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

For the full year ended December 31, 2017

The following MD&A has been prepared as of March 29, 2018 and is related to the audited consolidated financial results of Silver Bear Resources Plc ("we", "our", "us", the "Company" or "Silver Bear") for the full year ended December 31, 2017. The audited consolidated financial statements for the full year ended December 31, 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the audited consolidated financial statements and related notes for the full year ended December 31, 2017. Other pertinent information about the Company is available on SEDAR at www.sedar.com as well as on the Company's website at www.silverbearresources.com. For the purpose of preparing our MD&A, the Company considers the materiality of information. Information is considered material if in the opinion of management: (i) such information results in, or would reasonably be expected to result in, a significant effect in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances. All dollar amounts are stated in Canadian dollars unless otherwise indicated.

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

References to the first, second, third and fourth quarters of 2017 and 2016, or Q1, Q2, Q3 and Q4 of 2017 and 2016 mean, the quarters ending/ended March 31, June 30, September 30 and December 31, 2017 and 2016 respectively.

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

BUSINESS OVERVIEW

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

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

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

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

2017 HIGHLIGHTS & SUBSEQUENT TO YEAR-END

Operational Activities

- ***March 1, 2017*** – the Company announced the results of a National Instrument 43-101 ("NI 43-101") mineral resource update and Preliminary Economic Assessment ("PEA") for Mangazeisky North deposit ("M North") located 6 km north of the Vertikalny deposit. The PEA demonstrates that the integration of M North deposit with the Vertikalny deposit, as a single plant multi-pit operation, adds significant value to the overall project NPV and mine life. The NI 43-101 PEA Technical Report was filed on SEDAR under the Company's profile on April 13, 2017.
- ***August 28, 2017*** – the Company announced as a result of a review by the staff of the Ontario Securities Commission (the "OSC") of its previously filed M North PEA, it has filed an amended NI 43-101Technical Report on SEDAR (the "Amended Report"). The Amended Report contains an updated feasibility study on its Vertikalny deposit and in section 24, as requested by the OSC, an amended M North PEA, which is based solely on the M North's indicated mineral resources. The Amended Report is available on SEDAR (www.sedar.com) and on the Company's website, further details of the report can be found below.
- ***November 27, 2017*** – the Company announced the results of the recent infill channel sampling campaign at the Vertikalny deposit, as well as the beginning of 4,250 metre infill and metallurgical drilling program within the same deposit. The channel sampling confirms high grade mineralisation within the initial phases of the Vertikalny Central open pit production. The channel samples were taken from the pre-stripped Vertikalny open pit area and were cut perpendicular to the strike of the mineralised vein. Details of the program are described herein.
- ***December 21, 2017 –*** the Company announced a NI 43-101 mineral resource update at its Vertikalny deposit as a result of the infill channel sampling program. The additional sampling has converted 1.8 million ounces of contained silver resources to the Measured resource category providing good understanding of the local variability within the near-term open pit resource. Details of the resource update are describe herein.
- ***January 10, 2018*** – the Company announce the receipt of the licence for usage and storage of hazardous chemical materials for its Mangazeisky Silver Project. With the Licence in hand, the Company can now deliver all necessary reagents to site allowing it to begin hot commissioning followed by first silver production during early in the second quarter of 2018. Details of the permit are described herein.

Corporate & Financing Activities

- ***February 1, 2017*** – the Company announced that its major shareholders A.B. Aterra Resources Ltd. ("Aterra") and Inflection Management Corporation Limited ("Inflection") have agreed in principle to a revised funding package and development schedule to increase the Company's financial flexibility and enable it to reach commissioning by mid-2017, and to also extend the maturity date of the Company's existing convertible notes. The complete details of which are described herein.
- ***March 28, 2017*** – it was announced that further to its press release of February 1, 2017, the Company executed the agreements with its major shareholders, Aterra and Inflection to increase the previously provided project facilities by a further US$15 million (the "Facilities Agreement Increase"). Under the Facilities Agreement Increase, Aterra and Inflection have provided an additional working capital tranche of US$10 million to meet expenses during the rescheduled ramp-up plus an additional US$5 million cost over-run tranche, should that be required. No other principal terms of the existing project facilities have been changed. The complete details of which are described herein.
- ***May 15, 2017*** – the Company announced that its board of directors approved a re-domiciliation transaction by which a newly incorporated United Kingdom company, SBR UK will become the listed parent company of the Silver Bear group. Under the transaction, among other things, each holder of SBR Canada common shares will have those common shares exchanged for SBR UK ordinary shares on a one-for-one basis. The Board decided to proceed with the UK Restructuring for a number of reasons including the location of its assets and board and management and most importantly the new corporate structure will allow the company to more efficiently manage its tax affairs as it approaches commercial production.
- ***June 30, 2017*** – the Company announced that the completion of the re-domiciliation transaction under a statutory plan of Arrangement by which SBR UK has become the listed parent company of the Silver Bear group. Upon closing of the

Arrangement, the SBR UK board of directors consists of Graham Hill, Chris Westdal, Boris Granovsky, Alexey Sotskov and Dominic Gualtieri, all of whom were directors of SBR Canada immediately prior to completion of the Arrangement. Senator Trevor Eyton resigned from the board of directors on July 1, 2017 and Mr. Robin Birchall decided not to seek re-election to the Company's board of directors, at the Company's Meeting on June 23, 2017. The officers of SBR UK are Graham Hill, President and CEO, and Vadim Ilchuk, CFO. Mr. Derk Hartman, the CFO of SBR Canada has stepped down as CFO of the Silver Bear Group on completion of the Arrangement.

- ***September 5, 2017*** – the Company commented on the recent conversion by its major shareholders, Aterra and Inflection of their respective outstanding convertible promissory notes (the "Notes"), announced on August 30, 2017 by both Aterra and Inflection. It was noted that that the conversion, although dilutive, has significantly reduced the Company's outstanding debt and resulted in a healthier balance sheet, and is expected to improve cash flows once the Company goes into production.

