CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the quarter ended March 31, 2016

(Expressed in Canadian dollars)

INDEX

Unaudited Condensed Interim Consolidated Financial Statements

NOTICE OF NO REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Silver Bear Resources Inc.

Consolidated Statement of Financial Position

(Canadian dollars)

	March 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	19,318,495	9,966,104
Receivable (note 4)	2,708,363	572,528
Inventories (note 5)	4,174,462	734,745
Prepaid expenses (note 6)	5,286,315	1,776,748
Total current assets	31,487,635	13,050,125
Non-current assets		
Prepaid long-term assets (note 6)	3,837,949	3,262,320
Mineral property (note 7)	8,669,012	5,891,369
Property, plant and equipment (note 8)	11,235,062	4,992,398
	23,742,023	14,146,087
Total assets	**55,229,658**	**27,196,212**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	4,800,816	2,995,207
Short-term loans (note 10)	56,342,277	31,008,577
Finance lease (note 11)	500,541	175,348
Total current liabilities	61,643,634	34,179,132
Non-current liabilities		
Asset retirement obligation (note 18)	954,847	918,910
Finance lease (note 11)	1,011,808	13,634
	1,966,655	932,544
Total liabilities	63,610,289	35,111,676
EQUITY		
Equity attributable to owners of Silver Bear Resources Inc.		
Share capital (note 12)	98,277,254	98,277,254
Contributed surplus (note 12)	14,188,414	14,173,136
Accumulated other comprehensive loss	(2,526,221)	(3,153,970)
Deficit	(118,320,078)	(117,211,884)
Total (deficit)/equity	(8,380,631)	(7,915,464)
Total liabilities and shareholders' equity	**55,229,658**	**27,196,212**

Going concern (note 1)
Commitments and contingencies (note 16)

The accompanying notes are an integral part of these consolidated financial statements
Approved by the Board of Directors on May 12, 2016

"*Graham Hill***"**

Graham Hill
Director

"*Trevor Eyton***"**

Trevor Eyton
Director

Silver Bear Resources Inc.

Consolidated Statement of Comprehensive Loss

For the three months ended March 31, 2016 and 2015
(Canadian dollars)

	March 31, 2016	March 31, 2015
Income		
Interest income	480	1,548
	480	1,548
Expenses (Note 14)		
Exploration and evaluation expenses	333,684	645,856
General and administrative expenses	778,889	762,481
Depreciation	197,055	50,106
Share-based payments	15,278	55,608
Accretion expense	18,443	16,171
Interest expenses	682,257	67,751
Foreign exchange loss	(916,932)	124,648
Expenses from operations	1,108,674	1,722,621
Net loss for the period	(1,108,194)	(1,721,073)
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	627,749	470,135
Comprehensive loss for the period	(480,445)	(1,250,938)
Weighted average number of common shares outstanding	161,327,017	161,324,378
Basic and diluted loss per share (Note 12)	(0.01)	(0.01)

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

Silver Bear Resources Inc.

Consolidated Statement of Changes in Equity

For the three months ended March 31, 2016 and 2015

(Canadian dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance - December 31, 2014	98,265,379	14,009,495	(1,880,025)	(106,528,807)	3,866,042
Net loss for the year	-	-	-	(1,721,073)	(1,721,073)
Other comprehensive loss:					
Cumulative translation adjustment	-	-	470,135	-	470,135
Comprehensive loss for the year	-	-	470,135	(1,721,073)	(1,250,938)
Net proceeds from issuance shares in private placement	-	-	-	-	-
Shares issued for debt	-	-	-	-	-
Shares issued under share bonus plan	11,875	-	-	-	11,875
Share-based payments	-	43,733	-	-	43,733
Balance - March 31, 2015	**98,277,254**	**14,053,228**	**(1,409,890)**	**(108,249,880)**	**2,670,712**
Balance - December 31, 2015	98,277,254	14,173,136	(3,153,970)	(117,211,884)	(7,915,464)
Net loss for the year	-	-	-	(1,108,194)	(1,108,194)
Other comprehensive loss:					
Cumulative translation adjustment	-	-	627,749	-	627,749
Comprehensive loss for the year	-	-	627,749	(1,108,194)	(480,445)
Shares issued under share bonus plan	-	-	-	-	-
Share-based payments	-	15,278	-	-	15,278
Balance - March 31, 2016	**98,277,254**	**14,188,414**	**(2,526,221)**	**(118,320,078)**	**(8,380,631)**

Silver Bear Resources Inc.

