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March 31, 2017

FILED VIA SEDAR

Ontario Securities Commission, Principal Regulator
British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
The Manitoba Securities Commission
Nova Scotia Securities Commission
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Securities Commission of Newfoundland and Labrador

Re-filing of the Company's Audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2016

Dear Sirs/Mesdames:

The attached audited consolidated financial statements of Silver Bear Resources Inc. (the "**Company**" or "**Silver Bear**") for the year ended December 31, 2016 ("**2016 Financial Statements**") are being re-filed because the Company inadvertently filed an incorrect earlier draft of these 2016 Financial Statements.

Specifically, the differences represent changes to the Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Loss, and Notes 6, 7, 8, 9, 14, 15, 16, 17 and 19 to the 2016 Financial Statements. The management's discussions and analysis for the year ended December 31, 2016 (the "**MDA**") filed on SEDAR on March 29, 2017 is unaffected by these changes, however as per Form 51-102F1, Item 1.1, the date on page one has been updated to March 29, 2017, being the date of the Auditor's report on the re-filed 2016 Financial Statements.

There have been no other changes other than those referred to above.

If you have any questions or concerns, please do not hesitate to contact me.

Best regards,

(signed) "Derk Hartman"

Derk Hartman
Silver Bear Resources Inc, Chief Financial Officer
E: dhartman@silverbearresources.com

2016 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian dollars)

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Audited Consolidated Financial Statements

Management's Responsibility for Financial Reporting

The consolidated financial statements of Silver Bear Resources Inc. have been prepared by, and are the responsibility of the Company's management.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. In the opinion of management the accounting practices utilized are appropriate in the circumstances and the consolidated financial statements fairly reflect the financial position and results of operations of the Company within reasonable limits of materiality.

Management has developed and is maintaining a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized, and financial information is reliable. All internal control systems have inherent limitations, including the possibility of circumvention and overriding controls, and, therefore, can provide only reasonable assurance as to financial statement preparation and safeguarding of assets.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee meets with the Company's management and external auditors to discuss the results of the audit and to review the annual consolidated financial statements prior to the Audit Committee's submission to the Board of Directors for approval. The Audit Committee also reviews the quarterly financial statements and recommends them for approval to the Board of Directors, reviews with management the systems of internal control and security, approves the scope of the external auditors audit and non-audit work. The Audit Committee is composed entirely of directors not involved in the daily operations of the Company and thus is considered to be free from any relationship that could interfere with the exercise of independent judgment as a Committee member.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

"Graham Hill"

Graham Hill
Director, President and
Chief Executive Officer

"Derk Hartman"

Derk Hartman
Chief Financial Officer

Toronto, Ontario, Canada
March 27, 2017

pwc

March 29, 2017

Independent Auditor's Report

To the Shareholders of
Silver Bear Resources Inc.

We have audited the accompanying consolidated financial statements of Silver Bear Resources Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of comprehensive loss, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Silver Bear Resources Inc. as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the corporation's ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Silver Bear Resources Inc.

Consolidated Statement of Financial Position

(Canadian dollars)

	December 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	15,759,123	9,966,104
Receivables (note 4)	5,691,897	910,893
Inventories (note 5)	4,219,346	734,745
Prepaid expenses (note 6)	5,305,839	1,438,383
Total current assets	30,976,205	13,050,125
Non-current assets		
Prepaid long-term assets (note 6)	6,805,868	3,262,320
Mineral property (note 7)	15,924,780	5,891,369
Property, plant and equipment (note 8)	37,693,403	4,992,398
	60,424,051	14,146,087
Total assets	**91,400,256**	**27,196,212**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	8,113,710	2,995,207
Short-term loans (note 10)	18,020,577	31,008,577
Finance lease (note 11)	1,525,369	175,348
Total current liabilities	27,659,656	34,179,132
Non-current liabilities		
Long-term loans (note 12)	73,747,793	-
Asset retirement obligation (note 13)	1,172,643	918,910
Finance lease (note 11)	2,735,911	13,634
	77,656,347	932,544
Total liabilities	105,316,003	35,111,676
EQUITY		
Equity attributable to owners of Silver Bear Resources Inc.		
Share capital (note 14)	98,684,330	98,277,254
Contributed surplus (note 14)	14,578,157	14,173,136
Accumulated other comprehensive loss	(73,421)	(3,153,970)
Deficit	(127,104,813)	(117,211,884)
Total deficit	(13,915,747)	(7,915,464)
Total liabilities and shareholders' equity	**91,400,256**	**27,196,212**

Going concern (note 1)
Commitments and contingencies (note 18)

The accompanying notes are an integral part of these consolidated financial statements
Approved by the Board of Directors on March 27, 2017

"Graham Hill" **"Trevor Eyton"**

Graham Hill
Director

Trevor Eyton
Director

Silver Bear Resources Inc.

Consolidated Statement of Comprehensive Loss

For the years ended December 31, 2016 and 2015
(Canadian dollars)

	2016	2015
Income		
Interest income	1,731	2,314
	1,731	2,314
Expenses (Note 16)		
Exploration and evaluation expenses	3,192,766	4,289,170
General and administrative expenses	3,984,195	3,939,852
Depreciation	363,373	256,465
Share-based payments	527,762	175,516
Accretion expense	79,524	68,839
Interest expense	4,670,909	1,231,670
Foreign exchange (gain)/loss	(2,968,587)	723,879
Expenses from operations	9,849,942	10,685,391
Net loss for the year before tax	**(9,848,211)**	**(10,683,077)**
Tax charge	44,718	**-**
Net loss for the year after tax	**(9,892,929)**	**(10,683,077)**
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	3,080,549	(1,273,945)
Comprehensive loss for the year	**(6,812,380)**	**(11,957,022)**
Weighted average number of common shares outstanding	161,835,587	161,326,366
Basic and diluted loss per share (Note 14)	(0.06)	(0.07)

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

Silver Bear Resources Inc.

