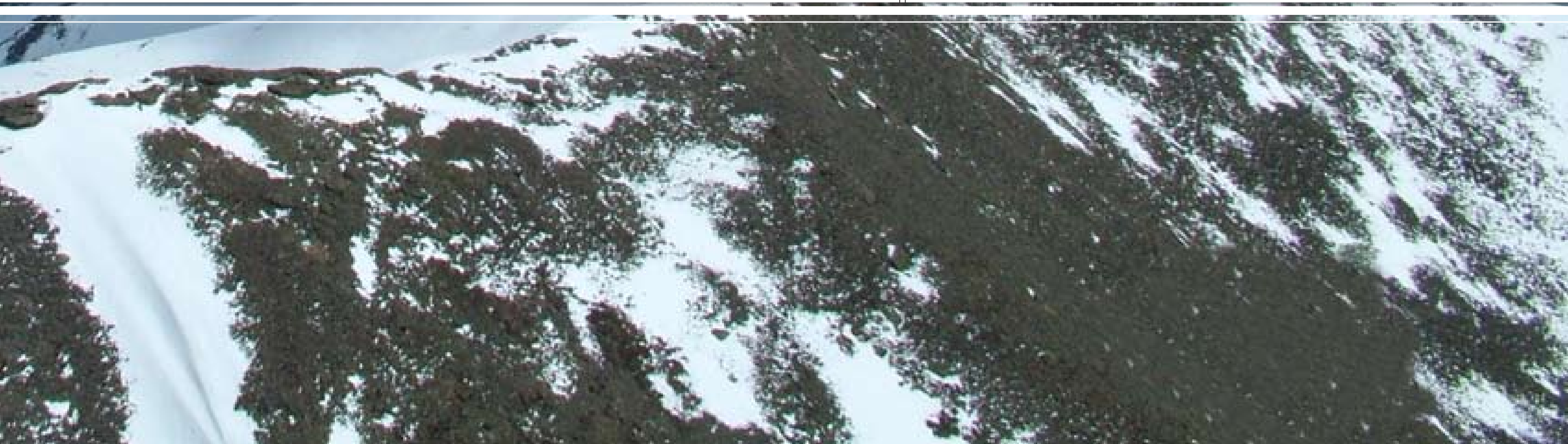
FIRST QUARTER REPORT 2008

SILVER BEAR
RESOURCES INC.

high grade silver in Russia



Silver Bear
Resources Inc.

Management's Discussion and Analysis ("MD&A")

The following Management Discussion and Analysis, which has been prepared as of May 12, 2008, related to the unaudited interim consolidated financial results of Silver Bear Resources Inc. (the "Company" or "Silver Bear") operations for the three-month period ended March 31, 2008, should be read in conjunction with the most recent audited consolidated financial statements and related notes, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This discussion covers the period ended March 31, 2008. Other pertinent information on the Company is available on SEDAR at www.sedar.com as well as on the Company's web-site at www.silverbearresources.com. For the purpose of preparing our MD&A, the Company considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant effect in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available of investors. We evaluate materiality with reference to all relevant circumstances. All dollar amounts are stated in Canadian dollars unless otherwise indicated.

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

Overview

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

Silver Bear's corporate strategy is to identify and develop silver opportunities in the Russian Federation by exploration, acquisition, joint venture or otherwise. Silver Bear is focused on further delineating the high grade silver mineralization discovered in the Vertikalny vein of the Mangazeisky Project and the exploration of the 15 other known silver anomalies on the property. Based on the encouraging results from the drilling program concluded in September 2007, Silver Bear believes the Mangazeisky Project has the potential to become a world class silver deposit.

Key milestones for Silver Bear are:

- Complete further exploration on the Mangazeisky Project by the end of 2008.
- Define a Canadian Institute of Mining Metallurgy and Petroleum "CIM" compliant Inferred resource on a portion of the Vertikalny vein of up to 150 million ounces of silver(1) by the end of 2008.
- Complete exploration on the known extensions of the Vertikalny vein to demonstrate a potential of 200 to 250 million ounces of silver(1) by the end of 2008.
- Complete exploration on the known extensions of the Vertikalny vein to define a CIM compliant resource of 200 to 250 million ounces of silver(1) by the end of 2009.
- Complete further exploration and a scoping study by the end of 2009.
- Initiate a feasibility study for the Mangazeisky Project by the beginning of 2010.