- ***November 15, 2017*** – the Company announces certain amendments (the "Facilities Agreement Amendments") to its existing facilities with Inflection, and Unifirm Limited, an affiliate Aterra to provide an additional US$20 million facility tranche ("Tranche F") and to extend the maturity date of the Facilities Agreement to March 20, 2022. Tranche F will be made available to the Company by Inflection, US$15 million of which is expected to be used to fund the Company's working capital requirements for 2018 and US$5 million of which will be used as a contingent facility. Details of the Facilities Agreement Amendments are described herein.

MANGAZEISKY PROJECT OPERATIONS UPDATE

Project Development and Construction

The revised construction and commissioning plans for the Project announced in early 2017 have proceeded on schedule, with commissioning work currently underway. On January 10, 2018, the Company announced the receipt of the licence for usage and storage of hazardous chemical materials for the project. This along with the official opening of the winter road later in January means that the Company will be in a position to begin final hot commissioning leading to silver production in the very short term, in line with the Company's plans. The following summarizes the Company's recent activities at the Project.

As of the date of this report the construction work is 94% completed with commissioning activities well underway, at present there are approximately 115 contractors and 142 Prognoz employees at site. This is a significant increase from the end of 2017 and reflects the urgency to complete construction work in line with changes made in Q4 2017 (additional leach and diesel storage tanks) and to effect full commissioning works as part of progress towards production. Build-up of operational staffing has progressed well with the appointment of several senior members of staff including a Technical/Operations Director.

- **General**: Work continued during the remainder of 2017 on fuel and water tanks outside the process plant and on the ore feed bins and conveyor systems installation, which are now completed. The water supply boreholes and pipeline have been completed and commissioned. The diesel-powered power station has been installed and substantially commissioned with final commissioning taking place. Earthworks for the emergency pond and tailings storage facility and installation of liners are completed. In addition, the erection of the fire and emergency depot is well advanced.

- **Process Plant:** The cold commissioning of the ball mill and hot commissioning utilizing waste rock was successfully completed. All the cyanidation (leach) tank and agitators have been completed, with commissioning work underway. Installation of all major processing equipment has been completed. Electrowinning department assembly has been finalized and water testing and commissioning completed. The analytical laboratory has been completed and is being utilised whilst the submission of an application for certification is being made. Grade control samples are currently being assayed in the laboratory.

- **Open Pit Operations:** Mining operations continue with approximately 12,000 tonnes of ore having been stockpiled by the end of 2017 and is ready for production. Approximately 2000 tonnes have been utilized in early commissioning testing in 2018. Mining plans for 2018 are being finalized. Additional mining trucks and a new drilling and blasting contractor has been appointed and mobilised early in 2018.

Exploration Update

In November 2017, the Company announced the results of the 2017 infill channel sampling campaign at the Vertikalny deposit, that confirmed high grade mineralisation within the initial phases of the Vertikalny Central open pit production. The channel samples were taken from the pre-stripped Vertikalny open pit area and were cut perpendicular to the strike of the mineralised vein. The width presented in the table below is equal to the true width of the mineralisation.

Summary of the significant Results of the Vertikalny Infill Channel Sampling

Trench ID	from (m)	To (m)	Width (m)	Grade Ag g/t
VS-41	6	15.2	9.2	1,266
including	7	11	4	2,665
VS-40	7	9.6	2.6	2,772
VS-38	7.5	11	3.5	1,873
VS-36	7	9	2	1,920
VS-30	20.9	32	11.1	1,836
VS-29	9	14.5	5.5	1,459
including	9	10	1	5,850
VS-17	3.8	6.8	3	1,304
VS-16	3.7	5.7	2	1,740

Note: Significant Intercepts defined as greater than 1,000 g/t over 1 metre**.**

At that time, the Company also commenced of 4,250 metre infill and metallurgical drilling program at the Vertikalny Central deposit. The program was designed to provide samples of fresh and mixed oxidation state material for additional metallurgical test work. In addition to being designed to collect metallurgical samples, the drill holes will be used to infill drill the mixed and sulphide zones of the Vertikalny Central deposit. The additional data will increase the knowledge of the short-range variability in the grade distribution within the vein, which may contribute to a revised Resource Classification for parts of the deposit.

Qualified Person

Mr. Robert Davies, B.Sc., European Geologist (EurGeol) and Chartered Geologist (CGeol) has reviewed the proposed metallurgical and infill drilling campaign, and the 2017 trench results. Mr. Davies is Senior Resource Geologist at Tetra Tech and is a "Qualified Person" as such term is defined in NI 43-101. Mr. Davies has reviewed the technical and scientific information in this press release.

Amended Technical Report August 2017

On August 28, 2017, the Company announced that, as a result of a review by the staff of the OSC of its previously filed M North PEA it has filed an amended NI 43-101 Technical Report to include both the Vertikalny feasibility study and M North PEA ("Amended Report"). The Amended Report was filed on SEDAR (www.sedar.com) under the Company's profile on that day. Although not required by the OSC, the Amended Report further updates its October 2016 Vertikalny feasibility study to the current date ("2017 Updated FS"). As the Company had determined that M North would be best developed through the integration into the Vertikalny mine plan and not developed as a stand-alone project, the M North PEA in the Amended Report is based on its indicated mineral resources only and is contained in Section 24 of the report.

Vertikalny 2017 Updated FS Highlights

The following are the highlights from the August 2017 Updated FS for Vertikalny that forms part of the Amended Report and that takes into consideration the effects on the capital costs of the previously announced delay in production start-up and the changes to the detailed mine plan due to the advancement of construction. As the project is significantly advanced with construction and commissioning works the numbers in the 2017 Updated FS accurately portray the reality of the project's economics.

Assumptions remain the same with a life-of-mine ("LOM") weighted average silver price of US$19.76/oz and an exchange rate of RUB66.00/USD. The Vertikalny deposit mineral resource statement remains as of July 8, 2016. The following summarizes the highlights of the changes in the 2017 Updated FS:

- Initial capital costs increased from US$50 million to US$65 million, with sustaining capital costs increasing 13% to US$17 million. Increases are predominately the result of capitalizing certain operating costs, such as winter road supply, which has been classified as a capital cost due to production delay and changes to mine plan.
- The pre-tax NPV at a 5% discount is US$88 million; the pre-tax IRR is 48.2% and the payback period is now 1.9 years.
- With Far East tax incentives, the post-tax NPV at a 5% discount is US$77 million; the post-tax IRR is 44.3% and the payback period is now 2 years.
- Without Far East tax incentives, the post-tax NPV at a 5% discount is US$46 million; the post-tax IRR is 28.4% and the payback period is now 2.4 years.
- Total proven and probable mineral reserves of 858 kt grading 809 g/t Ag and containing 22.3 million troy ounces of silver.
- The processing operating costs for oxide ore increased from $48/t to $52/t; processing recovery decreased from 85% to 78%.