Consolidated Statement of Cash Flow

For the three months ended March 31, 2016 and 2015
(Canadian dollars)

	March 31, 2016	March 31, 2015
Cash provided by (used in)		
Operating activities		
Total loss for the year	(1,108,194)	(1,721,073)
Adjustments for items not affecting cash:		
Depreciation	197,055	50,106
Share-based payments	15,278	55,608
Accretion expense	18,443	16,171
Interest expense	1,290,228	58,377
Net change in non-cash working capital (note 15)	(8,105,950)	(2,634,400)
Net cash used in operations	(7,693,140)	(4,175,211)
Investing activities		
Acquisition of property, plant and equipment	(4,762,969)	(420,384)
Mineral property addition	(2,612,906)	-
Long term prepayments	(488,541)	-
Net cash used in investing activities	(7,864,416)	(420,384)
Financing activities		
Net proceeds from issuance shares in private placement	-	-
Finance lease repayment	(144,660)	(32,660)
Short-term loans drawn	25,333,700	8,878,100
Short-term loans repaid	-	-
Net cash generated from financing activities	25,189,040	8,845,440
Effect of exchange rate changes on cash and cash equivalents	(279,093)	(23,742)
Increase in cash and cash equivalents during the period	9,352,391	4,226,103
Cash and cash equivalents - beginning of the period	9,966,104	1,593,133
Cash and cash equivalents - end of the period	19,318,495	5,819,236
Cash and cash equivalents consist of:		
Cash	19,318,495	5,819,236
Cash equivalents	-	-
	19,318,495	5,819,236

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Silver Bear Resources Inc. ("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 Silver Bear and its subsidiaries (the "Company") is the acquisition, exploration, evaluation and development of precious metal properties. The head office of the Company is registered in Toronto, Canada. The strategy of the Company is to focus on exploration and development of precious metal deposits. The principal asset of the Company is its right to explore and develop the Mangazeisky property ("Mangazeisky"), located approximately 400 kilometres north of Yakutsk in the Republic of Sakha (Yakutia), in the Russian Federation. To date, Silver Bear has not earned revenue from operations and is considered to be in the development stage.

It has been determined that development, exploration and evaluation costs incurred from July 1, 2015 have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including the geological and metallurgical information, scoping and pre-feasibility studies, proximity of operating facilities, operating management expertise and existing permits. In 2015 the company decided to start the development of Mangezeisky that includes the construction of a silver mine with associated processing facilities and infrastructure.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 for the foreseeable future. As at March 31, 2016, the Company had no source of operating cash flows and reported a net loss for the period of $1,108,194 and a cumulative deficit of $118,320,078. In order to fund development operations, repay short term loans of $56 million and maintain rights under licenses and agreements, the Company must secure sufficient future funding. In these circumstances, there exist material uncertainties resulting in significant doubt as to the ability of the Company to continue to meet its obligations as they come due and, hence the ultimate appropriateness of the use of accounting principles applicable to a going concern. The Company has a need for additional capital and while it has been successful in obtaining short term bridge financing in order to meet its funding requirements to date (see Notes 10 and 20), there can be no assurance that it will be able to do so or to obtain full project financing.

These unaudited condensed consolidated interim 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 required to the carrying value of assets and liabilities, the expenses, the reported comprehensive loss and balance sheet classifications used that would be necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. These adjustments could be material.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with the Handbook of the Canadian Institute of Charted Accountants, in accordance with IFRS, as issued by International Accounting Standards Board ("IASB"), applicable to the preparation of consolidated financial statements and in accordance with accounting policies based on IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The Company 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 consolidated financial statements comprise the financial statements of the Company and its 100% owned subsidiaries: Silver Bear Holdings Limited (a Barbados corporation) ("Holdings"), and ZAO Prognoz (a Russian Federation corporation). All significant inter-company accounts and transactions have been eliminated on consolidation.

These unaudited consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors on May 12, 2016.

2. BASIS OF PREPARATION (Continued)

Accounting estimates and management judgments

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

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

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

Critical judgements in applying accounting policies:

- Determination of functional currency

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

  Significant management judgment was exercised, since the second primary indicator related to the currency influencing the sales price is not applicable, as ZAO Prognoz does not yet generate any revenue. Effects of changes in foreign exchange rates on the consolidation of the financial statements are recorded in other comprehensive income and carried in the form of a cumulative translation adjustment in the accumulated other comprehensive income section of the Statement of financial position of the Company.

  If the functional currency of the Russian entity had been Canadian dollar, the effect of changes in foreign exchange rates would have been reflected in net income as foreign exchange gain (loss) on the Statement of comprehensive loss.

- Assets' carrying values and impairment charges

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

- Contingencies

  Refer to Note 16.

- Capitalization of development and exploration and evaluation costs

  Management has determined that development and exploration and evaluation costs incurred from July 1, 2015 have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including the geological and metallurgic information, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

2. BASIS OF PREPARATION (Continued)

Key sources of estimation uncertainty:

- Depreciation rates

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

- Rehabilitation provisions and asset retirement obligations

  Exploration and development activities carried out by the Company 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 is used in discounting of future cash flows as a pre-tax discount rate.

