THIRD QUARTER REPORT 2008

SILVER BEAR
RESOURCES INC.

high grade
silver in Russia

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

SILVER BEAR RESOURCES INC.

(An exploration stage enterprise)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following Management Discussion and Analysis, which has been prepared as of November 7, 2008, related to the unaudited interim consolidated financial results of Silver Bear Resources Inc. (the "Company" or "Silver Bear") operations for the three and nine-month periods ended September 30, 2008, should be read in conjunction with the most recent audited consolidated financial statements and related notes, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This discussion covers the period ended September 30, 2008. Other pertinent information on 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: (i) such information results in, or would reasonably be expected to result in, a significant effect in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances. All dollar amounts are stated in Canadian dollars unless otherwise indicated.

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

OVERVIEW

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

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

Silver Bear is currently in the process of planning for the 2009 exploration program. Planning is currently underway to pre-position equipment and supplies by winter road.

Silver Bear is currently budgeting for 2009 with the objective to complete a program in 2009 of 10,000 metres of exploration drilling.

Silver Bear achieved one of its key milestones set for 2008 by completing 12,930 metres of exploration drilling on the Mangazeisky project by the end of 2008.

Key milestones for Silver Bear are:

- Exploration will continue on the known extensions of the Vertikalny vein to demonstrate a potential of 200 to 250 million ounces of silver[1].

- Results of the Company's exploration program will be summarized in an NI 43-101 Technical Report due in Q1 2009.
- Complete 10,000 metres of exploration drilling during the 2009 field season compared to previous plan of 40,000 metres.

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

These strengths include:

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

THE MANGAZEISKY PROJECT

The Mangazeisky Project consists of one exploration license covering 570 square kilometres which was granted to ZAO Prognoz in September 2004 by the Federal Agency for Subsoil Use "ROSNEDRA" and is valid for an initial term of five years and can be extended in accordance with Russian Federation legal requirements. The license area has been given the status of a "geological allotment" with the preliminary borders outlined and an unlimited licensed depth for investigation.

Upon discovering C_1 and C_2 Russian reserves and undertaking of certain other steps as required by Russian law, a production license may be applied for and issued for the production life of the deposit based on technical and economic substantiation of the development of the deposit.

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

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

The 2008 exploration drilling commenced on May 26, 2008 utilizing two diamond drill rigs contracted from Boart Longyear Russia. Drilling operations were completed on September 22, 2008. A total of 80 holes 12,930 metres of drilling were completed during the field season. Drilling productivity for the exploration program averaged 107.75 metres per day.

Trenching operations commenced once the diamond drilling program was completed. Surface trenching at Mangazeisky is more effective in the fall and winter months as the trenches fill with groundwater generated from melting permafrost during the summer. A total of 18,389 cubic metres of trenching has been completed as of October 20, 2008. Silver Bear has exceeded the 2008 drilling and trenching requirements of the license agreement.

An induced polarity / magnetotelluric resistivity geophysical survey was also completed at Vertikalny. The 16 kilometre survey, completed by Quantec Geoscience, evaluated the geophysical response along the Vertikalny structure over a 2.4 kilometre strike length. Results are currently being evaluated by Quantec Geoscience and an interpretation of the geophysical response will be provided during the fourth quarter of 2008 to assist with drill planning for the 2009 exploration program.

Regionally, exploration crews completed 66.8 kilometres of mapping and geochemical sampling at targets within the Mangazeisky License area. Reconnaissance field work focused on tracing the Vertikalny structure to the northwest as well as preliminary work to evaluate the Zabytiy target (approximately 5 kilometres north of Vertikalny) and the Kis-Kuelskiy target (25 kilometres southeast of Vertikalny). Both targets are similar in nature to Vertikalny and both returned significant results indicative of favourable mineralization. Exploration in 2009 will focus on establishing surface trenches at both target areas and expanding the geochemical surface sampling.

The Scientific, Research and Design Centre of Precious Metals & Diamonds NBL Gold, a Russian Federation Joint Closed Stock Company ("NBL Gold"), has been contracted to assist with the preparation of a Russian resource and reserve estimate for Vertikalny. Originally, NBL Gold was to begin preparation of a Russian technical and economic conditions report "TEO" to support the license conversion process. However, based on preliminary review of the available data, NBL Gold has advised Silver Bear that converting the current exploration license to an exploitation license will be difficult in 2009 as insufficient underground exploration has been completed. Further, they have tentatively advised that a preferred course of action would be to apply for a license extension of five years and to include in said extension specific plans for underground exploration to support a future application for license conversion. The Company agrees with NBL Gold's recommendation and is currently planning for underground exploration and license extension applications.

Wardrop Engineering Ltd, a consulting engineering firm, has been contracted to complete a Canadian Institute of Mining "CIM" resource estimate by the first quarter of 2009.

THE AVLAYAKAN PROJECT

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

CORPORATE ACTIVITY

On July 16, 2008, Silver Bear completed the private placement of 1.5 million common shares pursuant to a strategic partnership with the Alfa Group Consortium (the "Alfa Group"), one of the Russian Federations largest privately-owned financial/industrial conglomerates. The 1.5 million common shares were sold to Impetra Ltd., an indirect wholly-owned subsidiary of the Alfa Group, at the price of $3.00 per share for aggregate gross proceeds to the Company of $4.5 million.

The private placement resulted in the Alfa Group beneficially holding an aggregate of 7.4 million common shares of Silver Bear, representing approximately 19.5% of the number of common shares now outstanding. Before closing the private placement, the Alfa Group beneficially owned 5.9 million Silver Bear common shares, which represented 16.2% of the then issued and outstanding common shares of Silver Bear.