M North PEA Highlights – Section 24

Upon inspection, it was clear that the M North deposit contains a large enough indicated mineral resource at a sufficient average silver grade (770 g/t Ag) to warrant an economic analysis of its potential. Although the scale of the deposit did not allow it to carry significant capital costs, its proximity to the Vertikalny mine site, being within 6 kilometres, made it ideal as a satellite deposit that could be mined by the same equipment and processed using the same plant as the Vertikalny operation. The following summarizes the changes to the M North PEA now detailed in section 24 of the Amended Report:

1. In the updated M North PEA the inferred material (127 kt grading 560 g/t Ag and containing 2.3 Moz Ag) is treated as waste and given zero value in the pit optimization, mine schedule and financial modelling. As such, the M North mineral resource planned extraction changed from 387 kt at an average grade of 531 g/t Ag to 193 kt at a substantially increased average grade of 675 g/t Ag.
2. The pre-tax NPV at a 5% discount of the M North economic opportunity and the potential economic value to the overall Mangazeisky Silver Project, which would occur if its indicated mineral resources were integrated into the Vertikalny mine plan, changed to US$103 million from US$158 million. The post-tax NPV at a 5% discount is US$87 million.
3. The payback of M North deposit is now 1.9 years, changed from 1.4 years.

The M North PEA is preliminary in nature and should not be considered a pre-feasibility or feasibility study, as the economics and technical viability of the Project have not been demonstrated at this time. There is no certainty that the M North PEA will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability, and as such there is no certainty that the preliminary assessment and economics will be realized.

Qualified Persons

The effective date of the Amended Report is August 20, 2017, the effective date of the Vertikalny mineral resource estimate is July 8, 2016 and the effective date of the M North mineral resource estimate is October 19, 2016.

Jacques du Toit, CEng, PrEng, MScEng, PMP Robert Davies, BSc (Hons), CGeol, EurGeol, FGS Sabry Abdel Hafez, PhD, P.Eng. Arunasalam Vathavooran, PhD, CEng, MIMMM Matthew Randall, BSc (Hons), PhD, CEng, MIMMM Joseph Hirst, BSc (Hons), MSc, CGeol, EurGeol Laszlo Bodi, MSc, CEng, P.Eng Damian Hicks, MIEAust, CPEng Guy Roemer, PE Saunjay Duggai, MSc, P.Eng., PE Rene Gharapetian, P.Eng. Anton von Wieligh, BSc (Hons), PrEng, MSAIMM	Tetra Tech
Derek Chubb, P.Eng.	Environmental Resources Management Group Inc
Max Brown, BSc, MSc, CEng, MIMMM Krysztof Czajewski, BSc, P.Eng. Houcyne El Idrysy, PhD, CGeol, FGS	SRK Consulting (UK) Ltd.

NI 43-101 Mineral Resource Update 2017

On March 1, 2017, the Company announced a NI 43-101 mineral resource update for the Mangazeisky North deposit as part of the Mangazeisky North PEA announced on the same day. The Updated Mineral Resources at Mangazeisky North resulted in a 10% increase in the Indicated mineral resource tonnes; and a 23% increase in the Indicated mineral resource grade. The NI 43-101 Technical Report will be filed on SEDAR within 45 days of March 1, 2017. Tetra Tech has adopted the definition of Mineral Resources as outlined within the CIM Definition Standards on Mineral Resources and Mineral Reserves (CIM, 2010) in order to classify the Resources.

On December 21, 2017, the Company announced a NI 43-101 mineral resource update for Vertikalny deposit as a result of the infill channel sampling program. The additional sampling has converted 1.8 million ounces of contained silver resource to the Measured resource category, and now gives the Company a good understanding of the local variability within the near-term open-pit resource, which will provide an excellent basis for short-term mine planning. See table below for the revised Vertikalny mineral resource.

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

Zone	Measured Resource			Indicated Resource			Inferred Resource		
	Tonnes	Grade Ag (g/t)	Contained Metal Ag (troy oz)	Tonnes	Grade Ag (g/t)	Contained Metal Ag (troy oz)	Tonnes	Grade Ag (g/t)	Contained Metal Ag (troy oz)
Vertikalny Central	40000	1,572	1,800,000	720,000	1,130	26,300,000	350,000	762	8,500,000
Vertikalny Northwest	-	-	-	-	-	-	200,000	476	3,100,000
Nizhny Endybal	-	-	-	-	-	-	710,000	316	7,200,000
Mangazeisky North	-	-	-	334,000	770	8,250,000	127,000	560	2,300,000

Mangazeisky South	-	-	-	-	-	-	60,000	246	500,000
Sterzhnevoy	-	-	-	-	-	-	48,000	1,530	2,360,000
Total	40,000	1,572	1,800,000	1,054,000	1,016	34,550,000	1,495,000	499	23,960,000

Zone	Inferred Resource						
	Tonnes	Grade Au (g/t)	Grade Ag (g/t)	Grade Cu (%)	Cont’d Metal Au (troy oz)	Contained Metal Ag (troy oz)	Contained Metal Cu (lb)
Porphirovy	80,000	1.7	46	0.6	4,000	115,000	1,000,000

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

Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

Details of each prospect area’s key assumptions can be found in the Company’s 2017 Annual Information Form and the press release dated December 21, 2017.

Qualified Person

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

CORPORATE AND FINANCING UPDATE

UK Restructuring

On May 15, 2017, the Company announced that its board of directors approved a re-domiciliation transaction by which a newly incorporated United Kingdom company, SBR UK will become the listed parent company of the Silver Bear group. Under the transaction, among other things, each holder of SBR Canada common shares will have those common shares exchanged for SBR UK ordinary shares on a one-for-one basis. The Board decided to proceed with the UK Restructuring for a number of reasons including the location of its assets and board and management and most importantly the new corporate structure will allow the company to more efficiently manage its tax affairs as it approaches commercial production.