  The term of the exploration license is used as the discounting period. If the estimated pre-tax discount rate used in the calculation had been higher than the management estimate, the carrying amount of the provision would have been lower and interest expense higher.

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

- Share-based payment transactions

  The Company records share-based compensation at fair value over the vesting period. The fair value of the grant is determined using the Black-Scholes options pricing model and management assumptions regarding dividend yield, expected volatility, forfeiture rate, risk free rate and expected life. Should the underlying assumptions change, it will impact the fair value of the share-based compensation.

- Impairment of mineral properties

  While assessing whether any indications of impairment exist for mineral properties, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company 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 Company'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 Company's mineral properties.

2. BASIS OF PREPARATION (Continued)

New accounting standards

The Company has adopted the following annual improvements to IFRSs.

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1")

On December 18, 2014, the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. The adoption of the amendments has not had any material impact.

The following new accounting standards and amendments to existing standards and interpretations that have been issued by the IASB are not yet applied by the Company when preparing these consolidated financial statements.

IFRS 9 – Financial Instruments ("IFRS 9")

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

The effective date of the standard is January 1, 2018. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

On May 28, 2014, IFRS 15, Revenue from Contracts with Customers was issued. It provides a single principles based five step model to be applied to all contracts with customers. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. New disclosures about revenue are also introduced. This standard is effective for annual periods beginning on or after January 1, 2018. The Company is still assessing the impact of this standard.

On January 13, 2016, IFRS 16 Leases was issued. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. IFRS 16 is effective from January 1, 2019. The Company has not yet assessed the impact of this standard.

3. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS

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 precious metal properties.

The Board of Directors does not establish quantitative return on capital (shareholders' equity) criteria for management, but rather relies on the expertise of management to sustain future development of the business.

The Company 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 Company's management to sustain future development of the business.

The property in which the Company currently has an interest is in the exploration and development stage; as such the Company is dependent on external financing to fund ongoing activities.

In order to carry out the ongoing development and pay for administrative costs, the Company will spend existing working capital and plans to raise additional amounts as needed through equity and/or debt. The Company 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 Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended March 31, 2016 compared to the year ended December 31, 2015. Neither the Company nor its subsidiaries are 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 interest earning bank accounts, which are held by Canadian chartered banks with credit rating of Aa3 (Moody's). Cash held by Russian banks is kept to minimum so as to minimise credit risk.

Miscellaneous receivables and prepaid expenses other than taxes due from the Federal Government of Canada and Russian Value Added Tax refunds from the Russian tax authorities are insignificant. Management believes that the credit risk concentration with respect to accounts receivable is low.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due by continual review of budgets and forecasts and discussions with shareholders and other providers of finance as appropriate. At March 31, 2016 the Company had total current assets of $31,487,635 (December 31, 2015 - $13,050,125) to settle total current liabilities of $61,643,634 (December 31, 2015 – $34,179,132), as well as its commitments outlined in Note 16. Current liabilities of $61,643,634 include short term loans of $56,342,277 and $2,603,951 of accrued interest.

During the period the Company increased its short term loans amounting to $56,342,277 (December 31, 2015 – $31,008,577). As at March 31, 2016, the Company had a cash balance of $19,318,495 (December 31, 2015 – $9,966,104).

The Company had total obligations of $1,512,349 at March 31, 2016 (December 31, 2015 – $188,982) under a combination of three and five year leases for equipment in relation to the development of Mangazeisky, as outlined in note 11.

Interest rate risk

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

Foreign currency risk

The Company has funded certain exploration, project construction and administrative expenses on a transaction by transaction basis using U.S. dollar and Russian rouble currency converted from its Canadian dollar bank accounts held in Canada. This exposes the Company to changes in foreign exchange rates for both U.S. dollar and Russian rouble.

As the Company's project feasibility study work is still ongoing management believes it is not appropriate to hedge its foreign exchange risk at this stage. As the Company's project expenditure that is denominated in Russian rouble is increasing, the effect of changes in foreign exchange rates, in particular the Russian rouble, on net loss is deemed to be significant as the number and amount of foreign-currency transactions are relatively large. Had the Russian rouble foreign exchange rates been higher by 5%, the cumulative translation adjustment in the other comprehensive income section of the Statement of financial position would have been lower by $668,686.