Consolidated Statement of Changes in Equity

For the years ended December 31, 2016 and 2015

(Canadian dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance - December 31, 2014	98,265,379	14,009,495	(1,880,025)	(106,528,807)	3,866,042
Net loss for the year	-	-	-	(10,683,077)	(10,683,077)
Cumulative translation adjustment	-	-	(1,273,945)	-	(1,273,945)
Shares issued under share bonus plan	11,875	-	-	-	11,875
Share-based payments	-	163,641	-	-	163,641
Balance - December 31, 2015	**98,277,254**	**14,173,136**	**(3,153,970)**	**(117,211,884)**	**(7,915,464)**
Balance - December 31, 2015	98,277,254	14,173,136	(3,153,970)	(117,211,884)	(7,915,464)
Net loss for the year	-	-	-	(9,892,929)	(9,892,929)
Other comprehensive loss:					
Cumulative translation adjustment	-	-	3,080,549	-	3,080,549
Shares issued under stock option plan	407,076	(122,741)	-	-	284,335
Share-based payments	-	527,762	-	-	527,762
Balance - December 31, 2016	**98,684,330**	**14,578,157**	**(73,421)**	**(127,104,813)**	**(13,915,747)**

Silver Bear Resources Inc.

Consolidated Statement of Cash Flow

For the years ended December 31, 2016 and 2015

(Canadian dollars)

	2016	2015
Cash provided by (used in)		
Operating activities		
Total loss for the year	(9,892,929)	(10,683,077)
Adjustments for items not affecting cash:		
Depreciation	363,373	256,465
Share-based payments	527,762	175,516
Accretion expense	79,524	68,839
Unrealised FX movement	(883,084)	-
Interest expense	4,670,909	1,313,723
Net change in non-cash working capital (note 17)	(9,940,947)	(2,138,411)
Net cash used in operations	(15,075,392)	(11,006,945)
Investing activities		
Acquisition of property, plant and equipment	(24,368,155)	(4,753,766)
Mineral property addition	(4,704,719)	(3,312,279)
Long term prepayments	(2,687,822)	(3,646,517)
Net cash used in investing activities	(31,760,696)	(11,712,562)
Financing activities		
Proceeds from share options exercised	284,335	-
Finance lease repayment	(2,073,994)	(141,398)
Short-term and long-term loans drawn net	55,818,500	31,008,577
Net cash generated from financing activities	54,028,841	30,867,179
Effect of exchange rate changes on cash and cash equivalents	(1,399,734)	225,299
Increase in cash and cash equivalents during the year	5,793,019	8,372,971
Cash and cash equivalents - beginning of the year	9,966,104	1,593,133
Cash and cash equivalents - end of the year	15,759,123	9,966,104
Cash and cash equivalents consist of:		
Cash	15,759,123	9,966,104
	15,759,123	9,966,104

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Silver Bear Resources Inc. ("Silver Bear") was incorporated under the Business Corporations Act of the Province of Ontario, Canada, on April 8, 2004 and continued under Articles of Continuance dated August 30, 2004 under the Business Corporations Act (Yukon) and February 1, 2005 under the Business Corporations Act (Ontario). The primary business of Silver Bear and its subsidiaries (the "Company") is the acquisition, exploration, evaluation and development of precious metal properties. The head office of the Company is registered in Toronto, Canada. The strategy of the Company is to focus on exploration and development of precious metal deposits. The principal asset of the Company is its right to explore and develop the Mangazeisky property ("Mangazeisky"), located approximately 400 kilometres north of Yakutsk in the Republic of Sakha (Yaktutia), in the Russian Federation. To date, Silver Bear has not earned revenue from operations and its Mangazeisky project is considered to be in the development stage.

In 2015 the Company commenced the development of Mangazeisky that includes the construction of a silver mine with associated processing facilities and infrastructure. It has been determined that development costs incurred from July 1, 2015 have future economic benefits and are economically recoverable. In making this judgement, management 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.

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due for the foreseeable future. As at December 31, 2016, the Company had no source of operating cash flows and reported a net loss for the year of $9,892,929 and a cumulative deficit of $127,104,813. In order to fund development operations and maintain rights under licenses and agreements, the Company has secured funding in the form of short-term and long-term loans of $18,020,577 and $73,747,793 respectively and the Company may be dependent on securing additional financing until such time that it generates sufficient operating cash flow to meet its liabilities. In these circumstances, there exist material uncertainties resulting in significant doubt as to the ability of the Company to continue to meet its obligations as they come due and, hence the ultimate appropriateness of the use of accounting principles applicable to a going concern.

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with the Handbook of the Canadian Institute of Charted Accountants, in accordance with IFRS, as issued by International Accounting Standards Board ("IASB"), applicable to the preparation of consolidated financial statements and in accordance with accounting policies based on IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The Company has consistently applied the accounting policies used in the preparation of its IFRS financial statements throughout all periods presented, as if these policies had always been in effect.

These consolidated financial statements comprise the financial statements of Silver Bear Resources Inc. and its 100% owned subsidiaries: Silver Bear Holdings Limited (a Barbados corporation) ("Holdings"), Silver Bear Resources B.V. (a Netherlands corporation) and ZAO Prognoz (a Russian Federation corporation). All significant inter-company accounts and transactions have been eliminated on consolidation.

These audited consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors on March 27, 2017.

2. BASIS OF PREPARATION (Continued)

Significant Accounting Policies

Foreign currency translation

Items included in the financial statements of each entity are measured using the currency of the primary economic environment in which it operates ("functional currency"). The consolidated financial statements are presented in Canadian dollars which is Silver Bear's functional currency, as well as the functional currency of Silver Bear Holdings. The financial statements of ZAO Prognoz have the Russian rouble as its functional currency and are translated into the Canadian dollar presentation currency for consolidation purposes as follows: assets and liabilities – at the closing rate at the date of the statements of financial position, and income and expenses at the average rate for each quarter (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

Foreign currency transactions are translated into the functional currency of the entity in which they occur using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than functional currency at period-end exchange rates are recognized in the statement of comprehensive loss.

Mineral properties

Mineral properties include the costs of acquiring exploration and mining licenses, as well as the cost of assets associated with the obligation for environmental rehabilitation and costs of developing the mining properties. Licenses are valued at cost at the date of acquisition less impairment. Mining properties under development are accounted for at cost and are not amortised until production has commenced. Cost includes expenditure that is directly attributable to the development of mining properties and preparing them for production.