On June 30, 2017, the Company announced the completion of the re-domiciliation transaction under a statutory plan of arrangement (the "Arrangement") by which SBR UK has become the listed parent company of the Silver Bear group (the "UK Restructuring").

Additionally, under the Arrangement, outstanding stock options of SBR Canada were exchanged for economically identical stock options issued by SBR UK and exercisable for SBR UK Shares and certain outstanding convertible promissory notes of SBR Canada in the aggregate principal amount of approximately $18 million held by Silver Bear's two largest shareholders, Inflection Management Corporation Limited ("Inflection") and A.B. Aterra Resources Ltd. ("Aterra"), were exchanged for equivalent convertible promissory notes of SBR UK, convertible into SBR UK Shares on economically equivalent terms. Immediately following completion of the Arrangement, a total of 162,930,351 SBR UK Shares are issued and outstanding.

As a result of the Arrangement, SBR Canada has become a wholly-owned subsidiary of SBR UK. The SBR Canada Shares will continue trading on the Toronto Stock Exchange ("TSX") until the close of trading on July 4, 2017 but will represent rights to acquire SBR UK Shares. The SBR UK Shares commenced trading on the TSX on the opening of trading on July 5, 2017. The stock symbol of SBR UK will remain unchanged, and the SBR UK Shares will trade under the trading symbol "SBR".

Management and Board Update

On June 30, 2017, The Company announced that upon closing of the UK Arrangement, the SBR UK board of directors consists of Graham Hill, Chris Westdal, Boris Granovsky, Alexey Sotskov and Dominic Gualtieri, all of whom were directors of SBR Canada as immediately prior to completion of the Arrangement. Senator Trevor Eyton resigned from the board of directors on July 1, 2017 and Mr. Robin Birchall decided not to seek re-election to the Company's board of directors, at the Company's annual general and special meeting of shareholders on June 23, 2017.

In addition, the officers of SBR UK are Graham Hill, President and CEO, and Vadim Ilchuk, CFO. Mr. Derk Hartman, the CFO of SBR Canada has stepped down as CFO of the Silver Bear Group on completion of the Arrangement.

Mr. V. Ilchuk has 19 years of experience in the mining industry and natural resource investment business. He has extensive background in mine finance and accounting, financial reporting, and cross-border M&A process and integration, as well as takeover rules and corporate governance. Mr. Ilchuk joined Silver Bear Resources, Inc from RT-Business Development, Inc where he held a position of Chief Financial Officer. He also served several years in various managerial roles in Kinross Gold Corporation in the United States and Russia.

On November 15, 2017, the Company announced that in connection with the previously announced re-domiciliation of the Company completed on June 30, 2017 pursuant to a statutory plan of arrangement with Silver Bear Resources Inc., the Company has changed its auditor from PricewaterhouseCoopers LLP Canada ("PwC Canada") to PricewaterhouseCoopers LLP UK ("PwC UK"). At the request of the Company, PwC Canada resigned as auditor of the Company effective November 13, 2017 and PwC UK was appointed as its new auditor on the same date.

Secured Loan Facility

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 the "Lenders"), for a comprehensive secured debt funding package for the final development, construction and commissioning of the Company's Mangazeisky silver project. The final terms of the Facilities Agreement are detailed below.

On August 5, 2016, the Board of Directors of the Company approved entering into the Facilities Agreement and certain related security documents with the Lenders.

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

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

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

The Facilities Agreement amendments provide for a new US$20 million Tranche F to be made available to the Company by Inflection, which will accrue interest at a rate of 15% per annum, the same interest rate applicable to all other funds drawn under the Facilities Agreement. Tranche F will be repayable on September 20, 2020. Additionally, under the Facilities Agreement Amendments, the maturity date of the facilities drawn under the Facilities Agreement, other than Tranche F, have been extended from September 20, 2020 to March 20, 2022 (the "Maturity Date Extension"). The Facilities Agreement Amendments have been conditionally approved by the Toronto Stock Exchange ("TSX") and are subject to, among other things, receipt of disinterested shareholder approval. In accordance with the rules of the TSX, the Company expects to seek disinterested shareholder approval for the payment of interest on the Tranche F to Inflection after June 30, 2018 and the Maturity Date Extension at its next annual general and special meeting, expected to occur before June 30, 2018.

SHORT TERM LOANS

Non-Convertible Loans

On September 19, 2016, the Company repaid all the existing non-convertible loans, including interest, with funds received in accordance with the Facilities Agreement.

Convertible Loans

On August 30, 2017, the Company was notified by its major shareholders, Aterra and Inflection of their intention to convert their respective outstanding convertible promissory notes (the "Notes"). The Aterra and Inflection Notes represented C$4,505,144 and C$13,515,432 principal amount respectively, in addition to their respective accrued and unpaid interest.

Prior to the conversion, Aterra held 40,468,579 common shares of Silver Bear, representing 24.8% of the Company's then shares outstanding and Inflection held 41,176,471 common shares of Silver Bear representing 25.2% of the Company's then shares outstanding. After the conversion of the principal amount of the Notes and accrued and unpaid interest thereon, Silver Bear had an aggregate of 668,047,513 common shares outstanding. Of these, Aterra holds 166,611,092 common shares, representing 24.9 % of the total issued and outstanding common shares and Inflection holds 419,833,120, representing 62.8% of the total issued and outstanding common shares.

OUTLOOK FOR 2018

As of the date of this report, the construction and commissioning works have proceeded close to the plan announced in early 2017 and in January the Company announced the receipt of the licence for the usage and storage of hazardous chemical materials for its Mangazeisky silver project. With the cyanide licence now in hand, the delivery of the necessary reagents to site is well underway allowing for hot commissioning followed by first silver production early in the second quarter of 2018. The Company's priorities for 2018 are as follows:

- Successful completion of remaining construction and full hot commissioning paving the way for first silver production;
- Continue to build up operational capabilities and staffing and introduce new systems for production monitoring and management accounting;

- Development of exploration plans for 2018 that will look to target new areas of significance to grow the Projects resources; and
- Develop and specify strategic objectives in terms of the Company's growth with a view to potential M&A activity and developing other Resources into producing operations.