4. RECEIVABLE

	March 31, 2016	December 31, 2015
Russian Value Added Tax	855,079	265,216
Canadian Harmonized Sales Tax	21,023	31,359
Other	1,832,261	275,953
	$ 2,708,363	$ 572,528

5. INVENTORIES

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

	March 31, 2016	December 31, 2015
Fuel and lubricants	1,008,453	207,921
Parts and supplies	2,934,795	526,824
Explosives & blasting components	231,214	-
	$ 4,174,462	$ 734,745

6. PREPAID EXPENSES

Prepaid expenses consist of the following:

	March 31, 2016	December 31, 2015
Insurance	28,361	38,315
Exploration and construction services and goods	5,174,417	1,670,498
Rent and administrative costs	83,537	67,935
	$ 5,286,315	$ 1,776,748

Prepaid long-term assets consist of the following:

	March 31, 2016	December 31, 2015
Construction supplies	3,837,949	3,262,320
	$ 3,837,949	$ 3,262,320

7. 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 capitalised project development costs.

Mineral property consists of the following:

Mangazeisky	March 31, 2016	December 31, 2015
Balance at the beginning of the period	5,891,369	1,607,824
Additions	2,735,626	4,612,987
Translation adjustment	42,017	(329,442)
Balance at the end of the period	$ 8,669,012	$ 5,891,369

The Company acquired the exploration licence in respect of the Mangazeisky property when it acquired all the shares of ZAO Prognoz on October 21, 2004. On December 27, 2012, the Mangazeisky exploration license was extended by the Federal Subsoil Use Agency in the Russian Federation (“Rosnedra”) through December 31, 2016.

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

The cumulative exploration costs incurred and expensed from inception to date are as follows:

	March 31, 2016	December 31, 2015
Mangazeisky	$ 63,538,360	$ 63,204,676

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost, less accumulated depreciation and consist of the following:

	March 31, 2016			December 31, 2015		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Property, plant and equipment:						
Mangazeisky site	14,423,443	3,188,381	11,235,062	7,602,989	2,610,591	4,992,398
Yakutsk office	73,910	73,910	-	72,492	72,492	-
Other office furniture, equipment and leasehold improvements	59,620	59,620	-	59,620	59,620	-
	$ 14,556,973	$ 3,321,911	$11,235,062	$ 7,735,101	$ 2,742,703	$ 4,992,398

Reconciliation of the carrying amount at the beginning and end of the year ended December 31, 2015 and the three months ended March 31, 2016:

	Mangazeisky site equipment	Total
Carrying amount at January 1, 2015	1,017,864	1,017,864
Additions	4,753,766	4,753,766
Disposals	-	-
Depreciation	(256,465)	(256,465)
Exchange differences	(522,767)	(522,767)
Carrying amount at December 31, 2015	$ 4,992,398	$ 4,992,398
Additions	6,206,145	6,206,145
Disposals	-	-
Depreciation	(197,055)	(197,055)
Exchange differences	233,574	233,574
Carrying amount at March 31, 2016	$ 11,235,062	$11,235,062

The carrying value of equipment held under finance leases as at March 31, 2016 was $2,505,570 (December 31, 2015 - $154,827). The Company acquired capital assets for $6,206,145 during the period ended March 31, 2016. The additions in the three month period ended March 31, 2016 and the year ended December 31, 2015 include $3,848,031 and $3,837,919 respectively of assets that are not yet ready for use and as such no depreciation has been charged on them. Leased assets are pledged as security for the related finance lease obligations.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	March 31, 2016	December 31, 2015
ZAO Prognoz – G&A, exploration and construction costs	1,110,833	396,286
Silver Bear Resources Inc. - Corporate costs and accrued interest	3,689,983	2,598,921
	$ 4,800,816	$ 2,995,207

Within accounts payable and accrued liability in the table above is $2,603,951 of accrued interest.

10. SHORT-TERM LOANS

On March 2, 2015, the Company entered into unsecured non-convertible promissory notes with FrontDeal Limited ("FrontDeal") and with Inflection Management Corporation (“Inflection”), pursuant to which FrontDeal and Inflection have each agreed to lend the Company US$3,500,000 respectively for a total of US$7,000,000. The promissory notes bear interest at a rate of 15% per year and the principal and accrued interest are payable on the maturity date which was initially agreed as June 27, 2015. Subsequently, the maturity date was extended from June 27, 2015 to June 30, 2016.

In October 2015, A.B. Aterra Resources Ltd. (“Aterra”) and Inflection provided additional loans to the Company of C$2,310,000 and C$3,300,000 respectively. These additional loans were made under contingent convertible promissory notes that bore interest at 15% per year and had a maturity date of December 31, 2015 and were contingently convertible into Common Shares of the Company at a price of C$0.075 per Common Share. In November 2015, Inflection advanced a further C$5,610,000 under convertible promissory note with a maturity date of December 31, 2015 and which was convertible into Common Shares at a price of C$0.045 per Common Share, subject to an upward ratchet on the conversion price. This note also bore interest at 15% per year.

In December 2015 loan notes from Aterra and accrued interest thereon were consolidated into a new convertible loan note for C$5,669,807 in favour of FrontDeal.

In December 2015 all loan notes from Inflection and accrued interest thereon were also consolidated into a new convertible loan note with a value of C$12,350,770.