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and impairment losses. All property, plant and equipment, with the exception of leasehold improvements, are depreciated on a straight line basis over three to five years.

Leasehold improvements are amortized over the remaining life of the lease. Significant components of property, plant and equipment are recorded and depreciated separately. Residual values, the method of depreciation and the useful lives of assets are revised annually and adjusted prospectively, if appropriate, if there is an indicator of a significant change since the last reporting date.

Exploration costs

Field exploration, supervisory costs and costs associated with maintaining the mineral property are expensed until the Company has a reasonable expectation that the property is technically feasible and commercially viable.

Impairment of non-financial assets

The Company reviews and evaluates the recoverable amount of its mineral properties, property, plant and equipment annually and when events or changes in circumstances indicate that the carrying amounts of related assets or groups of assets might not be recoverable.

For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use (being the present value of the expected future cash flows of the relevant asset). Any resulting write-down of the excess of carrying value over the recoverable amount is charged to the consolidated statement of operations.

2. BASIS OF PREPARATION (Continued)

Provision for decommissioning and restoration liability

Mining and exploration activities normally give rise to obligations for environmental rehabilitation. Rehabilitation work may include facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation, including compliance with and monitoring of environmental regulations; security and other site-related costs required to perform the rehabilitation work; and operation of equipment designed to reduce or eliminate environmental effects. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and our environmental policies. Routine operating costs that may impact the ultimate closure and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or exploration process, are not included in the provision. The timing of the actual rehabilitation expenditure is dependent upon a number of factors such as the life and nature of the asset, the license conditions and the operating environment. Expenditures may occur before and after the site closure and can continue for an extended period of time depending on rehabilitation requirements. Rehabilitation provisions are measured at the expected value of future cash flows associated with the settlement of the obligation and discounted to their present value using a pre-tax discount rate which reflects current assessments of the time value of money. The expected future cash flows exclude the effect of inflation. The unwinding of the discount in subsequent periods is presented as interest expense. The asset associated with retirement obligations represents the part of the cost of acquiring the future economic benefits of the operation and is capitalized to mineral properties as part of the carrying amount of the long-lived asset and amortized over the expected economic life of the operation to which it relates. The Company re-measures the liability at each reporting date. Changes in estimates are recorded using current discount rate assumptions. Adjustments are also accounted for as a change in the corresponding value of the related assets.

Financial instruments

Financial assets:

Financial assets within the scope of IAS 39 are initially recognised at fair value and are classified as financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

The Company's financial assets include cash and amounts receivable. Initially they are recognized at fair value and subsequently measured at amortized cost using the effective interest method. Amortized cost approximates fair value due to the short-term maturity of these assets. They are included in current assets, except for maturities greater than twelve months after the year-end.

Regular purchases and sales of financial assets are recognized on the trade-date, being the date on which the Company commits to purchase or sell assets.

Financial assets are derecognized when the rights to receive cash flows from investments and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities:

Financial liabilities within the scope of IAS 39 are initially recognised at fair value and are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company's financial liabilities include accounts payable, accrued liabilities and short-term loans. Initially they are recognized at fair value, and subsequently measured at amortized cost using the effective interest method. Amortized cost approximates fair value due to the short-term maturity of these liabilities.

Financial instruments are initially recorded at fair value. The fair values of cash and cash equivalents, miscellaneous receivables and accounts payable and accrued liabilities approximate their recorded amounts because of their short-term nature.

2. BASIS OF PREPARATION (Continued)

Cash and cash equivalents

Cash represents cash on hand and demand deposits. Cash equivalents represent short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. Such short-term investments include treasury bills with original maturities of less than 90 days. Treasury bills with original maturities in excess of 90 days are classified under short-term investments. Monies held within foreign exchange trading accounts are also recognised as cash equivalent. Equity investments are excluded from cash equivalents.

Income taxes

The Company uses the asset and liability method of accounting for income taxes, under which deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates or laws is recognized as part of the provision for income tax in the year the changes are considered substantively enacted. Deferred tax benefits attributable to these differences, if any, are recognized to the extent that the realization of such benefits is more likely than not.

Loss per share

Basic loss per share is computed by dividing loss for the period by the weighted average number of common shares outstanding for the year. In the event of the Company reporting net profit, the diluted loss per share will be similar to basic earnings per share, except that the denominator will be increased to include the number of additional shares that would have been outstanding if the dilutive potential common shares in connection with the issued share options had been issued using the treasury stock method.

Share-based payments

The fair value of any stock options granted to directors, officers, consultants and employees is recognized as an expense over the vesting period with a corresponding increase recorded to contributed surplus. The fair value of share-based compensation is determined using the Black-Scholes option pricing model and management's assumptions as disclosed in Note 12. An estimate for forfeitures is made when determining the number of equity instruments expected to vest. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Prepaid expenses

Prepaid expenses represent payments made or obligations incurred in advance of the receipt of goods or rendering of services. Prepaid expenses are typically included in other current assets on the consolidated statement of financial position.

Inventories

Inventories consist of fuel, supplies and spare parts to be consumed in exploration activities and are stated at the lower of weighted average cost and net realizable value.

2. BASIS OF PREPARATION (Continued)

Contingencies

In assessing loss contingencies related to legal proceedings that are pending against us 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, the amount can be reliably estimated, and there is a present obligation as a result of a past event, then a loss is recorded. The details of a contingent loss are disclosed unless the possibility of any outflow in settlement is remote. Legal fees incurred with pending legal proceedings are expensed as incurred.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement at the inception date.

Finance leases

Finance leases which transfer substantially all the risks and rewards incidental to ownership of the leased item to the Company as a lessee are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability. Finance charges are recognized in finance cost in the consolidated statements of earnings. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the term of the lease.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership to the Company as a lessee are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of earnings on a straight-line basis over the lease term.