RESULTS OF OPERATIONS

For the year ended December 31, 2017, compared to the year ended December 31, 2016

Revenues

As at December 31, 2017, the Company was in the exploration and development stage and therefore did not have revenues from operations. Interest income on the cash balances held in the bank for the year ended December 31, 2017 was minimal and in line with the year ended December 31, 2016, because of low bank interest rates and cash balances. As at December 31, 2017 the Company had other income of $541k related to sales of supplies of to contractors and employees.

Expenses

Exploration

For the year ended December 31, 2017 Silver Bear spent $0.33 million on exploration activities, compared to $2.69 million during the year ended December 31, 2016. Costs associated with the Mangazeisky silver project for the year ended December 31, 2017 relate to the preparation for the 2017 exploration programs.

Exploration expenses were lower in the year ended December 31, 2017 when compared to the same period of 2016 in part due to reduced exploration activities.

Construction and Development

The Company concluded that technical and commercial viability for the project was determined with effect from July 1, 2015, and consequently commenced capitalizing directly attributable costs relating to the development of the Mangazeisky silver project from that date. In the year ended December 31, 2017 this amounted $0.22 million, compared to the year ended December 31, 2016 this amounted to $3.19 million. In addition, capital expenditure on property plant and equipment in the period to date amounted to $34.63 million, giving rise to a net book value for property, plant and equipment amounting to $71.68 million and a net book value for mineral property amounting to $13.78 million as at December 31, 2017, compared to a net book value of $42.03 million and $11.59 million respectively as at December 31, 2016.

General and Administrative

General and administrative expenses for the year ended December 31, 2017 was $5.40 million. This is higher than the $3.98 million incurred during the year ended December 31, 2016. This increase is primarily due to the high professional fees paid concerning the financing agreements and the Company's corporate re-structuring.

Management compensation for the year ended December 31, 2017 was $3.08 million, higher than the $1.72 million for the year ended December 31, 2016 because of the $2.17 million share based payment expense incurred in 2017. In addition, for the year ended December 31, 2017 the Company spent $1.44 million on professional and consulting fees compared to $1.37 million during the year ended in December 31, 2016.

Non-Cash Items

Depreciation expense for the year ended December 31, 2017 was $2.01 million compared to $0.36 million in the year ended December 31, 2016. All property, plant and equipment ready for use, are depreciated on a straight-line basis over three to five years. Depreciation of $1.87 million charged on property, plant and equipment considered to be for sole use in the Mangazeisky site has been capitalised in the year ended December 31, 2017.

Non-cash share-based compensation expense for the year ended December 31, 2017 was $2.17 compared to $0.53 million for the same period in 2016. This variance is due to an increased number of options vested in the year ended December 31, 2017. The mining industry has been very competitive and this type of compensation is an attractive incentive. The timing of grants varies from year to year based on milestones achieved and plan availability. Consequently, the quarterly and annual expense can vary widely.

A total of 18,000,000 stock options were granted during the year ended December 31, 2017 compared to a total of 2,900,000 stock options that were granted during the year ended December 31, 2016. The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option). Expected volatility is based on the historical share price volatility over the past five (5) years. The expected life of the option was calculated based on the history of option exercises.

The foreign exchange gain for the year ended December 31, 2017 was $5.18 million compared to $2.97 million for the year ended December 31, 2016 primarily as a result of the strengthening of the Russian Rouble against the US dollar in the year to date, given the US dollar dominated loans now held by the group's subsidiary Prognoz.

Net Profit/Loss

As a result of the expenses discussed above, Silver Bear recognised a net loss for the year ended December 31, 2017 of $10.24 million, or $0.03 per share. This compares to a loss of $9.89 million or $0.06 per share for the year ended December 31, 2016.

Liquidity and Capital Resources

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. As at December 31, 2017, Silver Bear had cash and cash equivalents of $24.31 million. The Company has total current assets of $43.34 million and total current liabilities of $4.36 million. Non-current liabilities total $130.91 million, which includes long term loans of $114.53 million and accrued interest of $13.62 million.

The Company has total obligations of $2.76 million under finance leases for exploration equipment being paid over the next four years. Historically, the Company has been able to meet its required property development schedule by raising funds from existing shareholders and in the public markets and is optimistic that it will continue to do so but there is no guarantee that sufficient funds will be raised. In order to fund development operations and maintain rights under licenses and agreements, the Company has secured funding in the form of long-term loans of $114.53 million and the Company may be dependent on securing additional financing until such time that it generates sufficient operating cash flow to meet its liabilities.

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

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

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

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

The following table summarizes the Company's contractual obligations over the next five years and thereafter as at December 31, 2017:

	Payments Due by Period			
Contractual Obligations	**Total**	**Less than 1 Year**	**1-5 Years**	**After 5 Years**
Loans	$ 114,531,923	$ -	$ 114,531,923	$ -
Finance lease obligations	$ 2,764,486	$ 1,429,492	$ 1,334,994	$ -
Total contractual obligations	$ 117,296,409	$ 1,429,492	$ 115,866,917	$ -

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

In 2016, the Company entered into long term lease agreements for the purchase of equipment in relation to the development of the Mangazeisky project payable in monthly instalments of circa US$107,000. The lease payments have been discounted at rates of between ~~12.4%~~ 9.5% and ~~21.8%~~ 21.9%. The Company made down payments of between 0.4% and 33.6% ~~30%~~ of the cost of the equipment.

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

The Company is party to certain management contracts and severance obligations. These contracts contain clauses requiring additional payments of up to $430,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these audited consolidated financial statements.

The Company may be involved in legal proceedings from time to time, arising in the ordinary course of its business. Typically, the amount of ultimate liability with respect to these actions will not, in the opinion of management, materially affect Silver Bear's financial position, results of operations or cash flows. There were no material outstanding legal proceedings as of December 31, 2017.

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

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Capital Stock

As at December 31, 2017, the Company had issued and outstanding 668,047,513 Common Shares.