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

These strengths include:

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

The Mangazeisky Project

The Mangazeisky Project consists of one exploration license covering 570 square kilometres which was acquired in September 2004 for an initial term of five years. Upon discovering C_1 and C_2 Russian reserves and undertaking of certain other steps as required by Russian law, a production license may be applied for and issued for the production life of the deposit based on technical and economic substantiation of the development of the deposit.

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

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

Silver Bear acquired its interest in the Mangazeisky Project in 2004. Silver Bear's interest consists of a 100% interest in an exploration license referred to herein as the "Mangazeisky License".

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

In accordance with the Mangazeisky License requirements the Licensee (ZAO Prognoz) has to perform the following principal types of work within fixed periods after the license registration:

1. Completion of the first phase, i.e., exploration for gold and silver deposits before December 31, 2007. The minimum work constituting:
   2007
   Drilling of evaluation drill holes, not less than 1,500 metres.
   Digging of trenches, not less than 6,000 cubic metres.
   Presentation to the Territorial Agency for Subsoil Use of the territories of the Republic of Sakha (Yakutia) ("YAKUTNEDRA") of a geological report on the results of the work, including calculation of forecast gold and silver Russian Federation reserves of categories P_1 and P_2 .
2. Completion of the second phase of the work, i.e. appraisal of gold and silver mineralization and deposits discovered, before September 1, 2009, with the kinds and minimum volume of said work constituting:

2008
Digging of trenches, not less than 10,000 cubic metres
Collection of large samples from trenches and well cores for development of a technical plan for mineral extraction.
2009
Digging of trenches, not less than 10,000 cubic metres.
Estimation of Russian Federation reserves of gold and silver of categories C_2 and P_1.

3. Presentation for state expert examination of a report on the results of geological exploration of the License Sector and documents confirming the reserves and forecast resources before August 31, 2009.

The main environmental requirements for the Mangazeisky License are as follows:

1. Observance of the established requirements for protection of the environment and subsoil;
2. Performance of necessary measures to reduce or prevent pollution caused by the execution of the exploratory work;
3. Prevention of water facility pollution and clogging, and observance of the regime of water protection zones;
4. Reclamation of land disturbed during exploratory work, restoring it to a state suitable for further use and in compliance with landscape and recreational specifics of the territory;
5. Timely payment of compensation for damages caused to hunting, agriculture, fisheries and forestry; and
6. Coordination with and approval by YAKUTNEDRA of the terms and types of work to be carried out within the water protection zones.

As at March 31, 2008 the Company has completed 7,199 metres of drilling and 24,683 cubic metres of trenching. The Company filed its geological report with YAKUTNEDRA on December 29, 2007 and has met all the required drilling and trenching for 2007. Although the Company did not complete the required amount of exploration drilling under the Mangazeisky License in 2006 and the required amount of trenching in 2005, and has not been in full compliance with other technical requirements, it has in the aggregate exceeded to date, its exploration drilling requirements and has, as at the end of 2007, exceed trenching requirements under the license. In addition, Silver Bear has received confirmation from YAKUTNEDRA that YAKUTNEDRA is not conducting any procedures regarding the suspension or cancellation of the Mangazeisky License and as of November 1, 2007, no material violation of the license had been observed. See "*Risk Factors*".

Silver Bear has received confirmation by an inter-governmental commission, including specialists from the Yakutia Ministry of Environmental Protection and other ministries and agencies with respect to forestry, environmental protection, ecological control, agriculture and labour that its wholly-owned subsidiary, ZAO Prognoz, is in good standing in all material respects in these areas.

The winter road re-supply of equipment and supplies necessary to complete the 2008 exploration program has been completed. Boart Longyear (Russia) has mobilized a second drill to the site and a contract to complete a minimum of 16,000 metres of diamond drilling on the Vertikalny vein has been signed. Negotiations with a Canadian geophysical surveying company are ongoing and the Company expects to have a signed contract in place to complete an Induced Polarity geophysical survey of the Vertikalny vein in place by the second quarter of 2008, with the objective of completing the geophysical field work by the third quarter of 2008. Planned exploration spending on the Mangazeisky project is $14.9 million for 2008.

