

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

Silver Bear Resources Inc.

For the three months ended March 31, 2014

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, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	502,980	276,909
Receivable (note 4)	292,524	409,905
Inventories (note 5)	1,147,944	1,133,556
Prepaid expenses (note 6)	130,166	60,602
Total current assets	2,073,614	1,880,972
Non-current assets		
Mineral property (note 7)	2,450,117	2,519,401
Property, plant and equipment (note 8)	1,654,505	1,770,284
Total assets	6,178,236	6,170,657
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	1,715,653	1,534,232
Short-term loans (note 10)	750,000	-
Finance lease (note 11)	140,038	303,683
Total current liabilities	2,605,691	1,837,915
Non-current liabilities		
Decommissioning and restoration obligations (note 18)	1,230,481	1,241,223
Finance lease (note 11)	214,885	50,685
Total liabilities	4,051,057	3,129,823
EQUITY		
Equity attributable to owners of Silver Bear Resources Inc.		
Share capital (note 12)	87,593,084	87,542,402
Contributed surplus (note 12)	13,845,743	13,499,050
Accumulated other comprehensive loss	(652,470)	(554,144)
Deficit	(98,659,178)	(97,446,474)
Total equity	2,127,179	3,040,834
Total liabilities and shareholders' equity	6,178,236	6,170,657

Going concern (note 1)

Commitments and contingency (note 16)

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

Approved by the Board of Directors on May 14, 2014

“Mark Trevisiol”

Mark Trevisiol
Director

“Trevor Eyton”

Trevor Eyton
Director

Silver Bear Resources Inc.

Consolidated Statement of Comprehensive Loss

For the three months ended March 31, 2014 and 2013

(Canadian dollars)

	March 31, 2014	March 31, 2013
Income		
Interest income	1,878	29
	<u>1,878</u>	<u>29</u>
Expenses (Note 14)		
Exploration costs	315,928	504,326
General and administrative	398,892	478,767
Depreciation	66,715	114,648
Share-based payments	346,693	138,172
Accretion expense	25,761	27,124
Interest expense	19,873	14,809
Foreign exchange loss	40,720	(9,485)
Expenses from operations	<u>1,214,582</u>	<u>1,268,361</u>
Net loss for the period	<u>(1,212,704)</u>	<u>(1,268,332)</u>
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(98,326)	11,752
Comprehensive loss for the period	<u>(1,311,030)</u>	<u>(1,256,580)</u>
Weighted average number of common shares outstanding	72,711,077	53,866,307
Basic and diluted loss per share	<u>(0.02)</u>	<u>(0.02)</u>

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, 2014 and 2013

(Canadian dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance - December 31, 2012	83,580,384	11,473,112	(517,054)	(91,267,691)	3,268,751
Net loss for the period	-	-	-	(6,178,783)	(6,178,783)
Other comprehensive loss:					
Cumulative translation adjustment	-	-	(37,090)	-	(37,090)
Comprehensive loss for the period	-	-	(37,090)	(6,178,783)	(6,215,873)
Net proceeds from issuance shares in private placement	3,962,018	-	-	-	3,962,018
Share based payments	-	312,236	-	-	312,236
Warrants	-	1,713,702	-	-	1,713,702
Balance -December 31, 2013	87,542,402	13,499,050	(554,144)	(97,446,474)	3,040,834
Balance - December 31, 2013	87,542,402	13,499,050.00	(554,144)	(97,446,474)	3,040,834
Net loss for the period	-	-	-	(1,212,704)	(1,212,704)
Other comprehensive loss:					
Cumulative translation adjustment	-	-	(98,326)	-	(98,326)
Comprehensive loss for the period	-	-	(98,326)	(1,212,704)	(1,311,030)
Shares issued for debt	28,682	-	-	-	28,682
Shares issued under share bonus plan	22,000	-	-	-	22,000
Share based payments	-	346,693	-	-	346,693
Balance -March 31, 2014	87,593,084	13,845,743	(652,470)	(98,659,178)	2,127,179

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

Silver Bear Resources Inc.

