THIRD QUARTER 2015 REPORT

For the three months and nine months ended September 30, 2015

(Expressed in Canadian dollars)

INDEX

Unaudited Condensed Interim Consolidated Financial Statements

NOTICE OF NO REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

Silver Bear Resources Inc.

Consolidated Statement of Financial Position

(Canadian dollars)

	September 30, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	1,093,099	1,593,133
Receivable (note 4)	733,790	349,942
Inventories (note 5)	1,401,790	518,604
Prepaid expenses (note 6)	1,229,690	355,855
Total current assets	4,458,369	2,187,534
Non-current assets		
Prepaid long-term assets (note 6)	552,518	–
Mineral property (note 7)	3,879,577	1,607,824
Property, plant and equipment (note 8)	3,965,899	1,017,864
	8,397,994	2,625,688
Total assets	**12,856,363**	**5,443,222**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	3,374,413	463,886
Short-term loans (note 10)	12,015,800	–
Finance lease (note 11)	169,698	146,981
Total current liabilities	15,559,911	610,867
Non-current liabilities		
Asset retirement obligation (note 18)	902,838	826,758
Finance lease (note 11)	51,952	139,555
	954,790	966,313
Total liabilities	**16,514,701**	**1,577,180**
(DEFICIT)/EQUITY		
(Deficit)/equity attributable to owners of Silver Bear Resources Inc.		
Share capital (note 12)	98,277,254	98,265,379
Contributed surplus (note 12)	14,141,952	14,009,495
Accumulated other comprehensive loss	(2,366,602)	(1,880,025)
Deficit	(113,710,942)	(106,528,807)
Total (deficit)/equity	(3,658,338)	3,866,042
Total liabilities and shareholders' (deficit)/equity	**12,856,363**	**5,443,222**

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

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

Approved by the Board of Directors on November 12, 2015

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

Silver Bear Resources Inc.
Consolidated Statement of Comprehensive Loss
For the three and nine months ended September 30, 2015 and 2014
(Canadian dollars)

	Three months ended		Nine months ended	
	September 30, 2015	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**
Income				
Interest income	199	4,302	1,984	10,185
	199	4,302	1,984	10,185
Expenses (Note 14)				
Exploration costs	180,708	2,300,234	3,195,289	3,447,258
General and administrative	576,243	956,509	2,150,983	1,900,256
Depreciation	46,052	67,372	168,914	199,696
Share-based payments	45,332	98,432	144,332	570,707
Accretion expense	–	24,558	35,272	75,838
Interest expense	372,584	35,195	764,518	124,407
Foreign exchange loss	637,023	63,228	724,811	139,167
Expenses from operations	1,857,942	3,545,528	7,184,119	6,457,329
Net loss for the period	**(1,857,743)**	**(3,541,226)**	**(7,182,135)**	**(6,447,144)**
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(1,006,502)	(341,286)	(486,577)	(449,577)
Comprehensive loss for the period	**(2,864,245)**	**(3,882,512)**	**(7,668,712)**	**(6,896,721)**
Weighted average number of common shares outstanding	161,327,017	140,871,422	161,326,147	114,347,270
Basic and diluted loss per share	(0.01)	(0.03)	(0.04)	(0.06)

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

Silver Bear Resources Inc.

Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2015 and 2014

(Canadian dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total (deficit)/equity
Balance – December 31, 2013	87,542,402	13,499,050	(554,144)	(97,446,474)	3,040,834
Net loss for the period	–	–	–	(6,447,144)	(6,447,144)
Other comprehensive loss:					
Cumulative translation adjustment	–	–	(449,577)	–	(449,577)
Comprehensive loss for the period	–	–	(449,577)	(6,447,144)	(6,896,721)
Net proceeds from issuance of shares in private placement	10,571,421	–	–	–	10,571,421
Shares issued for debt	28,682	–	–	–	28,682
Shares issued under share bonus plan	201,438	–	–	–	201,438
Share based payments	–	369,270	–	–	369,270
Warrants	–	–	–	–	–
Balance – September 30, 2014	**98,343,943**	**13,868,320**	**(1,003,721)**	**(103,893,618)**	**7,314,924**
Balance – December 31, 2014	98,265,379	14,009,495	(1,880,025)	(106,528,807)	3,866,042
Net loss for the period	–	–	–	(7,182,135)	(7,182,135)
Other comprehensive loss:					
Cumulative translation adjustment	–	–	(486,577)	–	(486,577)
Comprehensive loss for the period	–	–	(486,577)	(7,182,135)	(7,668,712)
Net proceeds from issuance of shares in private placement	–	–	–	–	–
Shares issued for debt	–	–	–	–	–
Shares issued under share bonus plan	11,875	–	–	–	11,875
Share based payments	–	132,457	–	–	132,457
Warrants	–	–	–	–	–
Balance – September 30, 2015	**98,277,254**	**14,141,952**	**(2,366,602)**	**(113,710,942)**	**(3,658,338)**

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

Silver Bear Resources Inc.

Consolidated Statement of Cash Flow

For the nine months ended September 30, 2015 and 2014
(Canadian dollars)

	September 30, 2015	September 30, 2014
Cash provided by (used in)		
Operating activities		
Total loss for the period	(7,182,135)	(6,447,144)
Adjustments for items not affecting cash:		
Depreciation	168,914	199,696
Share-based payments	144,332	570,707
Accretion expense	35,272	75,838
Interest expense	796,054	(27,175)
Net change in non-cash working capital (note 15)	(675,324)	(1,073,882)
Net cash used in operations	(6,712,888)	(6,701,960)
Investing activities		
Acquisition of property, plant and equipment	(5,453,325)	(97,048)
Net cash used in investing activities	(5,453,325)	(97,048)
Financing activities		
Net proceeds from issuance of shares in private placement	–	10,571,420
Finance lease repayment	(65,020)	(81,700)
Short-term loans drawn	12,015,800	–
Net cash generated from financing activities	11,950,780	10,489,720
Effect of exchange rate changes on cash and cash equivalents	(284,602)	(4,005)
Increase in cash and cash equivalents during the period	(500,034)	3,686,707
Cash and cash equivalents – beginning of period	1,593,133	276,909
Cash and cash equivalents – end of period	1,093,099	3,963,616
Cash and cash equivalents consist of:		
Cash	1,093,099	3,928,616
Cash equivalents	–	35,000
	1,093,099	3,963,616

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

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due for the foreseeable future. As at September 30, 2015, the Company had no source of operating cash flows and reported a net loss for the period of $7,182,135 and an accumulated deficit of $113,710,942, together with short term loans of US$7,000,000 and $2,640,000 (excluding accrued interest) maturing on December 31, 2015. In order to fund operations and maintain rights under licenses and agreements, the Company must secure sufficient future funding. In these circumstances, there exists significant doubt as to the ability of the Company to continue to meet its obligations as they come due and, hence the ultimate appropriateness of the use of accounting principles applicable to a going concern. The Company has a need for additional capital and while it has been successful in obtaining short term bridge financing in order to meet its funding requirements to date (see Note 10), there can be no assurance that it will be able to do so in the future.

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

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with the Handbook of the Canadian Institute of 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, including IAS 34 – Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year December 31, 2014, which has been prepared in accordance with IFRS as issued by the IASB. The Company has consistently applied the accounting policies used in the preparation of its IFRS statement of financial position throughout all periods presented, as if these policies had always been in effect.

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

These unaudited consolidated interim financial statements were reviewed, approved and authorized for issue by the Board of Directors on November 12, 2015.

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.

2. BASIS OF PREPARATION (Continued)

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

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

Critical judgement in applying accounting policies:

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

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

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

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

- Impairment of mineral properties
  While assessing whether any indications of impairment exist for mineral properties, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral properties. Internal sources of information include the manner in which mineral properties are being used or are expected to be used and indications of expected economic performance of the assets.

  Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mineral properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties.

- Exploration and evaluation expenditure
  Management has determined that development and exploration and evaluation costs incurred during the quarter have future economic benefits and are economically recoverable. Management has made certain estimates and assumptions as to future events and circumstances, in particular whether extraction operations are economically viable where reserves have been discovered and whether indications of impairment exist. Any such estimates and assumptions may change as new information becomes available

- Contingencies

  Refer to Note 16.

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

- Rehabilitation provisions and asset retirement obligations

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

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

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

- Share-based payment transactions

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

New accounting standards

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.

In July 2014, the final version of IFRS 9 was issued was issued. IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single impairment model being applied to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements. IFRS 9 also introduces a substantially-reformed model for hedge accounting. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit and loss. The effective date of the standard is 1 January 2018. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

On December 18, 2014, the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

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

3. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of precious metal properties.

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

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

In order to carry out the planned exploration and construction works, as well as to pay for administrative costs, the Company will spend existing working capital and plans to raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties where sufficient geologic or economic potential are noted and if financial resources exist to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the nine-months ended September 30, 2015 compared to the year ended December 31, 2014. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

FINANCIAL RISK FACTORS

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

Credit risk

The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of interest earning bank accounts, which are held by Canadian chartered banks with credit rating of Aa3 (Moody's). Cash held by Russian banks is kept to minimum so as to minimise credit risk.

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

Liquidity risk

The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. At September 30 2015 the Company had a cash balance of $1,093,099 (December 31, 2014 – $1,593,133). At September 30, 2015 the Company had total current assets of $4,458,369 (December 31, 2014 - $2,817,534) to settle current liabilities of $15,559,911 (December 31, 2014 – $610,867), as well as its commitments outlined in Note 16. Current liabilities of $15,559,911 includes short term loans of $12,015,800 and $796,054 of accrued interest.

The Company had total obligations of $221,650 at September 30, 2015 (December 31, 2014 – $286,536) under a three-year finance lease of exploration equipment, as outlined in note 11.

Interest rate risk

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

Foreign currency risk

The Company has funded certain exploration, 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.

3. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS (Continued)

As the Company's project feasibility study work is still ongoing management believes it is not appropriate to hedge its foreign exchange risk at this stage. As the Company's project expenditure that is denominated in Russian rouble is increasing, the effect of changes in foreign exchange rates, in particular the Russian rouble, on net loss is deemed to be significant as the number and amount of foreign-currency transactions are relatively large. Had the Russian rouble foreign exchange rates been higher by 5%, the cumulative translation adjustment in the other comprehensive income section of the Statement of financial position would have been lower by $80,546.

4. RECEIVABLE

	September 30, 2015	December 31, 2014
Russian Value Added Tax	290,889	256,676
Canadian Harmonized Sales Tax	10,979	31,322
Other Russian receivables	431,922	61,944
	$733,790	$349,942

5. INVENTORIES

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

	September 30, 2015	December 31, 2014
Fuel and lubricants	431,281	76,412
Parts and supplies	970,509	442,192
	$1,401,790	$518,604

6. PREPAID EXPENSES

Prepaid expenses consist of the following:

	September 30, 2015	December 31, 2014
Insurance	34,344	19,844
Exploration and construction services and goods	1,128,255	326,576
Rent and administrative costs	67,091	9,435
	$1,229,690	$355,855

Prepaid long-term assets consist of the following:

	September 30, 2015	December 31, 2014
Construction supplies	552,518	–
	$552,518	$ –

7. MINERAL PROPERTY

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

Mineral property consists of the following:

Mangazeisky	September 30, 2015	December 31, 2014
Balance at the beginning of the period	1,607,824	2,519,401
Additions	2,241,365	–
Translation adjustment	30,388	(911,577)
Balance at the end of the year	$3,879,577	$1,607,824

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

In September 2013, the Company acquired the mining licence in respect of the Mangazeisky property that is valid for a period of 20 years. As of July 1, 2015, the Company has commenced capitalizing costs associated with the mine development on the grounds that commercial and technical viability are sufficiently certain from this date.