Both these convertible loan notes bear interest at 15% per year, mature on December 31, 2016 and give the holder the right to convert the principal and any accrued interest into fully paid Common share of the Company at conversion price of C$0.045 per Common Share. Management considers 15% per year to be the prevailing market rate on loans that do not have an associated equity conversion option; accordingly, all of the principal is recognised as a liability.

In December 2015, Inflection also paid C$3,300,000 as partial consideration for the Company issuing a contingent convertible loan note bearing interest at 15% and maturing on December 31, 2016; the loan note was issued on January 11, 2016.

In March 2016, A.B. Aterra Resources Ltd. (“Aterra”) and Inflection provided additional loans to the Company of US$5,500,000 and US$14,500,000 respectively. These additional loans were made under unsecured contingent non-convertible promissory notes that bore interest at 15% per year and have a maturity date of December 31, 2016.

Interest accruing on all these loans amounted to C$2,603,951 at March 31, 2016.

FrontDeal and Aterra are indirectly wholly-owned by Alexey Mordashov, who is also the owner of Aterra Investments Limited, an insider and related party to the Company. Mr. Boris Granovsky, a director of the Company, is a managing partner of Aterra Capital, a management company for Aterra Investments Limited. Inflection is an insider and related party of Silver Bear. Mr. Alexey Sotskov, a director of the Company, is also a director of Inflection.

11. FINANCE LEASE

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

During the period the Company entered into new long term lease agreements with Caterpillar Financial Ltd, for the purchase of equipment in relation to the development of the Mangazeisky project payable in monthly instalments of circa US$28,000. The lease payments have been discounted at rates 12.4% and 21.8%. The Company made down payments for 30% of the cost of the equipment.

11. FINANCE LEASE (continued)

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

Payments due by period	March 31, 2016	December 31, 2015
Within one year	583,659	187,682
Within two to five years	1,357,679	15,640
	1,941,338	203,322
Future finance charges on finance lease	(428,989)	(14,340)
Present value of the net lease payments	1,512,349	188,982
Current portion	500,541	175,348
Long-term portion	1,011,808	13,634
Total obligations under finance lease	$ 1,512,349	$ 188,982

12. SHAREHOLDERS' EQUITY

Common shares

Authorized: Unlimited number of common shares and preferred shares issued with no par value.

All issued shares are fully paid. Reconciliation of the number and value of common shares at the beginning and end of the period ended March 31, 2016 and the year ended December 31, 2015:

	March 31, 2016		December 31, 2015	
	Number of common shares	$	Number of common shares	$
Balance - Beginning of the period	161,327,017	98,277,254	161,089,517	98,265,379
Issued pursuant to private placement, net	-	-	-	-
Issued for debt	-	-	-	-
Issued under share bonus plan	-	-	237,500	11,875
Balance - End of the period	161,327,017	98,277,254	161,327,017	98,277,254

Share Bonus Plan

In June 2013, the shareholders of the Company approved a share bonus plan whereby an aggregate of up to 2,500,000 common shares of the Company have been reserved for issuance to officers, directors and employees of the Company.

On August 22, 2013 the board approved the issuance of up to 1,100,000 common shares and on February 21, 2014 the allocation issuance of up to a further 1,375,000 common shares pursuant to the share bonus plan, subject to the terms of the share bonus plan and final approval by the President and Chief Executive Officer prior to issuance on or about the following dates:

October 1, 2013	-	275,000 common shares
January 1, 2014	-	275,000 common shares
April 1, 2014	-	618,750 common shares
July 1, 2014	-	618,750 common shares
October 1, 2014	-	343,750 common shares
January 1, 2015	-	237,500 common shares
Total	2,318,750	

12. SHAREHOLDERS' EQUITY (Continued)

The total number of bonus shares that are currently issued under the share bonus plan is 2,318,750. As shareholders approved an aggregate of up to 2,500,000 common shares for issuance, a further 181,250 common shares can be issued under the share bonus plan as at March 31, 2016.

Stock options and warrants

The Company has a stock option plan which is intended to provide an incentive to officers, employees, directors and consultants of the Company. 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 Company's common stock on the Toronto Stock Exchange ("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 Company for issuance and which may be purchased upon the exercise of all options granted under its option plan together with 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.

As at March 31, 2016 the total number of options available for issue was 16,132,702. A total of 5,093,982 options and shares for issuance under the share bonus plan (subject to a further 181,250 common shares that can be issued under the share bonus plan as at March 31, 2016) are available for future issue as at March 31, 2016.

During the three months ended March 31, 2016, options generated a share based payments expense of $15,278 (March 31, 2015: $43,733). The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option). Expected volatility is based on the historical share price volatility over the past 4 years. The expected life of the option was calculated based on the history of option exercises.