Consolidated Statement of Cash Flow

For the three months ended March 31, 2014 and 2013

(Canadian dollars)

	March 31, 2014	March 31, 2013
Cash provided by (used in)		
Operating activities		
Total loss for the period	(1,212,704)	(1,268,332)
Adjustments for items not affecting cash:		
Depreciation	66,715	114,648
Share-based payments	346,693	138,172
Accretion expense	25,761	27,124
Interest expense	5,308	14,809
Net change in non-cash working capital (note 15)	300,410	574,304
Net cash used in operations	(467,817)	(399,275)
Investing activities		
Acquisition of property, plant and equipment	(2,684)	-
Net cash used in investing activities	(2,684)	-
Financing activities		
Finance lease repayment	(56,259)	-
Short-term loans	750,000	350,000
Net cash generated from financing activities	693,741	350,000
Effect of exchange rate changes on cash and cash equivalents	2,831	3,724
Decrease in cash and cash equivalents during the period	226,071	(45,551)
Cash and cash equivalents - beginning of the period	276,909	141,669
Cash and cash equivalents - end of the period	502,980	96,118
Cash and cash equivalents consist of:		
Cash	467,980	61,118
Cash equivalents	35,000	35,000
	502,980	96,118

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

Silver Bear Resources Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

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 evaluation, acquisition, exploration and development of precious metal properties. The head office of the Company is located in Toronto, Canada. The principal asset of the Company is the project described in Note 7. The exploration strategy of the Company is to focus on the discovery of precious metal deposits. To date, Silver Bear has not earned revenue from operations and is considered to be in the exploration stage.

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, 2014, the Company had no source of operating cash flows and reported a net loss for the period of \$1,212,704 and a deficit of \$98,659,178. In order to fund operations and maintain rights under licenses and agreements, the Company must secure sufficient future funding. In these circumstances, there exists 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 in the future.

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 condensed consolidated interim financial statements, then adjustments would be necessary 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 condensed consolidated interim financial statements have been prepared in accordance with the Handbook of the Canadian Institute of Chartered 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, including IAS 34 – Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year December 31, 2013, which has been prepared in accordance with IFRS as issued by the IASB. The Company has consistently applied the accounting policies used in the preparation of its IFRS statement of financial position 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 interim financial statements were reviewed, approved and authorized for issue by the Board of Directors on May 14, 2014.

Silver Bear Resources Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

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 judgement in applying accounting policies:

- Determination of functional currency

Based on the primary indicators in IAS 21 – The Effects of Change in Foreign Exchange Rates – Russian rouble has been determined as the functional currency of ZAO Prognoz, operating subsidiary of Silver Bear, because 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 that does not yet generate any revenue. Effects of changes in foreign exchange rates at the consolidation of financial statements are recorded in the other comprehensive income and carried in the form of 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

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of 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.

- 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.

Silver Bear Resources Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

2. BASIS OF PREPARATION (Continued)

- Contingencies

Refer to Note 16.

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 asset utility to the Company. If the estimated life had been longer by than management's estimate, the carrying amount of the asset would have been higher.

- Rehabilitation provisions and asset retirement obligations

Exploration activities carried by the Company give rise to obligations for environmental rehabilitation. Significant uncertainty exists 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 the management estimates, the carrying amount of the provision would have been lower as would be 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.

New accounting standards

IFRS 9 – Financial Instruments (“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 has been deferred by the IASB. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Silver Bear Resources Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

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 and exploration of precious metal properties.

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

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

In order to carry out the planned exploration and pay for administrative costs, the Company will spend existing working capital and plan to raise additional amounts as needed. 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, 2014 compared to the year ended December 31, 2013. 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 invested with Canadian chartered banks and a major Russian bank with credit rating from AA for Canadian banks and BB for Russian bank and a stable future outlook.

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. As at March 31, 2014, the Company had a cash balance of \$502,980 (December 31, 2013 – \$276,909). The Company had total obligations of \$354,923 at March 31, 2014 (December 31, 2013 – \$354,368) under a three-year finance lease of exploration equipment.