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

	September 30, 2015	December 31, 2014
Mangazeisky	$62,110,795	$58,915,506

8. PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2015			December 31, 2014		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Property plant and equipment						
Mangazeisky site	6,666,525	2,700,626	3,965,899	3,515,540	2,497,676	1,017,864
Yakutsk office	83,527	83,527	–	76,094	76,094	-
Other office furniture, equipment and leasehold improvements	59,620	59,620	–	59,620	59,620	-
	$6,809,672	$2,843,773	$3,965,899	$3,651,254	$2,633,390	$1,017,864

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

Reconciliation of the carrying amount at the beginning and end of the years ended December 31, 2014 and nine months ended September 30, 2015:

	Mangazeisky site equipment	**Total**
Carrying amount at January 1, 2014	1,770,284	1,770,824
Additions	146,818	146,818
Disposals	–	–
Depreciation	(254,071)	(254,071)
Translation adjustments	(645,167)	(645,187)
Carrying amount at December 31, 2014	$1,017,864	$1,017,864
Additions	3,211,960	3,211,015
Disposals	–	–
Depreciation	(168,914)	(168,914)
Translation adjustments	(95,011)	(94,066)
Carrying amount at September 30, 2015	$3,965,899	$3,965,899

The carrying value of equipment held under finance leases as at September 30, 2015 was $261,864 (December 31, 2014 - $284,409). 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:

	September 30, 2015	**December 31, 2014**
Exploration and construction costs – Mangazeisky project	1,079,286	99,859
Corporation – accounts payable and accrued liabilities	2,295,127	364,027
	$3,374,413	$463,886

10. SHORT-TERM LOANS

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

In the quarter ended 30 September 2015, A.B. Aterra Resources Ltd. (“A.B. Aterra”) and Inflection each provided additional loans to the Company of C$1,320,000 respectively, for a total of C$2,640,000, as advance under the private placement financing of C$11,220,000 that was announced on October 8, 2015. These additional loans incur the same rate of interest as the initial loans and have the same repayment date. FrontDeal and A.B. Aterra are indirectly wholly-owned by Alexey Mordashov, who is also the owner of Aterra Investments Limited, an insider and related party to the Company. Mr. Boris Granovsky, a director of the Company, is a managing partner of Aterra Capital, a management company for Aterra Investments Limited. Inflection is an insider and related party of Silver Bear. Mr. Alexey Sotskov, a director of the Company, is also a director of Inflection.

The principal of the loans and accrued interest of $796,054 were outstanding at September 30, 2015.

11. FINANCE LEASE

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

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

Payments due by period	September 30, 2015	December 31, 2014
Within one year	181,634	157,319
With two to five years	60,545	170,430
	242,179	327,749
Future finance charges on finance lease	(20,529)	(41,213)
Present value of the net lease payments	221,650	286,536
Current portion	169,698	146,981
Long-term portion	51,952	139,555
Total obligations under finance lease	$221,650	$286,536

12. SHAREHOLDERS' EQUITY

Common shares

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

All issued shares are fully paid. Reconciliation of the number and value of common shares at the beginning and end of the period ended September 30, 2015 and year ended December 31, 2014:

	September 30, 2015		December 31, 2014	
	Number of Common shares	$	Number of Common shares	$
Balance – Beginning of the period	161,089,517	98,265,379	94,642,170	87,542,402
Issued pursuant to private placement, net	–	–	64,420,467	10,466,420
Issued for debt	–	–	220,630	28,682
Issued under share bonus plan	237,500	11,875	1,806,250	227,875
Balance – End of the period	161,327,017	98,277,254	161,089,517	98,265,379

Share Bonus Plan

In June 2013, the shareholders of the Company approved a share bonus plan whereby an aggregate of up to 2.5 million common shares of the Company have been reserved for issuance to officers, directors and employees of the Company.