2. BASIS OF PREPARATION (Continued)

Accounting estimates and management judgments

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

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

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

Critical judgements in applying accounting policies:

- Determination of functional currency

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

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

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

- Assets' carrying values and impairment charges

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

- Contingencies

  Refer to Note 18.

- 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 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.

2. BASIS OF PREPARATION (Continued)

Key sources of estimation uncertainty:

- Depreciation rates

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

- Rehabilitation provisions and asset retirement obligations

  Exploration and development activities carried out by the Company give rise to obligations for environmental rehabilitation. Significant uncertainty exists as to the amount and timing of associated cash flows and regulatory requirements. A Russian Central Bank borrowing rate is used in discounting of future cash flows as a pre-tax discount rate.

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

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

- Share-based payment transactions

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

- Impairment of mineral properties 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.

2. BASIS OF PREPARATION (Continued)

New accounting standards

The Company has adopted the following annual improvements to IFRS.

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

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

Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset.

As the Company already uses the straight-line method for depreciation for its property, plant and equipment, and does not amortise intangible assets, the application of these amendments has had no impact on the Company's consolidated financial statements.

Amendments to IFRS 11, Accounting for Acquisition of Interest in Joint Operations

The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

The application of these amendments has had no impact on the Company's consolidated financial statements as the Company did not have any such transactions in the current year.

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

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 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.

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.

2. BASIS OF PREPARATION (Continued)

New accounting standards (Continued)

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

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

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 is still assessing the 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 Company has not yet assessed the impact of this standard.

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 will 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.

These amendments are mandatory for annual periods beginning on or after January 1, 2017. The Company has not yet assessed the impact of this amendment.

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 revisions apply for periods beginning on or after January 1, 2017, with early adoption permitted. The Company has not yet assessed the impact of this amendment.

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 Company has not yet assessed the impact of this amendment.

2. 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 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, 2016 compared to the year ended December 31, 2015. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

FINANCIAL RISK FACTORS

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

Credit risk

The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of interest earning bank accounts held in banks in Canada and Russia. The Company's Canadian chartered banks have a credit rating of at least Aa3 (Moody's) and the Company's Russian banks have a credit rating of at least Ba2 (Moody's).

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.

3. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS (Continued)

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, 2016, the Company had total current assets of $30,976,205 (December 31, 2015 – $13,050,125) to settle total current liabilities of $27,659,656 (December 31, 2015 – $34,179,132), as well as its commitments outlined in Note 18. Total liabilities of $105,316,003 include short-term and long-term loans totalling $91,768,370 and accrued interest of $5,437,746.

During the year, the Company increased its short term and long term loans to $91,768,370 (December 31, 2015 – $31,008,577). As at December 31, 2016, the Company had cash balances of $15,759,123 (December 31, 2015 – $9,966,104).

The Company had total obligations of $4,261,280 at December 31, 2016 (December 31, 2015 – $188,982) under a combination of three and five year leases for equipment in relation to the development of Mangazeisky, as outlined in Note 11.

Interest rate risk

The Company has cash balances and interest-bearing debt on short term loans 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 U.S. dollar and Russian rouble currency converted from its Canadian dollar bank accounts held in Canada. This exposes the Company to changes in foreign exchange rates for both U.S. dollar and Russian rouble.

As the Company's 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 lower by $2,118,143.

4. RECEIVABLES

	December 31, 2016	December 31, 2015
Russian Value Added Tax	1,955,847	265,216
Deferred Russian Value Added Tax	3,652,007	602,731
Canadian Harmonized Sales Tax	32,804	31,359
Other	51,239	11,587
	$ 5,691,897	$ 910,893

5. INVENTORIES

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

	December 31, 2016	December 31, 2015
Fuel and lubricants	738,483	207,921
Parts and supplies	3,480,863	526,824
	$ 4,219,346	$ 734,745

6. PREPAID EXPENSES

Prepaid expenses consist of the following:

	December 31, 2016	December 31, 2015
Insurance	42,950	38,315
Exploration and construction services and goods	5,144,895	1,332,133
Rent and administrative costs	117,994	67,935
	$ 5,305,839	$ 1,438,383

Prepaid long-term assets consist of the following:

	December 31, 2016	December 31, 2015
Construction supplies	6,805,868	3,262,320
	$ 6,805,868	$ 3,262,320

7. MINERAL PROPERTY

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

Mineral property consists of the following:

Mangazeisky	December 31, 2016	December 31, 2015
Balance at the beginning of the year	5,891,369	1,607,824
Development costs capitalised	5,688,903	4,362,308
Borrowing costs capitalised	4,087,105	250,679
Translation adjustment	257,403	(329,442)
Balance at the end of the year	$ 15,924,780	$ 5,891,369

The Company acquired the exploration licence in respect of the Mangazeisky property when it acquired all the shares of ZAO Prognoz on October 21, 2004. In September, 2016, the Mangazeisky License was extended by the Federal Subsoil Use Agency in the Russian Federation (“Rosnedra”) through to December 31, 2023.

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

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

	December 31, 2016	December 31, 2015
Mangazeisky	$ 66,397,442	$ 63,204,676

8. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2016			December 31, 2015		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Property, plant and equipment:						
Mangazeisky site	41,651,550	3,958,147	37,693,403	7,602,989	2,610,591	4,992,398
Yakutsk office	85,175	85,175	-	72,492	72,492	-
Other office furniture, equipment and leasehold improvements	59,620	59,620	-	59,620	59,620	-
	$ 41,796,345	$ 4,102,942	$ 37,693,403	$ 7,735,101	$ 2,742,703	$ 4,992,398

Reconciliation of the carrying amount at the beginning and end of the years ended December 31, 2015 and 2016:

	Mangazeisky site		
	Property, plant and equipment	Assets under construction	Total
Carrying amount at January 1, 2015	1,017,864	-	1,017,864
Additions	651,190	4,102,576	4,753,766
Disposals	-	-	-
Depreciation	(256,465)	-	(256,465)
Exchange differences	(258,110)	(264,657)	(522,767)
Carrying amount at December 31, 2015	$ 1,154,479	$ 3,837,919	$ 4,992,398
Additions	8,230,752	21,872,136	30,102,888
Transfers	1,785,311	(1,785,311)	-
Disposals	(26,152)	-	(26,152)
Depreciation	(1,347,556)	-	(1,347,556)
Exchange differences	1,014,826	2,956,999	3,971,825
Carrying amount at December 31, 2016	$ 10,811,660	$ 26,881,742	$ 37,693,403