On July 16, 2008, Dominic Gualtieri and Alexey Mikhaylovskiy were formally appointed to the Board of Directors of Silver Bear. Mr. Gualtieri, a Canadian, brings a wealth of financial expertise to Silver Bear, having served Alfa-Bank, a division of the Alfa Group, as Managing Director and Head of Equities from 2000 to October 2008. He was previously Group Managing Director of Franklin Templeton Asset Management in South Africa and headed Templeton's Moscow office.

Mr. Mikhaylovskiy , who heads up the Alfa Group's gold unit, is a leader in the Russian mining sector, having previously held the position of Managing Director of Alrosa Investment Group.

In early 2008, ZAO Prognoz received notice of an application by the Yakutia Inter-district Tax Office No. 5 of the Federal Tax Service to the Arbitration Court of the Republic of Sakha (Yakutia) claiming that documentation filed in connection with the registration of ZAO Prognoz in 2003 was signed by a person holding an improperly delegated power of attorney. On that ground, the application requested the Yakutia Arbitration Court to order the liquidation of ZAO Prognoz.

A hearing was held on August 12, 2008 at which time the court ruled to reject the claim of the Federal Tax Service to liquidate ZAO Prognoz. An official ruling was prepared by the court on August 14, 2008. The Federal Tax Service could file an appeal of the court's decision within thirty days of the official ruling.

On September 14 2008, the court's decision of August 12, 2008 came into legal force as no appeal had been filed by the Federal Tax Service. The Company has received confirmation from the court that this matter has been dismissed.

RESULTS OF EXPLORATION ACTIVITIES

Silver Bear continues to focus on further delineating the high grade silver mineralization of the Vertikalny vein of its Mangazeisky Project, discovered in 2007, while exploring the project's 15 other known silver anomalies. In 2008, 80 holes 12,930 metres had been completed along the Vertikalny vein. The drilling has intersected favourable mineralization in the majority of the drill holes completed to date, typically ranging from 1.5 metres to 2.5 metres in thickness. Results are available for 52 holes to date.

Bonanza grade intercepts have been intersected in 17 holes to date. Highlights of the 2008 drill program to date include:

- Hole V07-007 (Profile 10300) 361 g/tonne silver over a 4.7 metre interval
- Hole V08-023 (Profile 10200) 2,154 g/tonne silver over a 8.4 metre interval
- Hole V08-029 (Profile 10500) 998 g/tonne silver over a 4.7 metre interval
- Hole V08-031 (Profile 10600) 1,739 g/tonne silver over a 2.8 metre interval
- Hole V08-032 (Profile 10600) 362 g/tonne silver over an 11.4 metre interval
- Hole V08-037A (Profile 10650) 824 g/tonne silver over a 4.8 metre interval
- Hole V08-040 (Profile 10250) 1,552 g/tonne silver over a 4.35 metre interval
- Hole V08-047 (Profile 10000) 640 g/tonne silver over a 4.3 metre interval
- Hole V08-063 (Profile 10250) 1,639 g/tonne silver over a 5.55 metre interval
- Hole V08-066 (Profile 10550) 667 g/tonne silver over an 8.8 metre interval

The following table outlines all results received to date.

Hole ID	Profile	From (m)	To (m)	Length (m)	Silver (g/t)
V08-021A	10200	194.8	196.1	1.3	32
V08-037A	10650	206.5	211.3	4.8	824
V08-038					Not Sampled
V08-041A	9900	148.5	153.8	5.3	212
V08-042	10250	51.9	54.0	2.1	75
V08-044	10100	No Significant Result			
V08-045	10650	88.0	89.0	1.0	21
V08-046	10000	37.2	40.7	3.5	102
V08-047	10000	131.1	135.4	4.3	640
V08-048	10700	27.5	28.2	0.7	37
V08-049	9900	205.3	209.0	3.7	68
V08-050	10700	No Significant Result			
V08-051	9900	110.2	116.5	6.3	360
V08-052	9850	94.6	96.4	1.8	190
V08-053	9850	144.0	154.2	10.2	38
V08-054	10700	129.0	130.7	1.7	11
V08-054A	10700	132.6	133.7	1.1	19
V08-055	9850	197.0	200.2	3.2	47
V08-056	9850	232.0	236.2	4.2	126
V08-057	9800	121.3	122.0	0.7	164
V08-058	10500	212.0	217.0	5.0	213
V08-059	9800	161.5	167.8	6.3	356
V08-060	10500	78.9	86.4	7.5	556
V08-061	10250	123.3	124.3	1.0	12
V08-062	9700	141.1	145.0	3.9	502
V08-063	10250	183.3	188.9	5.6	1,639
V08-064	10550	15.5	21.8	6.3	342
V08-066	10550	110.0	118.8	8.8	667
V08-067	10150	No Significant Result			
V08-068	10150	86.6	88.0	1.4	23
V08-069	9600	20.2	21.0	0.8	318
V08-070	9550	53.5	57.5	4.0	243

The results contained herein have been reviewed by Vivian Park, P.Geo., Silver Bear's Qualified Person managing the exploration program on the Mangazeisky Project. Vivian Park is an employee of Silver Bear in the capacity of Director of Exploration.

Technical report information, historical results, a property description and map for the Mangazeisky Project can be found on the Company's web site at **www.silverbearresources.com.**

Assay results are pending for the remaining holes. Results have been delayed by the inability to regularly service the site with helicopter flights due to the onset of winter conditions. This has prevented samples being shipped from site to the analytical labs in Yakutsk and Aldan.