ZAO Prognoz has also received notice of an application by the Yakutia Inter-district Tax Office No. 5 of the Federal Tax Service to the Arbitration Court of the Republic of Sakha (Yakutia) claiming that documentation filed in connection with the registration of ZAO Prognoz in 2003 was signed by a person holding an improperly delegated power of attorney. On that ground, the application requests the Yakutia Arbitration Court to order the liquidation of ZAO Prognoz. ZAO Prognoz is investigating this claim, but, on the basis of advice received from its Russian Federation legal advisors, ZAO Prognoz is of the view the ground for the claim is a breach of a formality, and not a gross irremediable violation of the law, as required by the governing statute to support a claim for liquidation. A preliminary hearing was held on March 3, 2008 to determine what evidence is necessary to proceed with the case and resolve procedural petitions of the parties. The judge postponed the case until July 3, 2008 and stated that a written ruling would be issued within five days. The judge agreed with the respondent's petition to include Silver Bear Holdings Limited as a third party to the case and to require the Tax Inspectorate to deliver to the respondent and Silver Bear Holdings Limited all attachments identified in the statement of the claim. ZAO Prognoz will take every measure to vigorously resist the claim from the Federal Tax Service.

ZAO Prognoz has also received a request from the local branch of the Federal Service for Financial Markets of Russia ("FSFM"), which references the above application, to provide corporate documents of ZAO Prognoz. The FSFM has not taken any proceeding nor made any claim in connection with this request.

The Avlayakan Project

The Avlayakan Project is located in the Khabarovsk Kray (a territory) located in the far east of the Russian Federation. The Avlayakan Project is located in volcanic rocks that are largely of intermediate composition which host the steeply dipping gold-bearing veins. The exploration and development program for the project will initially target two previously identified gold deposits (Avlayakan and Kirankan) and the Company will also conduct exploration on the Mayvachan- Kundumi exploration license area.

The Avlayakan and Kirankan gold deposits are located along the Avlayakan River and are respectively part of the Ayano-Maysky and Tuguro-Chuchikansky regions of the Khabarovsk Kray territory of the Russian Federation, approximately 500 kilometres north of the city of Khabarovsk. The Mayvachan and Kundumi exploration license area is located to the northwest of the Avlayakan and Kirankan gold deposits, and is part of a single combined license (the “Mayvachan-Kundumi License**”**). The latitude and longitude for the Avlayakan Project site range from approximately 55°25. N to 55°40. N and from 134°40. E to 134°44. E.

Avlayakan Mines LLC (“Avlayakan”) holds the properties via three mineral licenses covering 276.5 square kilometres. Gold Mining Artel Vostok (“Vostok”) transferred the Avlayakan and Kirankan licenses, in 2006, to Avlayakan. The Avlayakan and Kirankan licenses give the holder the right to use the subsoil for the purposes of final exploration and production of hardrock gold and silver on the license areas. The Mayvachan-Kundumi license gives the holder the right to use the subsoil for the purposes of geological exploration and production of hardrock gold on the exploration license area.

In accordance with the mineral license requirements, the owner of the licenses has to perform the following principal types of work (among others) within fixed periods after the license registration.

Kirankan License (KHAB 01968 BE)

- Complete exploration on or before January 1, 2009;
- Present an exploration report on the deposit which is prepared in accordance with the established procedures and estimation of C_1 and C_2 reserves for a state review on or before May 1, 2010;
- Prepare a technical design plan of development of the license area and have it approved and obtain positive opinions thereon from the state environmental assessment authorities and the state industrial safety and subsoil protection authorities on or before January 1, 2011;
- Commence the construction mining facilities and other infrastructure on or before April 1, 2011;
- Commission a mine, having an annual output of at least 50,000 tonnes of ore on or before January 1, 2013; and
- Prepare a closure plan for the mine and have it approved at least six months prior to the time limit for the development of the deposit.

Avlayakan License (KHAB 01969 BE)

- Complete exploration on or before January 1, 2008;
- Present an exploration report on the deposit which is prepared in accordance with established procedures and estimation of C_1 and C_2 reserves for a state review on or before May 1, 2009;
- Prepare a technical design plan of development of the license area and have it approved and obtain positive opinions thereon from the state environmental assessment authorities and the state industrial safety and subsoil protection authorities on or before January 1, 2010;
- Commence the construction of mining facilities and other infrastructure on or before April 2010;

- Commission a mine, having an annual output of at least 50,000 tonnes of ore on or before December 1, 2012; and
- Prepare a closure plan for the mine and have it approved at least six months prior to the time limit for the development of the deposit.