The carrying value of equipment held under finance leases as at December 31, 2016 was $5,885,506 (December 31, 2015 - $154,827). The Company acquired capital assets of $30,102,888 during the year ended December 31, 2016. The additions in the year ended December 31, 2016 include $21,872,136 of assets that are not yet ready for use and as such no depreciation has been charged on them. In the year ended December 31, 2015 additions included $4,102,576 of assets that were not yet ready for use, during the year ended December 31, 2016, $1,785,311 of these assets became available for use and depreciation was charged on them. Leased assets are pledged as security for the related finance lease obligations.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	December 31, 2016	December 31, 2015
Trade and other payables	2,060,302	1,344,067
Accrued liabilities	453,552	328,894
Accrued interest (Note 10, Note 12)	5,437,746	1,313,723
Tax and other liabilities	162,109	8,523
	$ 8,113,710	$ 2,995,207

On September 19, 2016, the Company repaid the non-convertible short term loans (Note 10(a)) and accrued interest on those loans. The interest balance above represents the interest payable on the existing convertible short term loans (Note 10(d)) as well as the interest payable on the new Facilities Agreement (Note 12).

10. SHORT-TERM LOANS

			December 31, 2016
Lender	**Principal**	**Interest**	**Total**
A.B. Aterra	4,505,144	723,223	5,228,367
Inflection Management Corp.	13,515,433	2,179,979	15,695,412
	$ 18,020,577	$ 2,903,202	$ 20,923,779

			December 31, 2015
Lender	**Principal**	**Interest**	**Total**
A.B. Aterra	10,513,807	674,051	11,187,858
Inflection Management Corp.	20,494,770	748,183	21,242,953
	$ 31,008,577	$ 1,422,234	$ 32,430,811

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

(a) Unsecured non-convertible promissory notes

On March 2, 2015, the Company entered into unsecured non-convertible promissory notes with FrontDeal and with Inflection, pursuant to which FrontDeal and Inflection each agreed to lend the Company US$3,500,000 respectively for a total of US$7,000,000. The promissory notes bear interest at a rate of 15% per year and the principal and accrued interest are payable on the maturity date. These loans were repaid on September 19, 2016 along with all interest incurred up to that date and replaced by new loans, the detail of which is in Note 12.

(b) Contingent convertible promissory notes

In October 2015, Aterra and Inflection provided additional loans to the Company of C$2,310,000 and C$3,300,000 respectively. These additional loans were made under contingent convertible promissory notes that bore interest at 15% per year and had a maturity date of December 31, 2015 and were contingently convertible into Common Shares of the Company at a price of C$0.075 per Common Share. These loan notes were consolidated into new convertible loan notes as detailed below (Note 10 (d)).

10. SHORT-TERM LOANS (Continued)

(c) Convertible promissory note

In November 2015, Inflection advanced a further C$5,610,000 under a convertible promissory note with a maturity date of December 31, 2015 and which was convertible into Common Shares at a price of C$0.045 per Common Share. This note also bore interest at 15% per year. This loan note was consolidated into the new convertible loan notes as detailed below (Note 10 (d)).

(d) Consolidated convertible loan notes

In December 2015 loan notes from Aterra of C$2,310,000 originally issued in October 2015 (Note 10 (b)), accrued interest thereon of C$59,807 and an additional loan of C$3,300,000, were consolidated into a new convertible loan note for C$5,669,807 in favour of Aterra. In September 2016, Aterra reassigned C$1,164,663 of this new convertible loan note, plus interest of C$138,625, to Inflection.

In December 2015, all convertible loan notes from Inflection with a combined principal amount of C$8,910,000 (Note 10 (b), Note 10 (c)), accrued interest thereon of C$140,770 and an additional loan of C$3,300,000, were also consolidated into a new convertible loan note with a value of C$12,350,770.

Both these convertible loan notes bear interest at 15% per year, mature on March 31, 2017 and give the holder the right to convert the principal and any accrued interest into fully paid Common Shares of the Company at a conversion price of C$0.045 per Common Share. Management considers 15% per year to be the prevailing market rate on loans that do not have an associated equity conversion option; accordingly, all of the principal is recognised as a liability.

The balance on these new convertible loans as at December 31, 2016 was C$20,923,779, of which C$5,228,367 was due to Aterra and C$15,695,412 was due to Inflection.

(e) Contingent convertible loan note

In December 2015, Inflection also paid C$3,300,000 as consideration for the Company issuing a contingent convertible loan note bearing interest at 15% and maturing on December 31, 2016; the loan note was issued on January 11, 2016. This loan was repaid on September 19, 2016 along with all interest of C$377,014 incurred up to that date and was replaced by new loans (Note 12).

(f) Unsecured contingent non-convertible promissory notes

In March 2016, Aterra and Inflection provided additional loans to the Company of US$5,500,000 and US$14,500,000 respectively. These additional loans were made under unsecured contingent non-convertible promissory notes that bore interest at 15% per year and had a maturity date of December 31, 2016. These loans were repaid on September 19, 2016 along with interest of C$1,543,356 incurred up to that date and were replaced by new loans (Note 12).

11. FINANCE LEASE

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.

During the year the Company entered into new long term lease agreements with 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% and 21.8%. The Company made down payments of 30% of the cost of the equipment.