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

12. SHAREHOLDERS' EQUITY (Continued)

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

Stock Options

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

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

As at September 30, 2015 the total number of options available for issue under the stock option plan was 16,132,701. A total of 1,341,451 options and share bonus are available for future issue as at September 30, 2015.

During the nine months ended September 30, 2015 options generated a share based payments expense of $132,457 (September 30, 2014: $369,270). The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model.

Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option. Expected volatility is based on the historical share price volatility over the past 5 years. The expected life of the option was calculated based on the history of option exercises.

Reconciliation of the number of options at the beginning and end of the year ended December 31, 2014 and nine month period ended September 30, 2015 follows:

	September 30, 2015		December 31, 2014	
	Number	**Weighted average exercise price, $**	**Number**	**Weighted average exercise price, $**
Balance – Beginning of the period	12,572,500	0.37	4,522,500	0.68
Granted	-	-	8,740,000	0.22
Expired/Cancelled/Forfeited	(1,537,500)	0.51	(690,000)	0.56
Balance – End of the period	11,035,000	0.35	12,572,500	0.37

12. SHAREHOLDERS' EQUITY (Continued)

As at September 30, 2015, the Company had share options outstanding and exercisable as follows:

Expiry year	Number	Weighted average exercise price, $	Number	Weighted average exercise price, $
2015	895,000	0.59	895,000	0.59
2016	1,330,000	0.89	1,330,000	0.89
2017	585,000	0.54	585,000	0.54
2018	375,000	0.23	375,000	0.23
2019	7,850,000	0.22	3,516,666	0.24
	11,035,000	0.35	6,701,666	0.44

Contributed surplus consists of the following:

	September 30, 2015	December 31, 2014
Balance – Beginning of the period	$ 14,009,495	$ 13,499,050
Share-based payments	132,457	510,445
Warrants	–	–
Balance - End of period	$ 14,141,952	$ 14,009,495

Share purchase warrant transactions are summarized as follows:

	September, 30 2015		December 31, 2014	
	Number of share purchase warrants	Weighted average exercise price, $	Number of share purchase warrants	Weighted average exercise price, $
Balance – Beginning of the period	38,383,422	0.26	38,383,422	0.26
Expired	(2,643,703)	0.58	-	-
Balance - End of period	35,739,719	0.24	38,383,422	0.26

At September 30, 2015, the following warrants were outstanding:

Expiry	Exercise price, $	Number	Grant date fair value recorded, $
October 17, 2015	0.245	3,892,308	168,667
October 21, 2015	0.245	3,846,153	187,500
December 18, 2015	0.245	24,478,760	1,060,746
June 4, 2016	0.330	3,522,498	296,789
		35,739,719	1,713,702

The fair value of warrants is estimated on the date of grant using the Black-Scholes pricing model with the following assumptions: risk free rate of return 1.11%-1.20%, volatility of 116%-133% and expected life of 2-3 years.

12. SHAREHOLDERS' EQUITY (Continued)

Loss per share

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

	Three months ended		Nine months ended	
	September 30, 2015	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**
Net loss	$ (1,857,743)	$ (3,541,226)	$(7,184,119)	(6,447,144)
Weighted average number of common shares outstanding	161,327,017	140,871,422	161,326,147	114,347,270
Basic and dilutes loss per share	$ (0.01)	$ (0.03)	$ (0.04)	$ (0.06)

13. RELATED PARTY DISCLOSURES

The Company shared office space and services with companies that have 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 is charged by Forbes & Manhattan Inc. pursuant to a consulting agreement entered into between the companies. Mr. Stan Bharti, a former director of the Company, is the Executive Chairman of Forbes & Manhattan Inc. On March 17, 2015, an agreement was reached between the Company and Forbes & Manhattan Inc. to terminate the management agreement between the companies. A termination fee of $75,000 was paid pursuant to the agreement. This fee is included in the table below.

