	314,278	-	84,690
	$32,087,043	$ 2,035,738	$ 922,441	$ 314,278	$ 959,670	$2,584,870

As at December 31, 2007 the Company's operating segments include two properties in the Russian Federation, (Mangazeisky and Avlayakan) and a corporate office in Toronto, Canada.

	As at December 31, 2007					
Country/Property	Cash and cash equivalents	Inventories	Prepaid expenses	Other Current Assets	Mineral Properties	Property, plant and equipment
Russia - Mangazeisky	115,969	628,196	2,251,232	-	959,670	745,956
Russia - Avlayakan	19,086	-	-	-	-	13,278
Canada - corporate	30,179,612	-	54,052	232,876	-	128,191
	$ 30,314,667	$ 628,196	$ 2,305,284	$ 232,876	$ 959,670	$ 887,425

17. ASSET RETIREMENT OBLIGATION

		June 30, 2008		December 31, 2007
Balance at the beginning of the period	$	245,360	$	-
Estimated Liability		-		245,360
Accretion		7,582		-
Balance, end of year	$	252,942	$	245,360

The asset retirement obligation relates to the Mangazeisky project located in the Republic of Sakha, Yakutia in the Russian Federation. The Company estimated the cost of rehabilitating the site at $270,746 in the next 3 years. Such estimated costs have been discounted using a risk-free rate of 5.8%. Gross payments are expected to be $307,662 in 2010, and inflation factor of 12.6% was used to determine future gross payments.

18. CORPORATE REGULATORY MATTERS

ZAO Prognoz has also received notice of an application by the Yakutia Inter-district Tax Office No. 5 of the Federal Tax Service to the Arbitration Court of the Republic of Sakha (Yakutia) claiming that documentation filed in connection with the registration of ZAO Prognoz in 2003 was signed by a person holding an improperly delegated power of attorney. On that ground, the application requests the Yakutia Arbitration Court to order the liquidation of ZAO Prognoz. A preliminary hearing was held on March 3, 2008 to determine what evidence is necessary to proceed with the case and resolve procedural petitions of the parties. The judge postponed the case until July 3, 2008.

A second hearing was held on July 3, 2008, at which time court then ruled that the hearing was to be postponed until August 12, 2008. A third hearing was held on August 12, 2008 at which time the court ruled to reject the claim of the Federal Tax Service to liquidate ZAO Prognoz. An official ruling will be prepared by the court within the next few days. The Federal Tax Service can file an appeal of the courts decision within thirty days of the official ruling. Should an appeal be filed the Company will take every measure to vigorously defend the claim from the Federal Tax Service as we believe the case is without merit.

19. SUBSEQUENT EVENTS

On July 16, 2008 Silver Bear completed a private placement of 1,500,000 common shares pursuant to a strategic partnership with the Alfa Group Consortium (the "Alfa Group"), one of Russia's largest privately-owned financial/industrial conglomerates. The 1,500,000 common shares were sold to Impetra Ltd., an indirect wholly-owned subsidiary of the Alfa Group, at the price of $3.00 per share for aggregate gross proceeds to the Company of $4.5 million.

The private placement resulted in the Alfa Group beneficially holding an aggregate of 7,400,000 common shares of Silver Bear, representing approximately 19.5% of the number of common shares now outstanding.

Before closing the private placement, the Alfa Group beneficially owned 5,900,000 Silver Bear common shares, which represented 16.2% of the then issued and outstanding common shares of Silver Bear. Alfa Group advises that the Common Shares were acquired for investment purposes. Alfa Group and its joint actors may, from time to time, acquire additional securities of Silver Bear, dispose of some or all of the existing or additional securities they hold, or may hold, or may continue to hold their current positions. The Alfa Group has agreed not to sell its 1.5 million common shares acquired in the private placement for a period of 12 months from the closing of the private placement. Alfa Group will be filing a report (as contemplated by National Instrument 62-103 - The Early Warning System and Related Takeover Bid and Insider Reporting Issues) in connection with this private placement.

20. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2008 interim consolidated financial statements.

CORPORATE INFORMATION

DIRECTORS

The Honourable J. Trevor Eyton, O.C.[1,5,6]
Non-executive Chairman of the Board of Directors
Member of the Senate of Canada

William Biggar[2,4]
Director

Dzhulustan Borisov
President, National Republic Bank

Dominic Gualtieri [5]
Managing Director, Head of Equities, Alfa-Bank

Pavel Kepeshinskas
Professional geologist

Alexy Mikhalovski [6]
CEO, United Gold Company

Cameron Mingay[6]
Partner, Cassels Brock & Blackwell, LLP

Randall Oliphant
President and CEO, Silver Bear Resources Inc.
Chairman, Western Goldfields Inc.

Stephen Shefsky
President, CanCap Investments Limited

Christopher Westdal[3,4,5]
Consultant in international affairs

OFFICERS

Randall Oliphant
President and Chief Executive Officer

Raymond Threlkeld
Chief Operating Officer

Brian Penny
Vice President, Finance, Chief Financial Officer
and Corporate Secretary

Wesley Hanson
Vice President of Mine Development

Paul Semple
Vice President of Projects

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1. Chairman, Compensation Committee
2. Chairman, Audit Committee
3. Chairman, Governance and Environmental Committee
4. Member, Compensation Committee
5. Member, Audit Committee
6. Member, Governance and Environmental Committee

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