11. FINANCE LEASE (Continued)

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

	December 31, 2016	December 31, 2015
Within one year	1,376,996	187,682
Within two to five years	3,736,005	15,640
	5,113,001	203,322
Future finance charges on finance lease	(851,721)	(14,340)
Present value of the net lease payments	4,261,280	188,982
Current portion	1,525,369	175,348
Long-term portion	2,735,911	13,634
Total obligations under finance lease	$ 4,261,280	$ 188,982

12. LONG-TERM LOANS

			December 31, 2016
Lender	**Principal**	**Interest**	**Total**
A.B. Aterra	19,035,716	721,610	19,757,325
Inflection Management Corp.	54,712,075	1,812,934	56,525,009
	$ 73,747,791	$ 2,534,544	$ 76,282,334

			December 31, 2015
Lender	**Principal**	**Interest**	**Total**
A.B. Aterra	-	-	-
Inflection Management Corp.	-	-	-
	$ -	$ -	$ -

On September 5, 2016, the Company entered into a Facilities Agreement (the “Facilities Agreement”) and certain related security documents with the Lenders, to provide Silver Bear and its indirect wholly-owned Russian subsidiary, Joint Stock Company “Prognoz” (“Prognoz”) with financing for the final development, construction and commissioning of the Company’s Mangazeisky Silver Project (the “Project”).

Pursuant to the Facilities Agreement, the Lenders have made available to Silver Bear and Prognoz secured loans in the aggregate principal amount of US$54.9 million comprising three tranches (”Secured Loan Funding”). Tranche A consisted of a term loan facility of US$42.9 million, of which Inflection has provided US$30.4 million and Aterra has provided US$12.5 million (the “Term Loan Facility”). Of the US$42.9 million total Tranche A commitment, US$32.9 million was made available to Silver Bear with the remaining US$10.0 million being made available to Prognoz (collectively “Tranche A”). On December 28, 2016, a set off agreement was entered into resulting in the amounts due to the Lenders by Silver Bear under the Facilities Agreement, plus the accrued interest, were all due from Prognoz instead.

The Lenders have also made available to Prognoz, the Tranche B working capital facility of US$10.0 million (the “Working Capital Facility”) and the Tranche C contingent facility of US$2.0 million (the “Contingent Facility”, and together with the Working Capital Facility, the “Additional Facilities”).

A portion of the Term Loan Facility (US$32,924,995) has been used by the Company to repay the principal and accrued interest for all outstanding non-convertible notes previously issued by the Company to the Lenders described above (Note 10 (a), Note 10 (e), Note 10 (f)).

12. LONG-TERM LOANS (Continued)

The Secured Loan Funding accrues interest at a rate of 15% per annum, calculated and accrued quarterly, and is payable on January 1, April 1, July 1 and October 1 in each calendar year and on the maturity date, being the date that is forty-eight months following the date on which the Term Loan Facility has been drawn in full. Pursuant to the terms of the Facilities Agreement, all interest accrued before July 1, 2017 will be capitalized and added to the principal amount of the Term Loan Facility such that the first interest payment under the Facilities Agreement would therefore be in respect of the quarterly period ending October 1, 2017.

The Secured Loan Funding is secured and the parent and subsidiaries of the Company will act as guarantor of each other's obligations under the Facilities Agreement and all related security documents.

As at December 31, 2016 this Secured Loan Funding has accrued interest of C$2,534,544.

13. PROVISION FOR DECOMMISSIONING AND RESTORATION LIABILITY

The Company's mining, exploration and development activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. The Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. The Company has recorded a liability and corresponding asset for the estimated future cost of reclamation and closure, including site rehabilitation and long-term treatment and monitoring costs, discounted to net present value. Such estimates are, however, subject to change based on negotiations with regulatory authorities, or changes in laws and regulations.

The Company's provision for decommissioning and restoration liability consists of management's best estimate of reclamation and closure costs for the Mangazeisky project.

Significant reclamation and closure activities include land rehabilitation, demolition of buildings and site facilities and other costs defined by the license requirements.

Asset retirement obligation consists of the following:

	December 31, 2016	December 31, 2015
Balance at the beginning of the year	918,910	826,758
Accretion expense	79,524	68,839
Impact of change to underlying cost estimate	14,754	-
Impact of rates adjustment	(10,878)	69,363
Translation adjustment	170,333	(46,050)
Balance at the end of the year	$ 1,172,643	$ 918,910

At December 31, 2016 the expected life of the Mangazeisky project has been assessed to be 10 years. The projected cost for reclamation and closure of the Mangazeisky project in 2026 has been estimated to be $2,615,000. A Russian Central bank borrowing rate of 8.35% (2015: 8.25%) has been used in discounting of future cash flows.

14. SHAREHOLDERS' EQUITY

Common shares

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

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

	December 31, 2016		December 31, 2015	
	Number of common shares	$	Number of common shares	$
Balance - Beginning of the year	161,327,017	98,277,254	161,089,517	98,265,379
Issued under stock option plan	1,603,334	407,076	-	-
Issued under share bonus plan	-	-	237,500	11,875
Balance - End of the year	162,930,351	98,684,330	161,327,017	98,277,254

Share Bonus Plan

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

On June 8, 2016, the board of directors resolved, and the Company obtained approval from the TSX and the shareholders, an amendment to the Share Bonus Plan to increase the maximum number of Common Shares available for issuance under such plan from 2,500,000 to 5,400,000.

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

October 1, 2013	-	275,000	common shares
January 1, 2014	-	275,000	common shares
April 1, 2014	-	618,750	common shares
July 1, 2014	-	618,750	common shares
October 1, 2014	-	293,750	common shares
January 1, 2015	-	237,500	common shares
Total		2,318,750	

The total number of bonus shares that are currently issued under the share bonus plan is 2,318,750. As shareholders approved an aggregate of up to 5,400,000 common shares for issuance, a further 3,081,250 common shares may be issued under the share bonus plan as at 31 December, 2016.

Stock options and warrants

The Company has a stock option plan which is intended to provide an incentive to officers, employees, directors and consultants of the Company. Stock options are granted from time to time and the option price is determined by the Compensation Committee of the Board of Directors at its sole discretion but shall not be less than the closing price of the Company's common stock on the Toronto Stock Exchange ("TSX") on the last trading date preceding the date of the grant. The term of each option is granted for a period not exceeding five years from the date of the grant. Except as expressly provided for in the option holder's employment, consulting or termination contract, the option holder may exercise the option to the extent exercisable on the date of such termination at any time within twelve months after the date of termination.