Mayvachan - Kundumi License (KHAB 02027 BP)

- Submit an exploration and appraisal plan for the property and submit it for approval by April 1, 2008;
- Commence exploration on the property by September 1, 2008 with the following minimum work requirements:

  2008 geological exploration work
  1,000 metres of trenching
  2009 geological exploration work
  1,000 metres of drilling
  2,000 metres of trenching
  2010 to 2011 geological exploration work
  2,000 metres of drilling
  2,000 metres of trenching
- Completion of exploration and evaluation works on the license area on or before December 31, 2011, and submission of a geological report with a calculation of C_2, P_1 and P_2 reserves and resources for consideration by Dalnedra (territorial department of Federal Agency for Subsoil Use) and submission of the geological report to the territorial and federal funds of geological information;
- Preparation and approval in the prescribed order of a design plan for the final exploration of the deposits revealed as a result of exploration on or before July 1, 2012. The design plan must be reviewed and approved by the state ecological expert;
- Commencement of final exploration works on or before December 31, 2012;
- Completion of final exploration and submission for review to the state expert of the report prepared in the prescribed order regarding the final exploration of the revealed deposits with a calculation of C_1 and C_2 reserves in accordance with state guidelines relating to the calculation of reserves on or before December 31, 2016;
- Preparation and approval in the prescribed order of a technical design plan regarding the exploitation of the deposits with approved reserves on or before September 1, 2017. The design plan must be approved and receive positive opinions thereon from the state environmental assessment authorities and the state industrial safety and subsoil protection authorities;
- Commencement of construction of the mining plant infrastructure facilities on or before May 1, 2018;
- Commission a mine with an annual output of not less than 50,000 tonnes of ore on or before July 1, 2019; and
- Develop a closure plan for the mine and have it approved at least six months prior to the time limit for the development of the deposits.

There are additional environmental requirements outlined in the licenses. Silver Bear has not been notified of any default under the above licenses and believes it is in compliance in all material respects.

The subsoil use payments for the mineral licenses at the Avlayakan Project as prescribed by the government on each property are set forth in each license. All other payments are made in accordance with the legislation of the Russian Federation.

In December 2007, Silver Bear announced that it was considering strategic options regarding the Avlayakan Gold Project, including the sale of Silver Bear's interest therein. The Company announced on May 12, 2008 that it has signed an agreement to sell its 70% interest in Mine Avlayakan LLC for the purchase price of US$8.5 million, plus the assumption of all current and contingent obligations of Silver Bear with regard to the Project. The agreement, which is subject to a number of standard conditions, is expected to close before the end of May.

Corporate Activity

In March 2008, Ms. Vivian Park was appointed as Director of Exploration with her primary focus on the Mangazeisky project in the Russian Federation. Ms. Park has over 18 years of mineral industry experience that ranges from discovery to mining, with an emphasis on advanced exploration and feasibility. Ms. Park has worked on projects in Canada, Russian Federation, Chile, Mexico, Mali, Zimbabwe and Guyana. Ms. Park's prior experience includes technical and managerial exploration roles with junior, mid-tier and senior exploration companies including Kinross Gold Corporation.

Community Relations

Silver Bear has entered into an agreement on November 29, 2007, with the Association of Indigenous Minority Populations of the North of the Republic of Sakha (Yakutia), on co-operation and assistance for the local communities that surround the Mangazeisky Project. In accordance with this agreement, ZAO Prognoz will be increasing its contribution to sustainability of the culture and well-being of the local indigenous population, including conducting environmental protection work, providing employment, training and air transportation for the local people.

Results of Operations

Period Ended March 31, 2008, compared to Period Ended March 31, 2007

Revenues

As at March 31, 2008, the Company was in the exploration stage and therefore did not have revenues from operations. Interest income was, for the quarter ended March 31, 2008, $0.3 million as compared to $nil million for the quarter ended March 31, 2007, an increase of $0.3 million. The increase is attributed to the interest earned on proceeds received from the December 19, 2007 initial public offering of common shares and the January 18, 2008 over-allotment option.

Expenses

Exploration

For the period ended March 31, 2008 Silver Bear spent $1.6 million on exploration activities compared with $0.7 million during the 2007 period. All of the $1.6 million was spent on the Mangazeisky Project. Costs associated with the Mangazeisky Project in the period ended March 31, 2008 relate to the re-supply of equipment and supplies necessary to complete the 2008 exploration program and costs related to the Company's Yakutsk administrative offices.