Reconciliation of the number of options at the beginning and end of the year ended March 31, 2016 and the year ended December 31 2015 follows:

	March 31, 2016		December 31, 2015	
	Number	**Weighted average exercise price, $**	**Number**	**Weighted average exercise price, $**
Balance - Beginning of the period	10,140,000	0.33	12,572,500	0.37
Expired / Cancelled / Forfeited	(1,415,000)	0.48	(2,432,500)	0.52
Balance - End of the period	8,725,000	0.30	10,140,000	0.33

12. SHAREHOLDERS' EQUITY (Continued)

Stock Options and Warrants (Continued)

As at March 31, 2016, the Company had share options outstanding and exercisable as follows:

	Outstanding		Exercisable	
Expiry year	**Number**	**Weighted average exercise price, $**	**Number**	**Weighted average exercise price, $**
2016	800,000	0.89	800,000	0.89
2017	325,000	0.57	325,000	0.57
2018	350,000	0.24	350,000	0.24
2019	7,250,000	0.23	5,083,334	0.22
	8,725,000	0.30	6,558,334	0.32

Contributed surplus consists of the following:

	March 31, 2016	**December 31, 2015**
Balance-Beginning of year	14,173,136	14,009,495
Share-based payments	15,278	163,641
Warrants	-	-
Exercised options	-	-
Balance- End of year	$ 14,188,414	$ 14,173,136

Share purchase warrant transactions are summarized as follows:

	March 31, 2016		December 31, 2015	
	Number of share purchase warrants	**Weighted average exercise price, $**	**Number of share purchase warrants**	**Weighted average exercise price, $**
Balance - Beginning of the period	3,522,498	0.33	38,383,422	0.26
Expired / Cancelled / Forfeited	-	-	(34,860,924)	0.27
Balance - End of the period	3,522,498	0.33	3,522,498	0.33

At March 31, 2016, the following warrants were outstanding:

Expiry	**Exercise price, $**	**Number of warrants**	**Grant date fair value recorded, $**
June 4, 2016	0.33	3,522,498	296,789
		3,522,498	296,789

The fair value of warrants is estimated on the date of grant using the Black-Scholes pricing model with the following assumptions: risk free rate of return 1.17%, volatility of 116.2% and expected life of 3 years.

12. SHAREHOLDERS' EQUITY (Continued)

Stock Options and Warrants (Continued)

Loss per share

Basic and diluted loss per share is calculated by dividing the net loss by the weighted average number of shares in issue during the year. 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.

	Three months ended	
	March 31, 2016	**March 31, 2015**
Net loss	(1,108,194)	(1,721,073)
Weighted average number of common shares outstanding	161,327,017	161,324,378
Basic and diluted loss per share	$ (0.01)	$ (0.01)

13. RELATED PARTY DISCLOSURES

The Company shared office space and services with companies that had officers or directors in common with the Company. The costs associated with this space and certain other services were administered by 2227929 Ontario Inc. A fee of $14,000 per month was charged by 2227929 Ontario Inc. On June 1, 2015, an agreement was reached between the Company and 2227929 Ontario Inc. to terminate the management agreement between the companies. A termination fee of $84,000 was paid pursuant to the agreement. This fee is included in the table below.

In addition, effective May 11, 2011, an administration fee of $25,000 per month was charged by Forbes & Manhattan Inc. pursuant to a consulting agreement entered into between the companies. Mr. Stan Bharti, a former director of the Company, is the Executive Chairman of Forbes & Manhattan Inc. On March 17, 2015, an agreement was reached between the Company and Forbes & Manhattan Inc. to terminate the management agreement between the companies. A termination fee of $75,000 was paid pursuant to the agreement. This fee is included in the table below.

On March 2, 2015, the Company entered into unsecured non-convertible promissory notes with FrontDeal and with Inflection, pursuant to which FrontDeal and Inflection each agreed to lend the Company US$3,500,000 respectively for a total of US$7,000,000, such notes having a maturity date of June 27, 2015. Amounts outstanding under the promissory notes incur interest at a rate of 15% per year and the principal and accrued interest are payable on the maturity date. Subsequently, Inflection and FrontDeal agreed to extend the maturity date from June 27, 2015 to March 31, 2016.

In October 2015, A.B. Aterra Resources Ltd. ("Aterra") and Inflection provided additional loans to the Company of C$2,310,000 and C$3,300,000 respectively. These additional loans were made under contingent convertible promissory notes that bore interest at 15% per year and had a maturity date of December 31, 2015 and were contingently convertible into Common Shares of the Company at a price of C$0.075 per Common Share. In November 2015, Inflection advanced a further C$5,610,000 under convertible promissory note with a maturity date of December 31, 2015 and which was convertible into Common Shares at a price of C$0.045 per Common Share, subject to an upward ratchet on the conversion price. This note also bore interest at 15% per year.