Trenching operations began in earnest once the diamond drilling program was completed. Approximately 20,000 cubic metres of trenching will be completed during the fourth quarter of 2008.

Regional exploration identified three promising new silver anomalies. The Zabytiy and Kis-Kuelskiy targets have been identified through regional geochemical sampling. Both targets feature similar characteristics to the Vertikalny vein and surface sampling to date has returned several anomalous silver results. Further work, primarily trenching, is planned on both targets in 2009.

Regional exploration has also traced the northwest extension of the Vertikalny vein approximately 2,000 metres along strike. This area was also covered by the geophysical survey completed by Quantec Geoscience. Geophysical results are currently being interpreted and are expected during the fourth quarter of 2008. The geophysical data will be combined with the regional geochemical data to identify high priority drill targets that will increase the resources at Vertikalny in 2009.

Drilling failed to meet the budgeted target of 16,000 metres for 2008. Drilling operations were negatively impacted by two prolonged shutdowns. One drill was inoperable for 29 days awaiting replacement parts that could not be delivered to site due to inclement weather conditions that prevented helicopter re-supply. Another drill was shut down for 15 days by Rostexnadzor pending investigation of a non-fatal accident where a drill helper injured his hand. In total, 44 days of lost drill time (equating to 3,500 metres of lost productivity) have impacted the planned program. The drilling contractor (Boart Longyear) worked with the company to extend the drilling season later in September which reduced the drilling shortfall to 3,195 metres.

RESULTS OF OPERATIONS

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

Revenues

As at September 30, 2008, the Company was in the exploration stage and therefore did not have revenues from operations. Interest income was, for the nine month period ended September 30, 2008, $0.6 million as compared to $0.2 million for the nine month period ended September 30, 2007, an increase of $0.4 million. The increase is attributed to the interest earned on proceeds received from the December 19, 2007 initial public offering of common shares and the January 18, 2008 over-allotment option, proceeds from the sale of our Avlayakan project in May, 2008 as well as proceeds from closing a $4.5 million private placement with Alpha Group Consortium.

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

Expenses

Exploration

For the nine month period ended September 30, 2008, Silver Bear spent $11.9 million on exploration activities, compared with $4.5 million during the 2007 period. All of the $11.9 million was spent on the Mangazeisky Project. Costs associated with the Mangazeisky Project in the nine month period ended September 30, 2008 relate to the 2008 exploration program and costs related to the Company's Yakutsk administrative office. Exploration expenses increased when compared to the 2007 period since 12,930 metres of diamond drilling was completed in the period ended September 30, 2008 versus 7,199 metres in the period ended September 30, 2007. Rising fuel prices and increased staffing have also contributed to the cost increases.

For the three month period ended September 30, 2008, Silver Bear spent $7.2 million on exploration activities compared with $2.1 million during the same period in 2007. The increase in the exploration expenses for the three month period ended September 30, 2008 were related to the increased exploration activity.

General and Administrative

General and administrative expenses for the nine month period ended September 30, 2008 were $3.2 million compared with $1.7 million in the prior nine month period. The increased general and administrative costs are primarily related to legal fees associated with our Russian litigation, increased investor relations activities and other costs associated with increased staffing in the corporate office. Management salaries for the nine month period ended September 30, 2008 were $1.0 million, (nine month period ended September 30, 2007 - $0.8 million). In addition, for the nine month period ended September 30, 2008, Silver Bear spent $1.3 million on professional fees (nine month period ended September 30, 2007- $0.4 million) primarily for legal, audit and consulting fees. Other general and administrative expenses for the nine month period ended September 30, 2008 were $0.9 million, (nine month period ended September 30, 2007- $0.5 million).

Management salaries for the three month period ended September 30, 2008 were $0.1 million, (three month period ended September 30, 2007 - $0.3 million). In addition, for the three month period ended September 30, 2008, Silver Bear spent $0.3 million on professional fees (three month period ended September 30, 2007- $0.1 million) primarily for legal, audit and consulting fees. Other general and administrative expenses for the three month period ended September 30, 2008 were $0.2 million, (three month period ended September 30, 2007- $0.2 million).

Non-Cash Items

Non-cash stock option compensation expense for the nine month period ended September 30, 2008 was $1.0 million compared with $1.2 million in the nine month period ended September 30, 2007. Amortization expense for the nine month period ended September 30, 2008 was $0.7 million, (nine month period ended September 30, 2007- $0.7 million). The foreign exchange gain/loss for the nine month period ended September 30, 2008 was $nil (nine month period ended September 30, 2007 was a loss of $0.2) as a result of the translation to Canadian dollars of the financial results of consolidated foreign subsidiaries.

Non-cash stock option compensation expense for the three month period ended September 30, 2008 was $0.3 million compared with $0.3 million in the three month period ended September 30, 2007. Amortization expense for the three month period ended September 30, 2008 was $0.2 million, (three month period ended September 30, 2007- $0.2 million). The foreign exchange loss for the three month period ended September 30, 2008 was $0.2 million (three month period ended September 30, 2007 was $nil) as a result of the translation to Canadian dollars of the financial results of consolidated foreign subsidiaries.

Net Loss

Silver Bear incurred a net loss for the nine month period ended September 30, 2008 of $13.7 million or $0.37 per share. This compares to a loss of $10.1 million or $0.43 per share for the nine month period ended September 30, 2007. Exploration costs were $11.9 million in the nine month period ended September 30, 2008 compared with $4.5 million in the nine month period ended September 30, 2007. General and administrative expenses for the nine month period ended September 30, 2008 were $3.2 million compared with $1.7 million in the prior nine month period. Non-cash items for the nine month period ended September 30, 2008 were $1.7 million compared with $1.7 million in the nine month period ended September 30, 2007. Interest income for the nine month period ended September 30, 2008 was $0.6 million compared with 0.2 million in the prior nine month period. The Company recorded a gain on the sale of Avlayakan for $2.5 million during the second quarter.