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

In the quarter ended 30 September 2015, A.B. Aterra Resources Ltd. ("A.B. Aterra") and Inflection each provided additional loans to the Company of C$1,320,000 respectively, for a total of C$2,640,000, as advance under the private placement financing of C$11,220,000 that was announced on October 8, 2015. These additional loans incur the same rate of interest as the initial loans and have the same repayment date. FrontDeal and A.B. Aterra are indirectly wholly-owned by Alexey Mordashov, who is also the owner of Aterra Investments Limited, an insider and related party to the Company. Mr. Boris Granovsky, a director of the Company, is a managing partner of Aterra Capital, a management company for Aterra Investments Limited. Inflection is an insider and related party of Silver Bear. Mr. Alexey Sotskov, a director of the Company, is also a director of Inflection.

The principal of the loans and accrued interest of $799,970 were outstanding at September 30, 2015.

13. RELATED PARTY DISCLOSURES (Continued)

During the nine months ended September 30, 2015 and 2014 the Company entered into transactions for goods and services with the following related parties:

	Goods and services received	
Goods and services received from (provided to):	September 30, 2015	September 30, 2014
2227929 Ontario Inc.	170,952	158,724
Forbes & Manhattan Inc.	150,000	225,000
	$320,952	$383,724

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

Compensation of key management

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

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Salaries, fees and short term employee benefits	155,317	847,800	692,483	1,304,789
Termination payments	–	–	91,800	–
Share based payments	–	194,054	10,625	432,891
	$155,317	$1,041,854	$794,908	$1,737,680

14. EXPENSES BY NATURE

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

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Employee compensation	366,578	1,292,118	1,943,054	2,777,215
Drilling and trenching	180,708	1,168,659	340,900	1,190,687
Depreciation	42,563	64,787	169,611	196,826
Professional fees	40,340	71,500	517,286	202,749
Geological & environmental studies	–	380,389	1,408,819	727,850
Project transportation	–	125,224	131,218	240,813
Camp maintenance	26,715	77,541	257,530	230,335
Taxes	–	8,870	6,313	17,190
Office expenses	11,103	80,601	209,876	227,803
Corporate travel expenses	-	–	68,404	–
Project expenses	–	56,498	211,994	115,777
Air transportation	68,179	–	133,818	–
Accretion expense (note 18)	–	23,535	35,910	74,705
Interest expense	372,269	34,721	765,594	123,878
Foreign exchange	635,779	76,291	742,047	138,571
Other expenses	113,708	84,794	241,745	192,930
	$1,857,942	$3,545,528	$7,184,119	$6,457,329

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

Employee benefits expense for the three and nine month period ended September 30, 2015 and 2014 consisted of the following:

14. EXPENSES BY NATURE (Continued)

	Three months ended		Nine months ended	
	September 30, 2015	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**
Salaries, fees and short term employee benefits	321,246	1,193,686	1,583,695	2,206,508
Termination payments	–	–	215,027	–
Share based payments	45,332	98,432	144,332	570,707
	$ 366,578	$ 1,292,118	$ 1,943,054	$ 2,777,215

15. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	September 30, 2015	**September 30, 2014**
Receivable	(394,774)	(228,330)
Inventories	(912,899)	103,326
Prepaid expenses	(1,469,262)	(226,275)
Accounts payable and accrued liabilities	2,101,611	(722,603)
	$ (675,324)	$ (1,073,882)

16. COMMITMENTS AND CONTINGENCIES

In order to maintain the exploration license at the Mangazeisky Project in good standing, Silver Bear is required to conduct certain minimum levels of exploration activity. The Company is required to undertake 5,000 cubic metres of trenching and 3,000 metres of drilling to satisfy license agreement requirements in 2015.