In December 2015 loan notes from Aterra and accrued interest thereon were consolidated into a new convertible loan note for C$5,669,807 in favour of FrontDeal.

In December 2015 all loan notes from Inflection and accrued interest thereon were also consolidated into a new convertible loan note with a value of C$12,350,770.

Both these convertible loan notes bear interest at 15% per year, mature on December 31, 2016 and give the holder the right to convert the principal and any accrued interest into fully paid Common share of the Company at conversion price of C$0.045 per Common Share. Management considers 15% per year to be the prevailing market rate on loans that do not have an associated equity conversion option; accordingly, all of the principal is recognised as a liability.

13. RELATED PARTY DISCLOSURES (Continued)

In December 2015, Inflection also paid C$3,300,000 as partial consideration for the Company issuing a contingent convertible loan note bearing interest at 15% and maturing on December 31, 2016; the loan note was issued on January 11, 2016.

In March 2016, A.B. Aterra Resources Ltd. ("Aterra") and Inflection provided additional loans to the Company of US$5,500,000 and US$14,500,000 respectively. These additional loans were made under unsecured contingent non-convertible promissory notes that bore interest at 15% per year and have a maturity date of December 31, 2016.

Interest accruing on all these loans amounted to C$2,603,951 at March 31, 2016.

FrontDeal and Aterra are indirectly wholly-owned by Alexey Mordashov, who is also the owner of Aterra Investments Limited, an insider and related party to the Company. Mr. Boris Granovsky, a director of the Company, is a managing partner of Aterra Capital, a management company for Aterra Investments Limited. Inflection is an insider and related party of Silver Bear. Mr. Alexey Sotskov, a director of the Company, is also a director of Inflection.

During the quarters ended March 31, 2016 and 2015 the Company entered into transactions for goods and services with the following related parties:

	Goods and services received	
Goods and services received from (provided to):	**March 31, 2016**	**March 31, 2015**
2227929 Ontario Inc.	-	42,000
Forbes & Manhattan Inc.	-	150,000
	$ -	$ 192,000

There were no balances related to goods and services outstanding at the end of the reporting period:

Compensation of key management

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

	March 31, 2016	**March 31, 2015**
Salaries, fees and short-term employee benefits	191,677	294,680
Termination payments	30,000	-
Share-based payments	15,278	54,358
	$ 236,955	$ 349,038

.

14. EXPENSES BY NATURE

The following table provides the breakdown of Company's expenses by nature.

	March 31, 2016	March 31, 2015
Employee compensation	483,702	613,383
Drilling and trenching	333,684	22,548
Depreciation	197,055	50,106
Professional fees	105,056	297,003
Geological & environmental studies	-	242,847
Transportation	-	40,865
Camp maintenance	-	46,733
Taxes	-	2,464
Office expenses	9,998	70,791
Travel expenses	26,532	33,289
Air transportation	-	-
Accretion expense	18,443	16,171
Interest expense	682,257	67,751
Foreign exchange	(916,933)	124,648
Other expenses	168,880	94,022
	$ 1,108,674	$ 1,722,621

Expenses relating to the Mangazeisky development and construction have been capitalised from July 1, 2015, this means that some categories of expenses are no longer charged to the income statement.

Employee benefits expense for the three months ended March 31, 2016 and 2015 consisted of the following:

	March 31, 2016	March 31, 2015
Salaries, fees and short-term employee benefits	438,424	557,775
Termination payments	30,000	-
Share-based payments	15,278	55,608
	$ 483,702	$ 613,383

15. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	March 31, 2016	March 31, 2015
Receivable	(1,654,916)	(128,827)
Inventories	(3,269,487)	(825,041)
Prepaid expenses	(3,319,429)	(1,758,099)
Accounts payable and accrued liabilities	137,882	77,567
	$ (8,105,950)	$ (2,634,400)

16. COMMITMENTS AND CONTINGENCIES

In order to maintain the exploration license at the Mangazeisky property in good standing, Silver Bear is required to conduct certain minimum levels of exploration activity. The Company is required to undertake 10,000 cubic metres of trenching and 6,000 metres of drilling to satisfy exploration and mining license agreement requirements in 2016.

The Company entered into a long-term lease agreement with Caterpillar Financial Ltd. for the purchase of certain exploration equipment payable in monthly installments of US$11,300 over a three-year period until December 2016. The Company has also entered into additional long-term lease agreements with Caterpillar Financial Ltd for the purchase of necessary equipment. These leases require monthly installments of circa US$28,000 over three to five years.

The Company is party to certain management contracts and severance obligations. These contracts contain clauses requiring that additional payments of up to $640,000 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 Company paid an amount of RUR 17,884,000 to Toms Engineering, an entity that had been contracted to provide exploration work, which is now in dispute. After obtaining external legal counsel it is considered probable that RUR 8 million of this is potentially recoverable. The full amount was expensed in 2015 as the recovery is not considered virtually certain.