Silver Bear incurred a net loss for the three month period ended September 30, 2008 of $8.3 million or $0.22 per share. This compares to a loss of $3.7 million or $0.15 per share for the three month period ended September 30, 2007. Exploration costs were $7.2 million in the three month period ended September 30, 2008 compared with $2.1 million in the three month period ended September 30, 2007. General and administrative expenses for the three month period ended September 30, 2008 were $0.6 million compared with $0.6 million in the prior three month period. Non-cash items for the three month period ended September 30, 2008 were $0.5 million compared with $1.7 million in the three month period ended September 30, 2007. Interest income for the three month period ended September 30, 2008 was $0.1 million compared with $0.1 million in the prior three month period.

Liquidity and Capital Resources

At the start of 2008, Silver Bear had cash and cash equivalents of $30.3 million. On January 18, 2008, the company raised net proceeds of $1.6 million in relation to the over-allotment option granted by the Company to the underwriters in connection with the Company's initial public offering in December 2007. In May 2008, the company sold its 70% interest in Mine Avlayakan LLC for proceeds of $8.5 million. On July 16, 2008, the company completed a private placement with Alfa Bank Consortium for net proceeds of $4.2 million. As at September 30, 2008 the company has invested $3.1 million in Property, plant and equipment and had cash expenses of $12.5 million from continuing operations. As at September 30, 2008 cash and cash equivalents were $28.7 million.

Silver Bear is currently budgeting for 2009 with the objective to complete a program in 2009 of 10,000 metres of exploration drilling.

Commitments

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

Silver Bear has entered into a drilling contract with Boart Longyear Russia to complete a minimum of 30,000 metres of diamond drilling at the Mangazeisky Project for 2009. Performance of work is expected to commence no later then May 25, 2009 and is expected to be completed no later then October 31, 2009. Depending on depth and width of drilled holes, the Company expects costs to be between $6.0 million and $7.8 million. Silver Bear has also agreed to pay demobilization charges of $1.0 million Russian Rubles (approximately CAD$44,000) at the end of the 2009 drilling program. Should the Company choose to have the drill rigs remain on site after the 2009 drill program for the 2010 drill program, standby charges of 294,000 Russian Rubles (approximately CAD$13,000), per month would apply. Should the Company terminate the contract with Boart Longyear Russia, charges of 1,000 Russian Rubles (CAD$44) per uncompleted metre would apply. Silver Bear anticipates signing a new contract with Boart Longyear for 10,000 meters of 2009 diamond drilling in the fourth quarter of 2008.

The Scientific, Research and Design Centre of Precious Metals & Diamonds NBLgold, a Russian Federation Joint Closed Stock Company ("NBL Gold"), has been contracted to assist with the preparation of a Russian resource and reserve estimate for Vertikalny. A contract was signed on October 13, 2008 for 25.7 million Russian Rubles (approximately CAD$1.1 million). Work began in October 2008 and has a scheduled completion date of December 2010.

In relation to a cost sharing agreement with Western Goldfields, the Company anticipates paying approximately $0.1 million in respect of the lease of head office premises for the remainder of the year, and $0.3 million per year for the remaining 9.5 years of the office lease.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Capital Stock

As at September 30, 2008, the company had issued and outstanding 37,935,569 Common Shares (December 31, 2007, 35,735,569 shares outstanding).

Summary of Quarterly Results

	Sep-08	Jun-08	Mar-08	Dec-07
Net Loss	(8,314,892)	(2,434,315)	(2,913,780)	(2,749,436)
Basic and diluted loss per share (cents per share)	(0.22)	(0.07)	(0.08)	(0.10)
Cash and cash equivalents	28,669,371	32,087,043	27,873,668	30,295,581
Total assets	35,978,824	38,904,042	40,396,900	41,180,972
Total long-term financial liabilities	577,814	252,942	248,959	245,360

	Sep-07	Jun-07	Mar-07	Dec-06
Net Loss	(3,732,761)	(4,921,237)	(1,457,563)	(1,706,384)
Basic and diluted loss per share (cents per share)	(0.15)	(0.19)	(0.07)	(0.09)
Cash and cash equivalents	7,183,413	10,383,567	13,114,315	1,978,930
Total assets	16,492,689	20,175,969	22,482,635	6,450,814
Total long-term financial liabilities	-	-	-	-

Related Party Transactions

The Company is related to Western Goldfields Inc. ("WGI") as the senior executives of WGI also serve as senior executives of the Company. Both WGI and the Company currently share office space and costs related to office overhead. At September 30, 2008 and December 31, 2007, $19,268 and $31,052, respectively, were receivable from WGI. These amounts were received in October 2008 and January 2008, respectively. The Company anticipates renewing a cost sharing agreement with Western Goldfields Inc. in November 2008 with the result that Western Goldfields Inc. will pay for costs, including office rental, in the first instance and will then charge Silver Bear for its share.

SIGNIFICANT ACCOUNTING POLICIES

CAPITAL DISCLOSURES AND FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION

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

CAPITAL DISCLOSURES

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

FINANCIAL INSTRUMENTS

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

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

DISCLOSURE CONTROLS

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

RISK FACTORS

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

OUTLOOK

MANGAZEISKY PROJECT

Silver Bear is currently budgeting for 2009 with the objective to complete a program in 2009 of 10,000 metres of exploration drilling and leave the Company with sufficient cash to fund the 2010 winter road resupply.