At March 31, 2014 the Company had total current assets of \$2,073,614 (December 31, 2013 - \$1,880,972) to settle current liabilities of \$2,605,691 (December 31, 2013 – \$1,837,915), as well as its commitments outlined in Note 16.

Interest rate risk

The Company has cash balances interest-bearing debt. 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 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. Management believes the foreign exchange risk derived from currency conversions is low and therefore does not hedge its foreign exchange risk.

Silver Bear Resources Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

3. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS (Continued)

Sensitivity analysis

The carrying amount of accounts receivable equals fair market value. The effect of changes in foreign exchange rates on net loss is deemed to insignificant as number and amount of foreign-currency transactions are relatively small. Had the foreign exchange rates been higher (lower) by 5%, the cumulative translation adjustment in the other comprehensive income section of the Statement of financial position would have been lower (higher) by \$176,671.

4. RECEIVABLE

	March 31, 2014	December 31, 2013
Russian Value Added Tax	\$ 145,637	\$ 143,821
Canadian Harmonized Sales Tax	36,763	46,463
Other	110,124	219,620
	\$ 292,524	\$ 409,905

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, 2014	December 31, 2013
Fuel and lubricants	\$ 300,851	\$ 259,937
Parts and supplies	847,093	873,619
	\$ 1,147,944	\$ 1,133,556

6. PREPAID EXPENSES

Prepaid expenses consist of the following:

	March 31, 2014	December 31, 2013
Insurance	\$ 8,101	\$ 16,207
Exploration services and goods	116,600	31,104
Rent and administrative costs	5,465	13,291
	\$ 130,166	\$ 60,602

7. MINERAL PROPERTY

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

Mineral property consists of the following:

	March 31, 2014	December 31, 2013
Mangazeisky		
Balance at the beginning of the period	\$ 2,519,401	\$ 1,791,068
Additions	2,684	738,854
Translation adjustment	(71,968)	(10,521)
Balance at the end of the period	\$ 2,450,117	\$ 2,519,401

The change in the value of the asset is due to additional costs incurred in the process of obtaining mining license and foreign exchange differences on translation of the asset.

Silver Bear Resources Inc.

Notes to Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

7. MINERAL PROPERTY (Continued)

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 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 that is valid for a period of 20 years.

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

	March 31, 2014	December 31, 2013
Mangazeisky	\$ 54,236,631	\$ 53,920,703

8. PROPERTY, PLANT AND EQUIPMENT

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

	March 31, 2014			December 31, 2013		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Property plant and equipment:						
Mangazeisky site	\$ 5,501,398	\$ 3,846,893	\$ 1,654,505	\$ 5,667,799	\$ 3,897,515	\$ 1,770,284
Yakutsk office	120,348	120,348	-	123,988	123,988	-
Other office furniture, equipment and leasehold improvements	59,620	59,620	-	59,620	59,620	-
	\$ 5,681,366	\$ 4,026,861	\$ 1,654,505	\$ 5,851,407	\$ 4,081,123	\$ 1,770,284

Reconciliation of the carrying amount at the beginning and end of the years ended December 31, 2013 and three months ended March 31, 2014:

	Mangazeisky site equipment	Yakutsk equipment	Office equipment	Total
Carrying amount at January 1, 2013	\$ 2,065,814	\$ -	\$ -	\$ 2,065,814
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	(282,448)	-	-	(282,448)
Exchange differences	(13,082)	-	-	(13,082)
Carrying amount at December 31, 2013	\$ 1,770,284	\$ -	\$ -	\$ 1,770,284
Additions	2,684	-	-	2,684
Disposals	-	-	-	-
Depreciation	(66,715)	-	-	(66,715)
Exchange differences	(51,747)	-	-	(51,747)
Carrying amount at March 31, 2014	\$ 1,654,505	\$ -	\$ -	\$ (115,779)

The carrying value of equipment held under finance leases as at March 31, 2014 was \$594,395 (December 31, 2013 - \$662,023). A piece of exploration equipment was acquired during the three months ended March 31, 2014. 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, 2014	December 31, 2012
Exploration costs - Mangazeisky project	\$ 245,231	\$ 271,736
Corporate - accounts payable and accrued liabilities	\$ 1,470,422	1,262,496
	\$ 1,715,653	\$ 1,534,232

Silver Bear Resources Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

10. SHORT-TERM LOANS

On March 10, 2014, the Company entered into a loan agreement with 1039593 Ontario Ltd., who agreed to provide an unsecured loan in the amount of \$250,000 repayable on June 9, 2014. Interest on the loan is calculated at a rate of 25% per annum and is payable monthly. 1039593 Ontario Ltd. is 100% owned by Mr. Mark Trevisiol, a president and CEO of the Company.