Minimum requirement under the mining license for the 2015-2017 period is 15,000 metres of drilling and 15,000 cubic metres of trenching.

The Company entered into a long-term lease agreement with Caterpillar Financial Ltd. for the purchase of certain exploration equipment payable in monthly installments of US$11,300 over a three-year period until December 2016.

The Company is party to certain management contracts and severance obligations. These contracts contain clauses requiring additional payments of up to $640,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements.

The Company 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 September 30, 2015.

17. SEGMENTED INFORMATION

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

As at September 30, 2015									
Country/Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral Properties	Property, plant and equipment	Depreciation	Interest expense	Net loss for the period
Russia-Mangazeisky	21,960	1,401,790	1,687,601	722,811	1,638,212	6,207,264	168,914	6,886	4,212,101
Canada-corporate	1,071,139	–	94,607	10,979	–	–	–	757,632	2,970,034
	$ 1,093,099	$1,401,790	$1,782,208	$733,790	$1,638,212	$6,207,264	$168,914	$764,518	$7,182,133

As at December 31, 2014									
Country/Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral Properties	Property, plant and equipment	Depreciation	Interest expense	Net loss for the period
Russia-Mangazeisky	58,357	518,604	200,298	318,620	1,607,824	1,017,864	254,071	42,605	5,024,978
Canada-corporate	1,534,776	-	155,557	31,322	-	-	-	91,352	4,057,355
	$1,593,133	$518,604	$355,855	$349,942	$1,607,824	$1,017,864	$254,071	$133,957	$9,082,333

18. PROVISION FOR DECOMMISSIONING AND RESTORATION LIABILITY

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

The Company's provision for decommissioning and restoration liability consist of management's best estimate of reclamation and closure costs for Mangazeisky exploration project located in the Republic of Sakha, Yakutia in the Russian Federation.

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

Asset retirement obligation consists of the following:

	September 30, 2015	December 31, 2014
Balance at the beginning of the period	826,758	1,241,223
Accretion expense	52,292	95,566
Translation adjustment	23,788	(510,031)
Balance at the end of the period	$902,838	$826,758

18. PROVISION FOR DECOMMISSIONING AND RESTORATION LIABILITY (Continued)

The estimated value of the obligation to rehabilitate the site expressed in Canadian dollars is $1,050,209. A Russian Central bank borrowing rate of 8.25% has been used in discounting of future cash flows.

19. FINANCIAL INSTRUMENTS

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

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

The Company's financial instruments consist of cash, restricted cash, accounts receivable, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. The Company has no financial instruments recorded at fair value.

Financial assets and financial liabilities as at September 30, 2015 and December 31, 2014 were as follows:

At 30 September, 2015	Loans and receivables	Other liabilities	Total
Cash and cash equivalents	1,093,099	–	$1,093,099
Accounts receivable	733,790	–	$733,790
Short-term loans	(12,015,800)	–	($12,015,800)
Accounts payables and accrued liabilities	–	(3,374,413)	($3,374,413)
Finance lease	–	(221,650)	($221,650)

At 31 December, 2014	Loans and receivables	Other liabilities	Total
Cash and cash equivalents	1,593,133	–	$1,593,133
Accounts receivable	349,942	–	$349,942
Accounts payables and accrued liabilities	–	(463,886)	($463,886)
Finance lease	–	(286,536)	($286,536)

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

20. EVENTS AFTER THE REPORTING PERIOD

In October 2015, A.B. Aterra Resources Ltd. and Inflection Management Corporation agreed to supply the Company with loans in the aggregate principal amount of C$11,220,000.

On November 10, 2015, the Company announced the close of the second tranche of the previously announced C$11,220,000 financing of convertible promissory notes by issuing an unsecured convertible promissory note in the principal amount of C$5,610,000 to Inflection Management Corporation.