Key milestones for Silver Bear are:

- Exploration will continue on the known extensions of the Vertikalny vein to demonstrate a potential of 200 to 250 million ounces of silver[1].
- Results of the Company's exploration program will be summarized in an NI 43-101 Technical Report due in Q1 2009.
- Complete 10,000 metres of exploration drilling during the 2009 field season compared to previous plan of 40,000 metres.

Wardrop has been awarded a contract to complete the NI 43-101 Technical Report summarizing the resources of the Vertikalny vein for 2008. Wardrop's Scope of Services also includes identifying and managing a Russian Engineering company to complete a Russian C_2; P_1 and P_2 resource estimate. Wardrop began work on the project in August 2008.

FORWARD-LOOKING STATEMENTS

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

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

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

SILVER BEAR RESOURCES INC.

(An exploration stage enterprise)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008 and 2007

(unaudited)

SILVER BEAR RESOURCES INC.

(An exploration stage enterprise)

CONSOLIDATED BALANCE SHEET

(Canadian Dollars) (unaudited)

	September 30, 2008	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	$ 28,669,371	$ 30,295,581
Related party receivable (note 13)	19,268	31,052
Non-controlling interest (note 5)	-	151,592
Inventories (note 6)	1,553,628	628,196
Prepaid expenses (note 7)	1,221,764	2,305,284
Miscellaneous receivables	36,913	50,232
	31,500,944	33,461,937
Capital assets		
Mineral properties (notes 4, 8 and 17)	1,280,751	959,670
Property, plant and equipment (note 9)	3,197,129	874,147
Asset held for sale	-	5,885,218
	$ 35,978,824	$ 41,180,972
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities from continuing operations (note 10)	$ 2,654,518	$ 1,127,478
Accounts payable and accrued liabilities from discontinued operations	-	200,265
	2,654,518	1,327,743
Long-term liabilities		
Asset retirement obligation (note 17)	577,814	245,360
Non-controlling interest (note 11)	-	127
Shareholders' equity		
Capital Stock (note 12)	73,771,289	67,991,311
Warrants (note 12)	-	273,575
Contributed surplus (note 12)	8,130,419	6,835,085
Deficit	(49,155,216)	(35,492,229)
	32,746,492	39,607,742
	$ 35,978,824	$ 41,180,972

Going concern (note 1)

Commitments and contingency (note 15)

See accompanying notes to consolidated financial statements

SILVER BEAR RESOURCES INC.

(An exploration stage enterprise)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS AND DEFICIT

(Canadian Dollars) (unaudited)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Income				
Interest income	**$ 137,914**	$ 56,946	**$ 603,308**	$ 152,268
Expenses				
Exploration costs	**7,206,937**	2,126,903	**11,851,297**	4,507,861
Stock option compensation (note 12)	**292,302**	262,406	**1,021,759**	1,202,077
Amortization	**195,111**	243,087	**732,502**	712,923
General and administrative	**603,169**	555,298	**3,230,726**	1,676,744
Penalty shares (note 12)	**-**	-	**-**	647,233
Foreign exchange loss (gain)	**151,493**	34,979	**(46,159)**	164,482
Accretion expense (note 17)	**3,794**	-	**11,376**	-
Gain on disposal of property, plant and equipment	**-**	(11,035)	**-**	(11,035)
Expenses from continued operations	**8,452,806**	3,211,638	**16,801,501**	8,900,285
Non-controlling interest	**-**	(409,441)	**(33,179)**	(665,686)
Loss and Comprehensive Loss for the period from continued operations	**(8,314,892)**	(2,745,251)	**(16,165,014)**	(8,082,331)
Discontinued operations (note 4)	**-**	(987,512)	**2,502,027**	(2,029,231)
Net Loss and Comprehensive Loss	**(8,314,892)**	(3,732,762)	**(13,662,987)**	(10,111,561)
Deficit - Beginning of the period	**(40,840,324)**	(29,010,033)	**(35,492,229)**	(22,631,234)
Deficit - End of the period	**$ (49,155,216)**	$ (32,742,795)	**$ (49,155,216)**	$ (32,742,795)
Weighted average number of common shares outstanding	**37,066,717**	25,591,014	**36,841,555**	23,823,991
Loss per share from continuing operations (note 12)	**$ (0.22)**	$ (0.11)	**$ (0.44)**	$ (0.34)
Loss per share from discontinued operations (note 12)	**-**	(0.04)	**0.07**	(0.09)
Loss per share	**$ (0.22)**	$ (0.15)	**$ (0.37)**	$ (0.43)

Going concern (note 1)

See accompanying notes to consolidated financial statements

SILVER BEAR RESOURCES INC.