On March 14, 2014, the Company entered into a loan agreement with Aterra Investments Ltd. Aterra Investments Ltd. agreed to provide an unsecured loan in the amount of \$250,000 repayable on June 13, 2014.

Interest is calculated at rate of 25% per annum and is payable monthly. Mr. Boris Granovsky, a director of the Company, is a managing partner of Aterra Capital, a management company for Aterra Investments Ltd. Ms Anastasia Gracheva, a director of the Company is an officer of Aterra Capital, a management company for Aterra Investments Ltd.

On March 20, 2014, the Company entered into a loan agreement with Forbes & Manhattan Inc. Forbes & Manhattan Inc. agreed to provide an unsecured loan in the amount of \$250,000 repayable on June 18, 2014. Interest is calculated at rate of 25% per annum and is payable monthly. Mr. Stan Bharti, a director of the Company, is the Executive Chairman of Forbes & Manhattan Inc.

11. FINANCE LEASE

The Company entered into a long-term lease agreement with Caterpillar Financial Ltd. for the purchase of certain exploration equipment payable in monthly installments over a three-year period. The lease payments were discounted at a rate of 11.5%. The Company made a down-payment for the 50% of the cost of equipment. In January 2014 the lease was extended until December 2016.

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, 2014	December 31, 2013
Within one year	\$ 149,888	\$ 314,344
With two to five years	274,795	62,869
	424,683	377,213
Future finance charges on finance lease	(69,760)	(22,845)
Present value of the net lease payments	354,923	354,368
Current portion	140,038	303,683
Long-term portion	214,885	50,685
Total obligations under finance lease	\$ 354,923	\$ 354,368

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, 2014 and year ended December 31, 2013:

	March 31, 2014		December 31, 2013	
	Number of common shares	\$	Number of common shares	\$
Balance - Beginning of period	94,642,170	87,542,402	53,866,307	83,580,384
Issued pursuant to private placement, net	-	-	40,500,863	3,927,643
Issued for debt	220,630	28,682	-	-
Issued under share bonus plan	275,000	22,000	275,000	34,375
Balance - End of period	95,137,800	87,593,084	94,642,170	87,542,402

Silver Bear Resources Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

12. SHAREHOLDERS' EQUITY (Continued)

On March 6, 2014 the Company issued 220,630 common shares of the Company at a deemed price of \$0.13 per common share to settle outstanding debt in relation to past services provided by Exploration Services UK Ltd.

See Note 20 for the events after the reporting period.

Share Bonus Plan

In June 2013, the shareholders of the Company approved a share bonus plan whereby an aggregate of up to 2.5 million 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 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 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	-	618750 common shares
July 1, 2014	-	618750 common shares
October 1, 2014	-	343,750 common shares
January 1, 2015	-	343,750 common shares

On January 2, 2014, 275,000 common shares under the share bonus plan were issued to certain officers, directors and consultants of the Company valued at \$0.08 per share.

Stock Options

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 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 will all shares reserved for issuance under the share bonus plan must not exceed 10% of the outstanding Shares (on a non-diluted basis) issued and outstanding at the time of the granting of the Options.

As at March 31, 2014 the total number of options available for issue was 7,563,780. A total of 801,280 options are available for future issue as at March 31, 2014.

During the three months ended March 31, 2014 options generated a share based payments expense of \$346,693 (March 31, 2013: \$138,172). 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 5 years. The expected life of the option was calculated based on the history of option exercises.

On February 28, 2014, 2,240,000 options were granted to directors, officers and consultants of the Company. The exercise price of the options is \$0.17 per option. Granted stock options vest immediately on the day of the grant and expire on February 28, 2019.