General and Administrative

Non-cash stock option compensation expense for the period ended March 31, 2008 was $0.4 million compared with $0.1 million in the period ended March 31, 2007, reflecting the additional granting of stock options during the 2008 year and the fourth quarter of 2007.

Management salaries for the period ended March 31, 2008 were $0.4 million, (period ended March 31, 2007 - $0.2 million). In addition, for the period ended March 31, 2008, Silver Bear spent $0.5 million on professional fees (period ended March 31, 2007- $nil million) primarily for legal, audit and consulting fees. Other general and administrative expenses for the period ended March 31, 2008 were $0.4 million, unchanged from the prior period.

Amortization expense for the period ended March 31, 2008 was $0.3 million, (period ended March 31, 2007- $0.2 million). The foreign exchange gain for the period ended March 31, 2008 was $0.3 million (period ended March 31, 2007 was $nil) as a result of the translation to Canadian dollars of the financial results of integrated foreign subsidiaries.

Net Loss

Silver Bear incurred a net loss for the period ended March 31, 2008 of $3.0 million or $0.08 per share. This compares to a loss of $1.5 million or $0.07 per share for the period ended March 31, 2007. Exploration costs were $1.6 million in the period ended March 31, 2008 compared with $0.7 million in the period ended March 31, 2007. The Mangazeisky Project accounted for all of the $1.6 million in costs, which primarily related to the re-supply of equipment and supplies necessary to complete the 2008 exploration program and costs related to the Company's Yakutsk administrative offices. Non-cash stock option compensation expense for the period ended March 31, 2008 was $0.4 million compared with $0.1 million in the period ended March 31, 2007; 195,002 options were awarded in the first quarter of 2008 giving rise to high front end amortization expense. General and administrative expenses for the period ended March 31, 2008 were $1.2 million compared with $0.4 million in the prior period. General and administrative expenses consisted of $0.4 million in management salaries, ($0.2 million 2007), $0.5 million for professional fees ($nil, 2007) and $0.3 million in corporate overhead costs ($0.2 million 2007). Amortization costs for the period were $0.3 million ($0.2 million 2007). Foreign exchange gain for the period was $0.3 million, ($nil, 2007). Interest income for the period ended March 31, 2008 was $0.3 million ($nil 2007)

Liquidity and Capital Resources

At March 31, 2008, Silver Bear had cash of $27.9 million, an amount sufficient to sustain its 2008 operations. On January 18, 2008 the Company completed the sale of 700,000 common shares at a price of $3.00 per common share pursuant to the exercise in part of an over-allotment option by an underwriting syndicate co-led by RBC Capital Markets and Merrill Lynch & Co., and including GMP Securities L.P. and Wellington West Capital Markets Inc. The over-allotment option was granted by the Company to the underwriters in connection with the Company's initial public offering. During the period ended March 31, 2008, the Company invested $1.1 million in inventory for the planned drill program at Magnaziesky.

Commitments

In order to maintain the exploration licenses at the Mangazeisky Project and Avlayakan Project in good standing, Silver Bear is required to conduct certain minimum levels of exploration activity. Under the terms of the Agreement on Purchase of Equity Interest with Vostok dated June 1, 2006, Silver Bear was committed to spend U.S. $3.0 million on exploration and feasibility study work on the Avlayakan Project. During 2007 Silver Bear completed the required spending. An additional US $1.1 million will be payable to Vostok in the event that commercial production at the Mayvachan-Kundumi license area is achieved.

Silver Bear has entered into a contract with Boart Longyear (Russia), to complete a minimum of 16,000 metres of diamond drilling at the Mangazeisky project. Performance of the work is expected to commence in the second quarter of 2008 and be completed by the fourth quarter of 2008. In January 2008, the Company paid 8,575,000 Rubles (approximately $0.4 million) to Boart Longyear as an advance payment toward the work to be completed. This advance will be set off against the final payment due to Boart Longyear upon completion of performance.

Silver Bear has operating lease commitments as at March 31, 2008 totaling $23,733 of which 50% will be assumed by Western Goldfields Inc. pursuant to Silver Bear's cost sharing agreement with Western Goldfields. Silver Bear's net outlays will be $8,489 in the year to December 31, 2008, $1,930 in 2009 and $1,448 in 2010.