(An exploration stage enterprise)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Canadian Dollars) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	**2008**	2007
Cash provided by (used in)				
Operating activities				
Loss from continuing operations	**$ (8,314,892)**	$ (2,745,251)	**$ (16,165,014)**	$ (8,082,331)
Items not affecting cash:				
Amortization	**195,111**	243,087	**732,502**	712,923
Accretion expense	**3,794**	-	**11,376**	-
Stock option compensation	**292,303**	262,406	**1,021,759**	1,202,077
Penalty shares issued	**-**	-	**-**	647,233
Gain on sale of property, plant and equipment	**-**	(11,035)	**-**	(11,035)
Net change in non-cash working capital (note 14)	**778,964**	157,706	**1,861,823**	524,039
Net cash from continuing operations	**(7,044,720)**	(2,093,087)	**(12,537,554)**	(5,007,094)
Financing activities				
Issuance of common shares	**4,434,420**	-	**5,779,977**	17,279,568
Non-controlling interest	**-**	-	**(127)**	127
	4,434,420	-	**5,779,850**	17,279,695
Investing activities				
Acquisition of property, plant and equipment	**(807,372)**	(126,813)	**(3,055,484)**	(321,190)
Proceeds of sale of property, plant and equipment	**-**	21,894	**-**	21,894
	(807,372)	(104,919)	**(3,055,484)**	(299,296)
Increase (decrease) in cash and cash equivalents during the period	**(3,417,672)**	(2,198,006)	**(9,813,188)**	11,973,305
Increase (decrease) in cash and cash equivalents during the period from discontinued operations (note 4)	**-**	(1,002,149)	**8,186,979**	(6,768,823)
Cash and cash equivalents - beginning of the period	**32,087,043**	10,383,567	**30,295,580**	1,978,930
Cash and cash equivalents - end of the period	**$ 28,669,371**	$ 7,183,412	**$ 28,669,371**	$ 7,183,412
Supplementary disclosure of non-cash financing and				
Issuance of warrants	**-**	-	**-**	184,008
Expenses of common share issue	**-**	-	**-**	(184,008)
Issuance of penalty shares	**-**	-	**-**	647,233
Expenses of penalty share issue	**-**	-	**-**	(647,233)

See accompanying notes to consolidated financial statements

SILVER BEAR RESOURCES INC.

(An exploration stage enterprise)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at September 30, 2008 and 2007 (unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

As at September 30, 2008, the Company has no source of operating cash flows. The Company's ability to meet its obligations and continue as a going concern is dependent on the ability to identify and complete future funding.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due. As at September 30, 2008, the Company had no source of operating cash and reported a loss for the three and nine month periods of $8.3 million and $13.7 million respectively, and an accumulated deficit of $49.2 million as at that date. In order to fund its future operations, maintain its rights under licenses and agreements and to advance its projects, the Company must secure sufficient future funding. In these circumstances, there exists substantial doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, as to the appropriateness of the use of accounting principles applicable to a going concern. The Company secured funding through an initial public offer of its common shares in December 2007, and an over-allotment option was completed on January 18, 2008 for aggregate gross proceeds of $32.1 million. On July 16, 2008, the company completed a private placement of 1.5 million common shares for an aggregate gross proceeds to the company of $4.5 million to meet its exploration requirements and contractual obligations and to continue as a going concern. While the Company has been successful in raising financing to date, there can be no assurance that it will be able to do so in future.

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PRESENTATION

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

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

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

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

b) SIGNIFICANT ACCOUNTING POLICIES

Change in accounting policies

Capital Disclosures and Financial Instruments – Disclosures and Presentation

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

Capital Disclosures

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

Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements.

These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in note 3 to these interim financial statements.

3. CAPITAL MANAGEMENT

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

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

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

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

FINANCIAL RISK FACTORS

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

Credit risk

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

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2008, the Company had a cash balance of $28,669,371, (December 31, 2007 - $30,295,581) to settle current liabilities of $2,654,518 (December 31, 2007 - $1,327,743).

Interest rate risk

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

Foreign currency risk

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

Sensitivity analysis

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

The carrying amount of accounts receivable equals fair market value.

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

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

4. MINE AVLAYAKAN LLC

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

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

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

Net Assets pertaining to the Avlayakan property were as follows:

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

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

5. RECEIVABLE FROM NON-CONTROLLING INTEREST

Under the terms of the Framework Financing Agreement for the Avlayakan project, the Company was required to unilaterally fund Avlayakan's exploration activities and feasibility study costs of up to U.S. $3,000,000. Costs above that limit will be funded by the Company and the non-controlling interest partner in proportion to their respective equity interests in the charter capital of Avlayakan. The Company paid costs in excess of U.S. $3,000,000 and reflected the portion of the excess relating to the non-controlling interest partner as a receivable. Mine Avlayakan was sold in May 2008 and as part of the sale the non-controlling interest and accounts receivable were settled. Also see Note 4.

6. INVENTORIES

	September 30, 2008 $	December 31, 2007 $
Fuel and lubricants	**843,881**	273,134
Explosives	**169,825**	22,161
Drilling supplies and food	**539,922**	387,301
Transportation costs in inventory	**825,043**	352,367
	2,378,671	1,034,963
Adjustments / Writedown of inventory	**-**	(54,400)
Provision for reduction to net realizable value	**(825,043)**	(352,367)
	$ 1,553,628	$ 628,196

7. PREPAID EXPENSES

	September 30, 2008 $	December 31, 2007 $
Project advances - Mangazeisky		
Fuel	**-**	1,230,730
Exploration Equipment, Supplies and Services	**1,081,783**	966,627
Transportation	**-**	29,481
Rent	**22,873**	24,394
Other	**117,108**	54,052
	$ 1,221,764	$ 2,305,284

8. MINERAL PROPERTIES

	September 30, 2008 $	December 31, 2007 $
Mangazeisky - exploration license	**1,280,751**	959,670

The Company acquired the exploration licenses in respect of the Arkachan and Mangazeisky properties when it acquired all the shares of ZAO Prognoz on October 21, 2004. The cost attributed to the mineral properties was determined as U.S. $890,310 of which approximately 20% was allocated to the Arkachan property and approximately 80% to the Mangazeisky property. The value of the Arkachan license was written off at December 31, 2005 based on the results of the 2005 drilling program. The increase in the Mangazeisky exploration license is directly related to the Company's Asset Retirement Obligation for the Mangazeisky property. See Note 17.