Silver Bear Resources Inc.

Notes to Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

12. SHAREHOLDERS' EQUITY (Continued)

The fair value of these options was estimated to be \$295,402 with the following assumptions: expected volatility of 132%, dividend yield of 0%, risk-free interest rate of 1.25% and expected life of 3.3 years.

Reconciliation of the number of options at the beginning and end of the year ended December 31, 2013 and 2012 follows:

	March 31, 2014		December 31, 2013	
	Number	Weighted average exercise price, \$	Number	Weighted average exercise price, \$
Balance - Beginning of the period	4,522,500	0.68	4,844,167	0.69
Granted	2,240,000	0.17	475,000	0.20
Expired / Cancelled / Forfeited	-	0.39	(796,667)	0.39
Balance - End of the period	6,762,500	0.50	4,522,500	0.68

As at December 31, 2013, the Company had share options outstanding and exercisable as follows:

Expiry year	Outstanding		Exercisable	
	Number	Weighted average exercise price, \$	Number	Weighted average exercise price, \$
2015	1,070,000	0.59	1,070,000	0.59
2016	2,055,000	0.91	1,491,665	0.91
2017	922,500	0.55	786,667	0.54
2018	475,000	0.20	241,667	0.17
2019	2,240,000	0.17	2,240,000	0.17
	6,762,500	0.51	5,829,999	0.49

Contributed surplus consists of the following:

	March 31, 2014	December 31, 2013
Balance-Beginning of period	\$ 13,499,050	\$ 11,473,112
Share-based payments	346,693	312,236
Warrants	-	1,713,702
Balance- End of period	\$ 13,845,743	\$ 13,499,050

Share purchase warrant transactions are summarized as follows:

	March 31, 2014		December 31, 2013	
	Number of share purchase warrants	Weighted average exercise price, \$	Number of share purchase warrants	Weighted average exercise price, \$
Balance - Beginning of the period	38,383,422	0.58	2,643,703	0.58
Granted	-	-	35,739,719	0.25
Balance - End of the period	38,383,422	0.58	38,383,422	0.58

Silver Bear Resources Inc.

Notes to Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

12. SHAREHOLDERS' EQUITY (Continued)

At March 31, 2014, the following warrants were outstanding:

Expiry	Exercise price, \$	Number of warrants	Grant date fair value recorded, \$
June 7, 2015	0.58	1,753,703	264,254
July 16, 2015	0.58	890,000	129,281
June 4, 2016	0.33	3,522,498	296,789
October 17, 2015	0.245	3,892,308	168,667
October 21, 2015	0.245	3,846,153	187,500
December 18, 2015	0.245	24,478,760	1,060,746
		38,383,422	2,107,237

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 1.11%-1.20%, volatility of 116%-133% and expected life of 2-3 years.

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.

	March 31, 2014	March 31, 2013
Net loss	(1,212,704)	(1,268,332)
Weighted average number of common shares outstanding	72,711,077	53,866,307
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)

13. RELATED PARTY DISCLOSURES

The Company shares office space with companies that have officers or directors in common with the Company. The costs associated with this space and certain other services are administered by 2227929 Ontario Inc.

In addition, effective May 11, 2011, an administration fee of \$25,000 per month is charged by Forbes & Manhattan Inc. pursuant to a consulting agreement entered into between the companies. Mr. Stan Bharti, a director of the Company, is the Executive Chairman of Forbes & Manhattan Inc.

On March 10, 2014, the Company entered into a loan agreement with 1039593 Ontario Ltd., who agreed to provide an unsecured loan in the amount of \$250,000 repayable on June 9, 2014. Interest on the loan is calculated at a rate of 25% per annum and is payable monthly. 1039593 Ontario Ltd. is 100% owned by Mr. Mark Trevisiol, a president and CEO of the Company.

On March 14, 2014, the Company entered into a loan agreement with Aterra Investments Ltd. Aterra Investments Ltd. agreed to provide an unsecured loan in the amount of \$250,000 repayable on June 13, 2014. Interest is calculated at rate of 25% per annum and is payable monthly.