The Company 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 Silver Bear's financial position, results of operations or cash flows. There were no material outstanding legal proceedings as of March 31, 2016.

17. SEGMENTED INFORMATION

The Company's operating segments are based on geographical location and include one property in the Russian Federation (Mangazeisky) and a corporate registered office in Toronto, Canada.

As at March 31, 2016

Country/Property	Cash	Inventories	Prepaid	Receivables	Mineral Properties	Property plant and equipment	Depreciation	Interest expense	Net loss for the period
Russia - Mangazeisky	3,472,945	4,174,462	9,013,398	2,685,646	8,669,012	11,235,062	197,055	53,880	237,701
Canada - corporate	15,845,550	-	110,866	22,717	-	-	-	628,377	870,493
	$19,318,495	$ 4,174,462	$ 9,124,264	$ 2,708,363	$ 8,669,012	$11,235,062	$ 197,055	$ 682,257	$ 1,108,194

As at December 31, 2015

Country/Property	Cash	Inventories	Prepaid	Receivables	Mineral Properties	Property plant and equipment	Depreciation	Interest expense	Net loss for the period
Russia - Mangazeisky	1,450,741	734,745	4,952,550	539,475	5,891,369	4,992,398	256,465	30,291	5,992,369
Canada - corporate	8,515,363	-	86,518	33,054	-	-	-	1,201,379	4,690,708
	$ 9,966,104	$ 734,745	$ 5,039,068	$ 572,529	$ 5,891,369	$ 4,992,398	$ 256,465	$ 1,231,670	$ 10,683,077

18. PROVISION FOR DECOMMISSIONING AND RESTORATION LIABILITY

The Company'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 Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. The Company 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 Company's provision for decommissioning and restoration liability consist of management's best estimate of reclamation and closure costs for 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:

	March 31, 2016	December 31, 2015
Balance at the beginning of the period	918,910	826,758
Accretion expense	18,443	68,839
Impact of rates adjustment	-	69,363
Translation adjustment	17,494	(46,050)
Balance at the end of the period	$ 954,847	$ 918,910

The estimated value of the obligation to rehabilitate the site expressed in Canadian dollars is $994,675. A Russian Central bank borrowing rate of 8.25% has been used in discounting of future cash flows.

19. 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 Company's financial instruments consist of cash, restricted cash, accounts receivable, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. Financial assets and financial liabilities as at March 31, 2016 and December 31, 2015 were as follows:

As at March 31, 2016	Loans and receivables	Other liabilities	TOTAL
Cash and cash equivalents	19,318,495	-	19,318,495
Accounts Receivable	2,708,363	-	2,708,363
Short-term loans	-	56,342,277	56,342,277
Accounts payables and accrued liabilities	-	4,800,816	4,800,816
Finance lease		1,512,349	1,512,349

19. FINANCIAL INSTRUMENTS (Continued)

As at December 31, 2015	Loans and receivables	Other liabilities	TOTAL
Cash and cash equivalents	9,966,104	-	9,966,104
Accounts Receivables	572,528	-	572,528
Short-term loans	-	31,008,577	31,008,577
Accounts payables and accrued liabilities	-	2,995,207	2,995,207
Finance lease	-	188,982	188,982

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

20. EVENTS AFTER THE REPORTING PERIOD

On April 28, 2016, the Company announced that it had entered into a non-binding term sheet (the “Term Sheet”) with the Company’s major shareholders, Inflection and Aterra (together with Inflection, the “Lenders”), for a comprehensive secured debt funding package (the “Debt Funding Package”) for the final development, construction and commissioning of the Company’s Mangazeisky Silver Project.

It is anticipated that the Company’s wholly-owned Russian subsidiary, ZAO Prognoz, will be the ultimate borrower under the Debt Funding Package which will consist of a US$42.85 million secured loan (the “Secured Loan Facility”), a working capital facility of US$3.5 million and a contingency facility of US$2 million, for total funding of US$48.35 million. Pursuant to the Term Sheet, a portion of the Secured Loan Facility will be used to repay the principal and accrued interest on certain outstanding promissory notes previously issued by the Company to the Lenders. The Company anticipates that the Debt Funding Package will result in net new funding to the Company of approximately US$17 million following the repayment of such outstanding promissory notes.

The proposed Debt Funding Package is currently non-binding and subject to, among other things, the negotiation and execution of definitive loan and security agreements, the approval of the Company’s minority shareholders, the approval of the Toronto Stock Exchange and any other required regulatory approvals, as well as other customary terms and conditions. There can be no assurances that the Debt Funding Package will be completed on the terms set out in the Term Sheet, or at all, or if completed, that the conditions to drawdown would be satisfied.