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

	September 30, 2008 $	December 31, 2007 $
Mangazeisky	**22,486,337**	10,635,040
Russian management costs	**1,563,283**	1,563,283
Corporate costs related to exploration activities	**477,411**	477,411
	$ 24,527,031	$ 12,675,734

9. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2008			December 31, 2007		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Exploration plant and equipment						
Mangazeisky site	**$ 5,155,138**	**$ 2,608,704**	**$2,546,434**	$ 2,730,361	$ 2,006,905	$ 723,456
Construction in progress	**532,293**	**-**	**532,293**	-	-	-
Yakutsk office	**147,507**	**97,636**	**49,871**	99,931	77,431	22,500
Other office furniture, equipment and leasehold improvements	**395,453**	**326,922**	**68,531**	449,333	321,142	128,191
	$ 6,230,391	**$ 3,033,262**	**$3,197,129**	$ 3,279,625	$ 2,405,478	$ 874,147

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2008 $	December 31, 2007 $
Exploration costs - Mangazeisky project	**2,142,441**	308,609
Accounts payable and accrued liabilities	**512,077**	818,869
	$ 2,654,518	$ 1,127,478

11. NON-CONTROLLING INTEREST

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

12. SHAREHOLDERS' EQUITY

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

COMMON SHARES

Authorized:

Unlimited number of common shares and preference shares issued:

	Period ended September 30, 2008		Year ended December 31, 2007	
	Number of common shares	**$**	Number of common shares	$
Balance-Beginning of period	**35,735,569**	**67,991,311**	19,324,271	22,908,565
Issued pursuant to Initial Public Offering (a)	**700,000**	**1,560,013**	10,000,000	27,339,953
Issued pursuant to private placement, net (b)	**1,500,000**	**4,219,965**	6,195,555	17,095,560
Issuance of penalty shares (c)	-	-	215,743	647,233
Balance-End of period	**37,935,569**	**$ 73,771,289**	35,735,569	$ 67,991,311

(a) On January 18, 2008, Silver Bear Resources completed the sale of 700,000 common shares at a price of $3.00 per common share pursuant to the exercise in part of an over-allotment option for gross proceeds of $2,100,000 (net proceeds of $1,560,013), the underwriting syndicate was co-led by RBC Capital Markets and Merrill Lynch & Co., and included GMP Securities L.P. and Wellington West Capital Markets Inc. No further over allotment options remain outstanding. On December 19, 2007, Silver Bear Resources Inc. successfully completed its initial public offering of 10,000,000 common shares at a price of $3.00 per share for gross proceeds of $30,000,000. Net proceeds after payment of Agent's commission of 6% and related expenses were $27,339,953. Silver Bear granted the underwriter an option to purchase an additional 1,500,000 common shares at the price of $3.00 per share. The option was exercisable, in whole or in part, within 30 days of the closing to cover any over-allotments and for market stabilization purposes.

(b) On July 16, 2008, the company completed a private placement with Alpha Bank Consortium for 1,500,000 common shares for net proceeds to the company of $4,219,965. On March 16 and 20, 2007, the Company completed a private placement of 6,195,555 common shares at a price of $3.00 per common share for gross proceeds of $18,586,667. Net cash proceeds to the Company, after payment of Agent's commission of 6% and legal expenses were $17,279,568. In addition to the Agent's commission, the Company granted the Agent a non-transferable Broker Warrants, of 185,866 common shares, at the private placement price of $3.00 per share, valued at $184,008.

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

WARRANTS

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

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

(b) In connection with the private placement of common shares on September 21, 2006, the Company issued 118,946 broker warrants to the agents as part of their compensation. These broker warrants are exercisable at a price of

$2.25 per warrant and expired on March 21, 2008. For purposes of valuation, the fair value of the warrants was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 65%; risk-free rate of return of 4.93% and an expected life of 1.5 years. The warrants had a value of $89,567 on issue.

STOCK OPTIONS

	September 30, 2008		December 31, 2007	
	Number	**Exercise Price**	Number	Exercise Price
Balance-Beginning of period	**2,841,654**	**$ 3.76**	1,433,328	$ 4.50
Granted	**495,002**	**2.21**	1,408,326	3.00
Expired/Cancelled	**(166,666)**	**4.50**	-	-
Balance-End of period	**3,169,990**	**$ 3.72**	2,841,654	$ 3.76

In August, 2008, an additional 300,000 stock options were granted to various directors and an employee of the Company. The exercise price of the options is $1.70 and the term is seven years. For purposes of valuation, the fair value of the stock options was estimated on the date of the grant using the Black-Scholes stock option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 91.7%; risk-free rate of return of 3.13% and an average expected life of 6 years.

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

In 2008, 166,666 options expired that had been granted at an option price of $4.50.

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

CONTRIBUTED SURPLUS

	September 30, 2008	December 31, 2007
Balance-Beginning of period	**$ 6,835,085**	$ 5,100,703
Stock option compensation	**1,021,759**	1,734,382
Value assigned to expired warrants	**273,575**	-
Balance-End of period	**$ 8,130,419**	$ 6,835,085

LOSS PER SHARE

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

13. RELATED PARTY TRANSACTIONS

The Company is related to Western Goldfields Inc. ("WGI") as the senior executives of WGI also serve as senior executives of the Company. Both WGI and the Company currently share office space and costs related to office overhead. At September 30, 2008 and December 31, 2007, $19,268 and $31,052, respectively, were receivable from WGI. These amounts were received in October 2008 and January 2008, respectively. The Company renewed its cost sharing agreement with Western Goldfields Inc. in November 2008 with the result that Western Goldfields Inc. will pay for costs, including office rental, in the first instance and will then charge Silver Bear for its share.