Mr. Boris Granovsky, a director of the Company, is a managing partner of Aterra Capital, a management company for Aterra Investments Ltd. Ms Anastasia Gracheva, a director of the Company is an officer of Aterra Capital, a management company for Aterra Investments Ltd.

On March 20, 2014, the Company entered into a loan agreement with Forbes & Manhattan Inc. Forbes & Manhattan Inc. agreed to provide an unsecured loan in the amount of \$250,000 repayable on June 18, 2014. Interest is calculated at rate of 25% per annum and is payable monthly. Mr. Stan Bharti, a director of the Company, is the Executive Chairman of Forbes & Manhattan Inc.

Silver Bear Resources Inc.

Notes to Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

13. RELATED PARTY DISCLOSURES (Continued)

During the three months ended March 31, 2014 and 2013 the Company entered into transactions for goods and services with the following related parties:

Goods and services received from (provided to):	Goods and services received	
	March 31, 2014	March 31, 2013
2227929 Ontario Inc.	29,824	50,686
Forbes & Manhattan Inc.	75,000	75,000
Aterra Investments Ltd.	-	52,500
Other entities of F&M Group	-	-
	\$ 104,824	\$ 178,186

The following balances related to goods and services were outstanding at the end of the reporting period:

Outstanding balances	Amounts owed to related parties	
	March 31, 2014	March 31, 2013
2227929 Ontario Inc.	306,961	88,596
Forbes & Manhattan Inc.	84,750	210,075
Aterra Investments Ltd.	-	210,000
Other entities of F&M Group	21,557	7,310
	\$ 413,268	\$ 515,981

These amounts are unsecured, non-interest bearing with no fixed terms of repayment. The related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

See Note 20 for events after the reporting period.

Compensation of key management

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

	March 31, 2014	March 31, 2013
Salaries, fees and short-term employee benefits	\$ 274,189	\$ 277,383
Share-based payments	249,360	89,642
	\$ 523,549	\$ 367,025

14. EXPENSES BY NATURE

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

	March 31, 2014	March 31, 2013
Employee compensation	\$ 746,993	\$ 663,730
Drilling and trenching	-	61,622
Depreciation	66,715	114,648
Professional fees	71,030	114,495
Geological & environmental studies	78,802	12,830
Transportation	(255)	1,643
Camp maintenance	16,230	29,287
Taxes	3,582	2,867
Office expenses	57,823	80,459
Travel expenses	22,733	89,525
Accretion expense	25,761	27,124
Interest expense	19,873	14,809
Foreign exchange	27,418	(9,485)
Other expenses	77,877	64,807
	\$ 1,214,582	\$ 1,268,361

Silver Bear Resources Inc.

Notes to Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

14. EXPENSES BY NATURE (Continued)

Certain comparative figures have been reclassified to conform to the current period's presentation.

Employee benefits expense for the years ended March 31, 2014 and 2013 consisted of the following:

	March 31, 2014	March 31, 2013
Salaries, fees and short-term employee benefits	\$ 400,300	\$ 525,558
Share-based payments	346,693	138,172
	\$ 746,993	\$ 663,730

15. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	March 31, 2014	December 31, 2013
Receivable	\$ 109,635	\$ (57,424)
Inventories	(47,783)	634,937
Prepaid expenses	(70,048)	25,602
Accounts payable and accrued liabilities	308,606	200,597
	\$ 300,410	\$ 803,712

16. COMMITMENTS AND CONTINGENCIES

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 Company is required to undertake 5,000 cubic metres of trenching and 3,000 metres of drilling to satisfy license agreement requirements in 2013.

Minimum requirements under the exploration license for 2014 are the same as for 2013, namely 3,000 metres of drilling and 5,000 cubic metres of trenching that will require funds of approximately \$4.5 million.

The Company has completed a required Russian Feasibility Study ("RFS") and submitted it along with a Russian reserve estimate to the Russian government.

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 is party to certain management contracts and severance obligations. These contracts contain clauses requiring additional payments of up to \$1,073,200 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. Additional minimum management contractual commitments remaining under the agreements are approximately \$582,998, all due within one year.