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 Stock Option Plan together with all securities issuable under the Company's Share Bonus Plan is to be not greater than 10% of the outstanding Shares (on a non-diluted basis) issued and outstanding at the time of the granting of the Options. As at December 31, 2017 the total number of options available for issue under the Stock Option Plan was 66,804,751. A total of 37,957,335 options and share bonus plan shares are available for future issue as at December 31, 2017.

As at September 30, 2017, the Company had share options outstanding and exercisable as follows:

	Outstanding		Exercisable	
Expiry Year	Number	Weighted average exercise price ($)	Number	Weighted average exercise price ($)
2018	300,000	0.24	300,000	0.24
2019	5,746,666	0.24	5.746,666	0.24
2021	2,482,000	0.19	2,482,000	0.19
2022	18,000,000	0.24	18,000,000	0.14
	26,528,666	0.24	26,528,666	0.24

As at September 30, 2017 the Company had Nil warrants outstanding.

Summary of Quarterly Results ($)

	Dec-17	Sep-17	Jun-17	Mar- 17
Net Profit/(Loss) before tax	(6,511,009)	568,727	(5,311,755)	2,429,297
Basic and diluted Profit/(loss) per share	(0.07)	0.00	(0.03)	0.01
Cash and cash equivalents	24,314,402	8,009,019	8,944,267	3,656,446
Total assets	134,294,679	109,595,004	98,217,117	98,144,934
Total long-term financial liabilities	130,908,602	90,126,756	87,431,244	76,836,366

	Dec-16	Sep-16	Jun-16	Mar-16
Net Loss before tax	(4,956,266)	(839,549)	(2,944,202)	(1,108,194)
Basic and diluted loss per share	(0.03)	(0.01)	(0.02)	(0.01)
Cash and cash equivalents	15,759,123	12,825,851	7,792,138	19,318,495
Total assets	91,400,256	70,424,419	56,527,934	55,229,658
Total long-term financial liabilities	80,190,891	58,363,584	2,036,542	1,966,655

Summary of Annual Results ($)

	2017	2016	2015
Net Loss before tax	(8,824,740)	(9,848,211)	(10,683,077)
Basic and diluted loss per share	(0.03)	(0.06)	(0.07)
Cash and cash equivalents	24,314,402	15,759,123	9,966,104
Total assets	135,711,414	91,400,256	27,196,212
Total long-term financial liabilities	130,992,182	80,190,891	932,544

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

	As at December 31, 2017

Country/ Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral Properties	Property, plant and equipment	Depreciation	Interest expense	Net Loss before tax for the year
Russia	$ 24,127,593	$ 9,226,581	$ 9,931,384	$ 5,174,654	$ 12,434,405	$ 74,442,027	$ 589,434	$ 5,035,033	($ 1,288,525)
Canada	186,809	-	78,713	89,695	-	-	-	953,614	10,113,265
	$ 24,314,402	$ 9,226,581	$ 10,010,097	$ 5,264,349	$ 12,434,405	$ 74,442,027	$ 589,434	$ 5,988,647	$ 8,824,740

			As at December 31, 2016						
Country / Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral Properties	Property, plant and equipment	Depreciation	Interest expense	Net Loss before tax for the year
Russia	$ 10,407,498	$ 4,219,346	11,982,190	$ 5,659,093	$ 11,586,996	$ 42,031,187	$ 363,373	$ 875,707	$ 4,502,269
Canada	5,351,625	-	129,517	32,804	-	-	-	3,795,202	5,345,942
	$ 15,759123	$ 4,219,346	$ 12,111,707	$ 5,691,897	$ 11,586,996	$ 42,031,187	$ 363,373	$ 4,670,909	$ 9,848,211

RELATED PARTY TRANSACTIONS

(a) <u>Financing transactions</u>

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

COMPENSATION OF KEY MANAGEMENT

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

	2017	2016
Salaries, fees and short-term employee benefits	$ 785,238	$ 1,164,624
Termination payments	126,252	30,000
Share-based payments	2,169,972	527,762
Total	$ 3,081,462	$ 1,722,386

As at December 31, 2017 the Company owed key management $85,797 (December 31, 2016: $290,554) for fees and bonuses payable in accordance with contracts and agreements.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

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

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

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

Critical judgement in applying accounting policies:

- Determination of functional currency

  Based on the primary indicators in IAS 21 – The Effects of Change in Foreign Exchange Rates – the Russian rouble has been determined as the functional currency of JSC Prognoz ("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 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 the 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.

- Impairment of mineral properties and property, plant and equipment

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.

Management has reviewed and evaluated the existence of impairment triggers and concluded that no impairment triggers existed as at December 31, 2017. Management have nevertheless assessed the recoverable amount of its mineral properties and property, plant and equipment by performing a value in use calculation. As at December 31, 2017 the carrying value of mineral properties and property, plant and equipment was $86,856,432. Mineral properties and property, plant and equipment relate to a sole cash generating unit, the Vertikalny silver mine development. The Vertikalny silver mine development is part of the Mangaseizky combined mine plan for Vertikalny and Mangazeisky North deposits. The Group currently holds an exploration licence for a number of deposits within the Mangazeisky licence area which expires in 2023 and a mining licence for the Vertikalny deposit expiring in 2033. The key assumptions used to determine the value in use are as follows:

Key assumptions	
Silver price per ounce (USD)	17 USD/oz
Discount rate (USD real)	10%
Life of mine (years)	11
Russian ruble : US dollar exchange rate	60 Rubles/USD

Management have performed a sensitivity analysis of the value in use future cash flows relating to the reasonably possible change in silver price, discount and exchange rate. The following sensitivities were calculated:

Key assumptions	**Change**	**Net present value**
Silver price per ounce (USD) aligned with consensus forecast prices	2018-2019: 18 USD/oz 2020-2021: 19 USD/oz 2022: 20 USD/oz 2023-2028: 19 USD/oz	$121,509,550
Discount rate (USD real) and silver price per ounce (USD) aligned with consensus forecast prices	12%	$106,792,829
Russian ruble : US dollar exchange rate aligned with long-term market forecasts	2018: 58.6 2019: 60.5 2020: 62.8 2021: 64.6 2022-2028: 71.9 on average	$102,237,450

- Contingencies

Refer to Note 19 of the audited consolidated financial statements for the year ended December 31, 2017.