14. SHAREHOLDERS' EQUITY

Stock options and warrants (Continued)

The maximum aggregate number of Shares reserved by the Company for issuance and which may be purchased upon the exercise of all options granted under its option plan together will all shares reserved for issuance under the share bonus plan must not exceed 10% of the outstanding Shares (on a non-diluted basis) issued and outstanding at the time of the granting of the options.

On May 18, 2016, 2,900,000 options were granted to directors, officers and consultants of the Company. The exercise price of the options is $0.19 per option. Granted stock options vest immediately on the day of grant and expire on May 18, 2021.

As at December 31, 2016 the total number of options available for issue was 16,293,035. A total of 4,572,619 options or shares for issuance under the share bonus plan (subject to a maximum of 3,081,250 common shares that can be issued under the share bonus plan as at December 31, 2016) are available for future issue as at December 31, 2016.

During the year ended December 31, 2016, options generated a share based payments expense of $527,762 (December 31, 2015: $175,516). 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 and exercise restrictions (including the probability of meeting market conditions attached to the option). Expected volatility is based on the historical share price volatility over the past 4 years. The expected life of the option was calculated based on the history of option exercises.

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

	December 31, 2016		December 31, 2015	
	Number	Weighted average exercise price, $	Number	Weighted average exercise price, $
Balance - Beginning of the year	10,140,000	0.33	12,572,500	0.37
Granted	2,900,000	0.19	-	-
Exercised	(1,603,334)	0.18	-	-
Expired / Cancelled / Forfeited	(2,215,000)	0.64	(2,432,500)	0.52
Balance - End of the year	9,221,666	0.24	10,140,000	0.33

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

	Outstanding		Exercisable	
Expiry year	Number	Weighted average exercise price, $	Number	Weighted average exercise price, $
2017	325,000	0.57	325,000	0.57
2018	300,000	0.24	300,000	0.24
2019	5,796,666	0.24	5,796,666	0.24
2021	2,800,000	0.19	2,800,000	0.19
	9,221,666	0.24	9,221,666	0.24

14. SHAREHOLDERS' EQUITY (Continued)

Stock Options and Warrants (Continued)

Contributed surplus consists of the following:

	December 31, 2016	December 31, 2015
Balance - Beginning of the year	14,173,136	14,009,495
Share-based payments	527,762	163,641
Exercised options	(122,741)	-
Balance - End of the year	$ 14,578,157	$ 14,173,136

Share purchase warrant transactions are summarized as follows:

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

At December 31, 2016, there were no warrants outstanding.

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

Loss per share

Basic and diluted loss per share is calculated by dividing the net loss by the weighted average number of shares in issue during the year. As a result of net losses in each of the periods, the potential effect of exercising stock options and warrants has not been included in the calculation of loss per share because to do so would be anti-dilutive.

	December 31, 2016	December 31, 2015
Net loss	(9,892,929)	(10,683,077)
Weighted average number of common shares outstanding	161,835,587	161,326,366
Basic and diluted loss per share	$ (0.06)	$ (0.07)

15. RELATED PARTY DISCLOSURES

(a) Goods and services

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

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

The Company has appointed TechnoNICOL Corporation (“TechnoNICOL”), a company controlled by the same beneficial owner of Inflection, a major shareholder of the Company, to provide services specific to the Mangazeisky Project. In accordance with contracts entered into as at December 31, 2016, TechnoNICOL has provided goods to the value of RUB 13,386,807 (C$283,418) excluding VAT.

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

Goods and services received from (provided to):	December 31, 2016	December 31, 2015
2227929 Ontario Inc.	-	170,952
Forbes & Manhattan Inc.	-	150,000
TechnoNICOL Corporation	283,418	-
	$ 283,418	$ 320,952

There were no balances outstanding at the end of the reporting period related to goods and services received from related parties.

(b) Financing transactions

The Company has entered into a series of financing transactions with major shareholders. Refer to notes 10 and 12.

(c) Compensation of key management

Key management includes the Company’s directors and officers. Compensation awarded to key management comprised:

	December 31, 2016	December 31, 2015
Salaries, fees and short-term employee benefits	1,164,624	887,121
Termination payments	30,000	91,800
Share-based payments	527,762	175,516
	$ 1,722,386	$ 1,154,437

As at December 31, 2016 the Company owed key management $290,554 (2015: $40,046) for fees and bonuses payable in accordance with contracts and agreements.

16. EXPENSES BY NATURE

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

	December 31, 2016	December 31, 2015
Employee compensation	1,772,879	2,760,500
Drilling and trenching	2,658,561	1,097,112
Depreciation	363,373	257,887
Professional fees	1,676,611	981,084
Geological & environmental studies	534,204	1,722,825
Transportation	-	131,296
Camp maintenance	-	341,855
Taxes	-	6,326
Office expenses	75,986	230,527
Project expenses	-	113,490
Travel expenses	218,723	211,603
Air transportation	-	173,231
Accretion expense	79,524	69,212
Interest expense	4,670,910	1,208,313
Foreign exchange	(2,968,587)	761,505
Loss on disposal of fixed assets	26,152	-
Other expenses	741,606	618,625
	$ 9,849,942	$ 10,685,391

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

As at December 31, 2016 depreciation of property, plant and equipment totalling $984,183 has been capitalised on the basis that the equipment being depreciated is being used in the construction of the Mangazeisky Project.

Employee benefits relating to the construction of the Mangazeisky Project are capitalised within mineral properties. Employee benefits expensed for the year ended December 31, 2016 and 2015 consisted of the following:

	December 31, 2016	December 31, 2015
Salaries, fees and short-term employee benefits	1,456,922	2,369,957
Employee compensation costs capitalised	(241,805)	-
Termination payments	30,000	215,027
Share-based payments	527,762	175,516
	$ 1,772,879	$ 2,760,500

17. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	December 31, 2016	December 31, 2015
Receivables	(4,561,998)	(1,152,023)
Inventories	(3,034,323)	(269,032)
Prepaid expenses	(2,961,432)	(1,606,957)
Accounts payable and accrued liabilities	616,807	889,601
	$ (9,940,947)	$ (2,138,411)

18. COMMITMENTS AND CONTINGENCIES

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

The Company is party to certain management contracts and severance obligations. These contracts contain clauses requiring that additional payments of up to $515,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements.