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, 2014.

Silver Bear Resources Inc.

Notes to Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

17. SEGMENTED INFORMATION

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

As at December 31, 2013									
Country / Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral Properties	Property, plant and equipment	Depreciation	Interest expense	Net Loss for the period
Russia - Mangazeisky	\$ 47,021	\$ 1,133,556	\$ 11,847	\$ 264,405	\$ 2,519,401	\$ 1,770,284	\$ 282,448	\$ 44,973	\$ 3,195,290
Canada - corporate	229,888	-	48,755	145,500	-	-	-	224,480	2,983,493
	\$ 276,909	\$ 1,133,556	\$ 60,602	\$ 409,905	\$ 2,519,401	\$ 1,770,284	\$ 282,448	\$ 269,453	\$ 6,178,783

As at March 31, 2014									
Country / Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral Properties	Property, plant and equipment	Depreciation	Interest expense	Net Loss for the period
Russia - Mangazeisky	\$ 120,081	\$ 1,147,944	\$ 67,764	\$ 250,101	\$ 2,450,117	\$ 1,654,505	\$ 66,715	\$ 12,154	\$ 327,892
Canada - corporate	382,899	-	62,402	42,423	-	-	-	7,719	884,812
	\$ 502,980	\$ 1,147,944	\$ 130,166	\$ 292,524	\$ 2,450,117	\$ 1,654,505	\$ 66,715	\$ 19,873	\$ 1,212,704

18. PROVISION FOR DECOMMISSIONING AND RESTORATION LIABILITY

The Company's mining and exploration 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 exploration project located in the Republic of Sakha, Yakutia in the Russian Federation.

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, 2014	December 31, 2012
Balance at the beginning of the period	\$ 1,241,223	\$ 1,143,383
Increase in liability	-	-
Accretion expense	25,761	105,873
Translation adjustment	(36,503)	(8,033)
Balance at the end of the period	\$ 1,230,481	\$ 1,241,223

The estimated value of the obligation to rehabilitate the site expressed in Canadian dollars is \$1,570,014. A Russian Central bank borrowing rate of 8.25% has been used in discounting of future cash flows.

Silver Bear Resources Inc.

Notes to Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

19. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at March 31, 2014 and December 31, 2013 were as follows:

	Loans and receivables	Assets/liabilities at fair value through profit and loss	Other liabilities	TOTAL
At December 31, 2013				
Cash and cash equivalents	276,909	-	-	276,909
Accounts Receivables	409,905	-	-	409,905
Short-term loans	-	-	-	-
Accounts payables and accrued liabilities	-	-	1,534,232	1,534,232
Finance lease	-	-	354,368	354,368
	Loans and receivables	Assets/liabilities at fair value through profit and loss	Other liabilities	TOTAL
At March 31, 2014				
Cash and cash equivalents	502,980	-	-	502,980
Accounts Receivables	292,524	-	-	292,524
Short-term loans	750,000	-	-	750,000
Accounts payables and accrued liabilities	-	-	1,715,653	1,715,653
Finance lease	-	-	354,923	354,923

The carrying value of cash equivalents, amounts receivable, 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 1, 2014 618,750 common shares under the share bonus plan were issued to certain officers, directors and consultants of the Company valued at \$0.135 per share.

On April 17, 2014, the Company entered into a loan agreement with Aterra Investments Ltd. Aterra Investments Ltd. agreed to provide an unsecured loan in the amount of \$250,000 repayable on July 17, 2014. Interest is calculated at rate of 25% per annum and is payable monthly. Mr. Boris Granovsky, a director of the Company, is a managing partner of Aterra Capital, a management company for Aterra Investments Ltd. Ms Anastasia Gracheva, a director of the Company is an officer of Aterra Capital, a management company for Aterra Investments Ltd.

On April 17, 2014, the Company entered into a loan agreement with Inflection Management Corp. Inflection Management Corp. agreed to provide an unsecured loan in the amount of \$250,000 repayable on July 17, 2014. Interest is calculated at rate of 25% per annum and is payable monthly.