Silver Bear is subject to the risks of operating in the Russian Federation where the economy displays certain characteristics of an emerging market. These characteristics include, but are not limited to, a currency that is not freely convertible outside the country and which is subject to currency controls, and high inflation. The prospects for economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments.

Russian Federation laws have been in a state of change and new laws may be given retroactive effect. It is also not unusual in the context of dispute resolution in the Russian Federation for parties to use the uncertainty in the Russian legal environment as leverage in business negotiations. In addition, Russian Federation tax legislation is subject to varying interpretations. The Company's interpretation of tax legislation may not coincide with that of Russian tax authorities, with the result that the Company could be subject to additional taxes, penalties and interest. Fiscal periods remain open to review by authorities in respect of taxes for three calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Capital Stock

As at March 31, 2008 the company had issued and outstanding 36,435,569 Common Shares (December 31, 2007, 35,735,569 shares outstanding).

Summary of Quarterly Results

	Mar-08	Dec-07	Sep-07	Jun-07
Net Loss	(2,913,780)	(2,749,436)	(3,732,761)	(4,921,237)
Basic and diluted loss per share (cents per share)	(0.08)	(0.10)	(0.15)	(0.19)
Cash and cash equivalents	27,873,668	30,314,667	7,183,413	10,383,567
Total assets	40,396,900	41,180,972	16,492,689	20,175,969
Total long-term financial liabilities	248,959	245,360	-	-

	Mar-07	Dec-06	Sep-06	Jun-06
Net Loss	(1,457,563)	(1,706,384)	(3,535,170)	(1,614,862)
Basic and diluted loss per share (cents per share)	(0.07)	(0.09)	(0.20)	(0.09)
Cash and cash equivalents	13,114,315	1,978,930	3,833,435	1,313,579
Total assets	22,482,635	6,450,814	8,375,480	6,267,833
Total long-term financial liabilities	-	-	-	-

Related Party Transactions

In March 2006, the Company entered into a cost sharing agreement with Western Goldfields Inc. ("WGI"), under which half of the Company's office overhead is charged to WGI. WGI is related to the Company as the senior executives of WGI also serve as senior executives of the Company. At March 31, 2008 and December 31, 2007, $18,269 and $31,052, respectively, were receivable from WGI under this agreement. These amounts were received in April 2008 and January 2008, respectively.

Significant accounting policies

Mineral properties

Mineral properties include the costs of acquiring exploration and mining licenses. Licenses are valued at their fair value at the date of acquisition. Any resulting write-down of the excess of carrying value over the fair value is charged to the consolidated statement of operations and comprehensive loss.

Translation of foreign currencies

The Company's functional currency is the Canadian dollar. The accounts of subsidiaries, which are integrated operations, are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities resulting from foreign currency transactions are translated into Canadian dollars at year-end exchange rates and non-monetary assets and liabilities are translated at historical rates. Expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings except for amortization of mineral properties, plant and equipment, which are translated at the same rates as the assets to which they relate. Gains and losses on translation of monetary assets and monetary liabilities are included in results from operations for the year.

Exploration costs

Field exploration, supervisory costs and costs associated with maintaining a mineral property are expensed until the Company has a reasonable expectation that the property is capable of commercial production, supported by a positive economic analysis and approved by the Board of Directors.

Asset impairment – long-lived assets

The Company reviews and evaluates the carrying values of its mineral properties, property, plant and equipment when events or changes in circumstances indicate that the carrying values of related assets or groups of assets might not be recoverable. In assessing impairment for these assets, if the fair value or total estimated future cash flows on an undiscounted basis are less than the carrying values of the asset, an impairment loss is measured and recorded based on discounted cash flows. Future cash flows are based on estimated future recoverable mine production, expected sales prices (considering current and historical prices), production levels and costs, and further expenditures. All long-lived assets at a particular operation or project are combined for purpose of performing the recoverability test and estimating future cash flows.

Stock-based compensation

The fair value of any stock options granted to directors, officers, consultants and employees is recorded as an expense over the vesting period with a corresponding increase recorded to contributed surplus. The fair value of the stock based compensation is determined using the Black-Scholes option pricing model using management's assumptions. 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.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make 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 reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are made in the reporting year in which they become known. Actual results could differ from these estimates.