- Capitalization of development costs

  Management has determined that development 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 feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

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.

- Amortization rates

  All intangible assets are amortized on a straight-line basis over one to eleven years, which the Group believes is the best approximation of the useful life.

- 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 expected life of the mine 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.

- 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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Subject to the limitations, if any, described below, the Company's CEO and CFO, have as at the year ended December 31, 2017, designed Disclosure and Control Procedures, ("DC&P") or caused it to be designed under their supervision, to provide reasonable assurance that:

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

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

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

There have been no significant changes to the Company's disclosure controls and procedures and internal controls over financial reporting that occurred during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures and internal control over financial reporting.

The Audit and Governance Committees of the Company have reviewed this MD&A and the audited consolidated financial statements for the year ended December 31, 2017, and the Company's board of directors approved these documents prior to their release.

CHANGES TO INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no significant changes to the Company's internal controls over financial reporting that occurred during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS, and include the significant accounting policies as described in Note 2 to the December 31, 2017 audited consolidated financial statements.

NEW ACCOUNTING STANDARDS

New and amended standards adopted by the Group

The Company has adopted the following annual improvements to IFRS.

IAS 7 – Statement of Cash Flows ("IAS 7")

The objective of the amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The additional disclosure is provided in Notes 11 and 13

IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses ("IAS 12")

The IASB published amendments to IAS 12 on January 19, 2016. The amendments, Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value. The application of this amendment has had no impact on these financial statements.

New standards and interpretations not yet adopted

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

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the date of transaction for the purpose of determining the spot exchange rate used to translate foreign currency transactions on initial recognition in circumstances when an entity pays or receives some or all of the foreign currency consideration in advance of the recognition of the related asset, expense or income.

The interpretation states that the date of the transaction, for the purpose of determining the spot exchange rate used to translate the related asset, expense or income on initial recognition, is the earlier of the date of initial recognition of the non-monetary prepayment asset or the non-monetary deferred income liability; and the date that the asset, expense or income is recognised in the financial statements.

The IFRIC is effective for accounting periods beginning on or after January 1, 2018. The interpretation is not expected to have any effect on the Company's consolidated financial statements as this is the same as the policy already being applied.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

Issued on June 7, 2017 this IFRIC clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Company does not expect the IFRIC to have a material impact on the Group's results.

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 IASB has also issued an amendment to IFRS 9. The amendment permits more assets to be measured at amortised cost, in particular some prepayable financial assets. The amendment also confirms that most modifications to a financial liability will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39.

The amendment is effective for annual periods beginning on or after January 1, 2019.

The Group does not anticipate any material impact on the Group's results, financial position or disclosures on applying the classification and measurement requirements of IFRS 9. Application of the expected credit loss model is not expected to have a material impact on trade receivables measured at amortized cost. The changes in IFRS 9 relating to hedge accounting will have no impact as the Group does not currently apply hedge accounting.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued on May 28, 2014. It provides a 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 does not currently have any contract with customers so there is no initial impact of this standard.

On April 12, 2016, the IASB issued Clarifications to IFRS 15. These amendments do not change the underlying principles; they clarify and offer additional transitional relief and are applicable for periods beginning on or after January 1, 2018.

IFRS 16 – Leases ("IFRS 16")

On January 13, 2016, IFRS 16 was issued. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. IFRS 16 is effective from January 1, 2019. The Group has completed its preliminary assessment of the impact and has not identified any material impact. However, when the Group completes its assessments, it may identify other matters in advance of adoption of the standard.

IFRS 2 – Share based payment ("IFRS 2")

On June 20, 2016, the IASB published final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions. These amendments deal with variations in the final settlement arrangements including: (a) accounting for cash-settled share-based payment transactions that include a performance condition, (b) classification of share-based payment transactions with net settlement features, as well as (c) accounting for modifications of share-based payment transactions from cash-settled to equity.

These changes are effective for annual periods beginning on or after January 1, 2018. The application of this amendment to IFRS 2 is not expected to have any impact on the financial statements.

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 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 the 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 fund the ongoing development activities, 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 year ended December 31, 2017 compared to the year ended December 31, 2016. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

FINANCIAL INSTRUMENTS AND RISK FACTORS

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

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

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

Financial assets and financial liabilities as at December 31, 2017 and December 31, 2016 were as follows:

As at December 31, 2017	Loans and receivables	Other liabilities	TOTAL
Cash and cash equivalents	24,314,402	-	$ 24,314,402
Accounts Receivable	454,810	-	$ 454,810
Short-term loans	-	-	$ -
Long-term loans	-	(128,147,211)	($128,147,211)
Accounts payables and accrued liabilities	-	(2,350,666)	($ 2,350,666)
Finance lease	-	(2,764,486)	($ 2,764,486)

As at December 31, 2016	Loans and receivables	Other liabilities	TOTAL
Cash and cash equivalents	15,759,123	-	$ 15,759,123
Accounts Receivable	51,239	-	$ 51,239
Short-term loans	-	(20,923,779)	($ 20,923,779)
Long-term loans	-	(73,747,793)	($73,747,793)
Accounts payables and accrued liabilities	-	(2,675,506)	($ 2,675,506)
Finance lease	-	(4,261,280)	($ 4,261,280)

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

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 held in banks in Canada and Russia which in the presentational currency total $186,809 and $24,127,593 respectively. The Company's Canadian chartered banks have a credit rating of at least ~~Aa3~~ A1 (Moody's) and the Company's Russian banks have a credit rating of at least Ba2 (Moody's). [this has changed – yes]

Miscellaneous receivables and prepaid expenses other than tax refunds due from the Canadian and Russian tax authorities are insignificant. Management believes that the credit risk concentration with respect to accounts receivable is 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 December 31, 2017, the Company had total current assets of $43,340,951 (for December 31, 2016 - $30,976,205) to settle total current liabilities of $4,360,921 (December 31, 2016 – $25,125,112), as well as its commitments outlined in Note 19. Total liabilities of $135,269,523 include long-term loans totalling $114,531,923 and accrued interest of $13,615,288.