The Company may be involved in legal proceedings from time to time, arising in the ordinary course of its business. The amount of ultimate liability with respect to these actions will not, in the opinion of management, materially affect Silver Bear's financial position, results of operations or cash flows. There were no material outstanding legal proceedings as of December 31, 2016.

19. SEGMENTED INFORMATION

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

As at December 31, 2016									
Country/Property	**Cash**	**Inventories**	**Prepaid**	**Receivables**	**Mineral Properties**	**Property plant and equipment**	**Depreciation**	**Interest expense**	**Net loss for the year**
Russia - Mangazeisky	10,407,498	4,219,346	11,982,190	5,659,093	15,924,780	37,693,403	363,373	875,707	4,502,269
Canada - Corporate	5,351,625	-	129,517	32,804	-	-	-	3,795,202	5,345,942
	$15,759,123	$ 4,219,346	$12,111,707	$ 5,691,897	$ 15,924,780	$ 37,693,403	$ 363,373	$ 4,670,909	$ 9,848,211

As at December 31, 2015									
Country/Property	**Cash**	**Inventories**	**Prepaid**	**Receivables**	**Mineral Properties**	**Property plant and equipment**	**Depreciation**	**Interest expense**	**Net loss for the year**
Russia - Mangazeisky	1,450,741	734,745	4,952,550	539,475	5,891,369	4,992,398	256,465	30,291	5,992,369
Canada - Corporate	8,515,363	-	86,518	33,054	-	-	-	1,201,379	4,690,708
	$ 9,966,104	$ 734,745	$ 5,039,068	$ 572,529	$ 5,891,369	$ 4,992,398	$ 256,465	$ 1,231,670	$ 10,683,077

20. FINANCIAL INSTRUMENTS

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

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

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

As at December 31, 2016	**Loans and receivables**	**Other liabilities**	**TOTAL**
Cash and cash equivalents	15,759,123	-	15,759,123
Accounts Receivable	5,691,897	-	5,691,897
Short-term loans	-	18,020,577	18,020,577
Long-term loans	-	73,747,793	73,747,793
Accounts payables and accrued liabilities	-	8,113,710	8,113,710
Finance lease	-	4,261,280	4,261,280

20. FINANCIAL INSTRUMENTS (Continued)

As at December 31, 2015	Loans and receivables	Other liabilities	TOTAL
Cash and cash equivalents	9,966,104	-	9,966,104
Accounts Receivables	910,893	-	910,893
Short-term loans	-	31,008,577	31,008,577
Long-term loans	-	-	-
Accounts payables and accrued liabilities	-	2,995,207	2,995,207
Finance lease	-	188,982	188,982

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

21. INCOME TAXES

Reconciliation between tax expense and the product of accounting loss multiplied by the Corporation's domestic tax rate is as follows:

	2016	2015
Statutory tax rate	26.50%	26.50%
Tax benefit of statutory rate	(2,609,776)	(2,815,664)
Expenses not deductible for income tax purposes	834,588	702,199
Prior year true-up	-	-
Tax effect of unrecognized temporary difference	2,218,213	1,938,148
Losses not previously recognized	1,317,559	-
Foreign tax rate differential	(1,715,866)	175,318
Total tax expense	**44,718**	**-**

The 2016 statutory tax rate of 26.50% consistent with the 2015 statutory tax rate of 26.50%

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off the current tax assets and current tax liabilities or deferred tax assets and liabilities and they relate to taxes levied by the same tax authority.

The tax benefit of the following unused tax losses and deductible temporary differences has not been recognized in the financial statements due to the unpredictability of future earnings:

Deductible Temporary Differences	December 31, 2016	December 31, 2015
Tax loss carry-forwards	40,688,164	31,639,683
Exploration and Development	25,272,738	25,931,390
Share issue costs	763,018	325,694
Asset Retirement Obligation	1,172,643	849,547
Property plant and equipment	7,635,286	7,090,934
	75,531,849	**65,837,247**

21. INCOME TAXES (Continued)

At December 31, 2016, the Company has the unclaimed non-capital losses that expire as follows:

Expiry Date	Amount
2026	$ -
2027	$ 2,934,330
2028	$ 3,240,724
2029	$ 3,527,150
2030	$ 2,401,498
2031	$ 3,109,109
2032	$ 2,484,534
2033	$ 2,076,956
2034	$ 2,669,955
2035	$ 4,888,144
2036	$ 11,474,310
	$ 38,806,710

In addition, ZAO Prognoz has approximately $625,482 (2015 – $705,708) of non-capital losses for Russian income tax purposes that expire at the end of the years 2017 through 2026 (2017 through 2025).

22. EVENTS AFTER THE REPORTING PERIOD

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, which increased the previously provided project facilities by a further US$15 million (the "Facilities Agreement Increase"). In addition, on March 20, 2017, the Company and major shareholders, Aterra and Inflection executed the agreement in relation to the extension of the maturity datesmaturity dates of their outstanding convertible notes from March 31, 2017 to December 31, 2017 (the "Note Extension").

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. Reference is made to the Company's press release of August 5, 2016 for full details of the terms of the project facilities.

The Note Extension will provide the Company with additional time to finalize a beneficial restructuring of Aterra's and Inflection's outstanding convertible notes as previously announced by the Company and support the Company's pursuit of additional equity financing to reduce leverage once the production schedule is certain. The convertible notes have an outstanding aggregate principal amount of approximately CDN$18 million.

The TSX has provided its conditional approval for the Facilities Agreement Increase and the Note Extension. The Note Extension is not subject to shareholder approval. Payment of interest on the US$10 million working capital tranche after June 30, 2017 and utilization of the US$5 million cost-over run tranche under the Facilities Agreement Increase are both subject to disinterested shareholder approval, as Aterra and Inflection are insiders (as such term is defined in the TSX Company Manual) of Silver Bear. The Company may draw the full US$10 million working capital tranche at any time. Silver Bear intends to seek disinterested shareholder approval at its AGM to be held prior to June 30, 2017.