14. NET CHANGE IN NON-CASH WORKING CAPITAL

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	**September 30, 2008**	September 30, 2007
	$	$	**$**	$
Receivable from related party	**(1,364)**	35,020	**11,784**	21,243
Non-controlling interest receivable	**-**	(410,799)	**151,592**	(665,371)
Inventories	**482,110**	179,664	**(925,432)**	(228,812)
Prepaid expenses	**(299,323)**	560,855	**1,083,520**	373,986
Miscellaneous receivables	**45,005**	5,578	**13,319**	(1,436)
Accounts payable and accrued liabilities	**552,536**	(212,612)	**1,527,040**	1,024,429
	$ 778,964	$ 157,706	**$ 1,861,823**	$ 524,039

15. COMMITMENTS AND CONTINGENCY

In order to maintain the exploration licenses at the Mangazeisky Project in good standing, Silver Bear is required to conduct certain minimum levels of exploration activity.

Silver Bear has entered into a drilling contract with Boart Longyear Russia to complete a minimum of 30,000 metres of diamond drilling at the Mangazeisky Project. Performance of work is expected to commence no later then May 25, 2009 and is expected to be completed no later then October 31, 2009. Depending on depth and width of drilled holes, the Company expects costs to be between $6.0 million and $7.8 million. Silver Bear has also agreed to pay demobilization charges of $1.0 million Russian Rubles (approximately CAD$44,000) at the end of the 2009 drilling program. Should the Company choose to have the drill rigs remain on site after the 2009 drill program for the 2010 drill program, standby charges of 294,000 Russian Rubles (approximately CAD$13,000), per month would apply. Should the Company terminate the contract with Boart Longyear Russia, charges of 1,000 Russian Rubles (CAD$44) per uncompleted metre would apply. Silver Bear anticipates signing a new contract with Boart Longyear for 10,000 metres of 2009 diamond drilling in the fourth quarter of 2008.

The Scientific, Research and Design Centre of Precious Metals & Diamonds NBLgold, a Russian Federation Joint Closed Stock Company ("NBL Gold"), has been contracted to assist with the preparation of a Russian resource and reserve estimate for Vertikalny. A contract was signed on October 13, 2008 for 25.7 million Russian Rubles (approximately CAD$1.1 million). Work began in October 2008 and has a scheduled completion date of December 2010.

In relation to a cost sharing agreement with Western Goldfields, the Company anticipates paying approximately $0.1 million in respect to the lease of head office premises for the remainder of the year, and $0.3 million per year for the remaining 9.5 years of the office lease.

16. SEGMENTED INFORMATION

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

The following is segmented information as at September 30, 2008:

			As at September 30, 2008			
Country/Property	**Cash and Cash Equivalents**	**Inventories**	**Prepaid Expenses**	**Other Current Assets**	**Mineral Properties**	**Property, Plant and Equipment**
Russia - Mangazeisky	421,772	1,553,628	1,081,783	-	1,280,751	3,128,598
Canada - corporate	28,247,599	-	139,981	56,181	-	68,531
	$ 28,669,371	$ 1,553,628	$ 1,221,764	$ 56,181	$ 1,280,751	$ 3,197,129

As at December 31, 2007, the Company's operating segments include one property in the Russian Federation and a corporate office in Toronto, Canada.

			As at December 31, 2007			
Country/Property	**Cash and Cash Equivalents**	**Inventories**	**Prepaid Expenses**	**Other Current Assets**	**Mineral Properties**	**Property, Plant and Equipment**
Russia - Mangazeisky	115,969	628,196	2,251,232	-	959,670	745,956
Canada - corporate	30,179,612	-	54,052	232,876	-	128,191
	$30,295,581	$ 628,196	$ 2,305,284	$232,876	$ 959,670	$ 874,147

17. ASSET RETIREMENT OBLIGATION

	September 30, 2008 $	December 31, 2007 $
Balance at the beginning of the period	**245,360**	-
Increase in liability	**321,078**	245,360
Accretion	**11,376**	-
Balance, end of year	**$ 577,814**	$ 245,360

The asset retirement obligation relates to the Mangazeisky project located in the Republic of Sakha, Yakutia in the Russian Federation. The Company estimated the cost of rehabilitating the site at $550,906 in the next two years. Such estimated costs have been discounted using a risk-free rate of 5.8%. Gross payments are expected to be $602,292 in 2010, and inflation factor of 12.6% was used to determine future gross payments.

18. CORPORATE REGULATORY MATTERS

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

A second hearing was held on July 3, 2008, at which time court then ruled that the hearing was to be postponed until August 12, 2008. A third hearing was held on August 12, 2008, at which time the court ruled to reject the claim of the Federal Tax Service to liquidate ZAO Prognoz. An official ruling was issued on August 14, 2008. The Federal Tax Service could appeal of the courts decision within thirty days of the official ruling.

On September 14 2008, the courts decision of August 12, 2008 came into legal force as no appeal had been filed by the Federal Tax Service. The Company has received confirmation from the court that this matter has been dismissed.

19. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

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

CORPORATE INFORMATION

DIRECTORS

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

William Biggar[2,4]
President and CEO
North American Palladium Ltd.

Dzhulustan Borisov
President, National Republic Bank

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

Pavel Kepeshinskas
Professional geologist

Alexey Mikhaylovskiy [6]
CEO, United Gold Company

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

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

Stephen Shefsky
President, CanCap Investments Limited

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

OFFICERS

Randall Oliphant
President and Chief Executive Officer

Raymond Threlkeld
Chief Operating Officer

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

Wesley Hanson
Vice President of Mine Development

Paul Semple
Vice President of Projects

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

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