The Company had total obligations of $2,764,486 at December 31, 2017 (December 31, 2016 – $4,261,280) under a combination of three and five-year leases for equipment in relation to the development of Mangazeisky, as outlined in Note 12. For more information, please refer to section *Risk Factors and Uncertainties,* subsection *Liquidity Concerns and Future Financings*.

Interest rate risk

The Company has cash balances and interest-bearing debt on ~~short term loans and~~ long-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 US dollar and Russian rouble currency converted from its Canadian dollar bank accounts held in Canada. Recently US dollar funding has been provided directly to ZAO Prognoz in Russia and converted to Russian rouble. This exposes the Company to changes in foreign exchange rates for both US dollar and Russian rouble.

As the Company's construction work for the project is still ongoing, management believes it is not appropriate to hedge its foreign exchange risk at this stage. As the Company's proportion of project expenditure that is denominated in Russian rouble is increasing, the effect of changes in foreign exchange rates, in particular the Russian rouble, on the 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 higher by $856,004.

RISK FACTORS AND UNCERTAINTIES

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

Political Developments and Uncertainty in the Russian Federation

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

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

Nature of Mining, Mineral Exploration and Development Projects

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

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

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

Liquidity and Future Financing

At this time, Silver Bear has no source of operating cash flow and may require additional capital in the future and no assurance can be given that such capital will be available at all or available on terms acceptable to Silver Bear. The success and the pricing of any future capital raising and/or debt financing will be dependent upon the prevailing market conditions at that time and the outcomes of any relevant feasibility studies and exploration programs. If additional capital is raised by an issue of securities, this may have the effect of diluting shareholders' interests in Silver Bear. Any debt financing, if available, may involve financial covenants which may limit Silver Bear’s operations. In order to fund development operations and maintain rights under licenses and agreements, the Company has secured funding in the form of long-term loans of $114,531,923.

Fluctuations in Metal Prices

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

Political, Economic and Legislative Risk

The economy of the Russian Federation continues to display characteristics of an emerging market, which includes certain currency conversion risks. The prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments. Russian Federation laws, licenses and permits have been in a state of change and new laws may be given retroactive effect. Such licenses and permits, including the obtainment from the Russian Federation authorities of a mining license to replace the exploration license in respect to the Mangazeisky Project, may not be obtained on a basis consistent with our current expectations. Further, ambiguity exists with regard to the interpretation of licenses and permits and the application of rules and regulations with regard to exploration activities in the Russian Federation. The suspension, limitation in scope or revocation of an exploration or mining license or the levying of substantial fines or penalties could have a material adverse effect on our exploration or development activities in the Russian Federation and Silver Bear's financial results. In such circumstances the exploration and development activities may be significantly and adversely affected. It is also not unusual in the context of dispute resolution in the Russian Federation for parties to use the uncertainty in the Russian Federation legal environment as leverage in business negotiations. In addition, Russian Federation tax legislation is subject to varying interpretations and constant change. Furthermore, Silver Bear's interpretation of tax legislation may not coincide with that of Russian Federation tax authorities. As a result, transactions may be challenged by the tax authorities and Silver Bear's Russian operations may be assessed, which could result in significant additional taxes, penalties and interest. The periods remain open to review by the tax authorities for three years (although the statute of limitations in certain circumstances may not time bar the tax claims). In addition, Russian Federation authorities and court systems have been shown to be unpredictable. Challenges to the Company's assets and operations in the Russian Federation may be brought by authorities for reasons that the Company is unable to predict and which may result in material adverse changes to the Company.

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

Insurance and Uninsured Risks

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

Environmental Risks and Regulations

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

Government Regulation

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

Licenses and Permits

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

Significant Shareholders

Aterra currently holds 24.9% of the issued and outstanding common shares of the Company on a non-diluted basis and Inflection currently holds 62.7% of the issued and outstanding common shares of the Company. Collectively, Aterra and Inflection hold the majority of voting rights in the Company. The exercise of voting rights associated with the Company may have a significant influence on the Company's business operations. Although neither Aterra nor Inflection have indicated that they have any intention of disposing of their interest in the Company, in the event that either party sold a portion of its position, it may have a significant influence on the share price of the Company, depending on the market conditions at the time of such sale.

Title to Properties

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

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

Competition

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

Dependence on Key Personnel and Shortage of Labour Force

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

Foreign Exchange Risk

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

Repatriation of Earnings

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

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

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

i) total amount of credit agreement does not exceed US$5,000;

ii) resident is a lending agency;

iii) resident is a physical body and is not an individual entrepreneur; and

iv) resident is a federal executive organ specially empowered by the state government.

Silver Bear Does Not Have Any Production Revenues

It is planned that production will begin in the second quarter of 2018. At the time of this report, the Company has not recorded any revenues from its mining operations nor has the Company commenced commercial production on its property. There can be no assurance that additional losses will not occur in the near future or that the Silver Bear will be profitable in the future. The Company expects to continue to incur losses until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Company's additional potential deposits may require the commitment of substantial resources to conduct the time-consuming exploration and development of deposits. There can be no assurance that the Company will generate any revenues or achieve profitability. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate.

Stock Exchange Prices

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

Conflicts of Interest

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

Mineral Resource Estimate

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

Effecting Service of Process

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

Inclement Weather and Climate Conditions

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

The Company's operations are subject to numerous governmental licenses that are difficult to obtain and the Company may not be able to obtain or renew all of the licenses it requires, or such licenses may not be timely obtained or renewed. The duration and success of its efforts to obtain and renew licenses are contingent upon many variables not within its control including, without limitation, the interpretation of applicable requirements implemented by the Russian authorities. The Company may not be able to obtain or renew licenses that are necessary to its operations on a timely basis or at all and the cost to obtain or renew licenses may exceed its estimates. Failure to obtain or renew necessary licenses may result in the revocation of rights to use and operate on the Company's properties. There can be no assurance that the Company has been or will at all times be in full compliance with all of the terms of its licenses or that it has all required licenses to conduct its operations. The costs and delays associated with compliance with these licenses and the licensing process could stop the Company from proceeding with the operation or development of a property or increase the costs of development or production and may materially adversely affect its business, results of operations or financial condition.

ADDITIONAL INFORMATION

Additional information relating to Silver Bear, including its Annual Information Form for the year ended December 31, 2017 is available on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

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

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