Capital Disclosures and Financial Instruments – Disclosures and Presentation

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

Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook section in note 3 of the interim consolidated financial statements dated March 31, 2008.

Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in note 4 of the interim consolidated financial statements dated March 31, 2008.

Internal Control over Financial Reporting

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

Changes to Internal Control over Financial Reporting

There have been no significant changes to the Company's internal control over financial reporting that occurred during the most recent period ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

Disclosure Controls

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company’s certifying officers. The Company’s Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Company’s disclosure controls and procedures as of March 31, 2008 and have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

RISK FACTORS

An investment in the Shares is considered to be speculative due to the nature of Silver Bear's business and the present stage of its development. A prospective investor should carefully consider the risk factors set out below.

Additional Financing

Silver Bear will require additional capital in the future and no assurance can be given that such capital will be available at all or available on terms acceptable to Silver Bear. The success and the pricing of any such capital raising and/or debt financing will be dependent upon the prevailing market conditions at that time and the outcomes of any relevant feasibility studies and exploration programs. If additional capital is raised by an issue of securities, this may have the effect of diluting shareholders' interests in Silver Bear. Any debt financing, if available, may involve financial covenants which may limit Silver Bear’s operations. If Silver Bear cannot obtain such additional capital, Silver Bear may not be able to continue exploration and the eventual development of the Mangazeisky Project which would adversely affect its business, operating results and financial condition.

Fluctuations in Metal Prices

The price of silver, gold and other metals fluctuates widely and is affected by numerous factors beyond the control of Silver Bear such as industrial and retail supply and demand, foreign exchange rates, inflation rates, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events. The supply of metals consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers. Future production from Silver Bear's mining properties, including the Mangazeisky Project, is dependent upon the price of silver, gold and other metals being adequate to make these properties economic. Future serious price declines in the market value of silver, gold and other metals could cause continued development of, and eventually commercial production from, the Mangazeisky Project and the Company's other properties to be rendered uneconomic. Depending on the price of silver, gold and other metals Silver Bear could be forced to discontinue production or development and may lose its interest in, or may be forced to sell, some of its properties.

There is no assurance that, even as commercial quantities of silver and other base metals are produced, a profitable market will exist for them.

Mining is inherently dangerous and subject to conditions or events beyond the control of Silver Bear, and any operating hazards could have a material adverse effect on its business

Silver Bear's business operations are subject to risks and hazards inherent in the mining industry. The exploration for and the development of mineral deposits involves significant risks, including: environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structure cave-in or slides, flooding, fires and interruption due to inclement or hazardous weather conditions. These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability.
Whether income will result from projects undergoing exploration and development programs depends on the successful establishment of mining operations. Factors including costs, actual mineralization, consistency and reliability of ore grades and commodity prices affect successful project development. In addition, few properties that are explored are ultimately developed into producing mines.

Nature of Mining, Mineral Exploration and Development Projects

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

Foreign Operations Risks

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

Risk of Operating In the Russian Federation

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

In addition, Russian authorities and court systems have shown to be unpredictable. Challenges to the Corporation’s assets and operations in Russian may be brought by the authorities for reasons that the Corporation is unable to predict and which may result in material adverse changes to the Corporation. See “Overview – The Mangazeisky Project”.

Insurance and Uninsured Risks

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

Environmental Risks and Regulations

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

Government Regulation

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

Licenses and Permits

Silver Bear's mining exploration activities are dependent on the grant, or as the case may be, the maintenance of appropriate licenses, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. The maintaining of tenements, obtaining renewals, or getting tenements granted, often depends on the Company being successful in obtaining required statutory approvals for its proposed activities and that the licenses, concessions, leases, permits or consents it holds will be renewed as and when required. There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith. There is no assurance that the Company will continue to keep its existing licenses in good standing as the requirements for doing so may become impractical, impossible, or uneconomic. In 2004 Silver Bear acquired the rights to a license on a property called the Arkachan property near the Mangazeisky Project. The Company conducted some exploration on such property but given the disappointing results, Silver Bear has elected to stop all further exploration under the Arkachan license. Under Russian Federation law, the voluntary surrender of a license will be subject to various requirements, including compliance with the license terms, liquidation, conservation, reclamation and other measures to be carried out prior to the abandonment of the license. These measures may expose Silver Bear to additional expenditures and obligations which may be onerous to the Company.

Properties

There can be no assurances that the interest in Silver Bear's properties is free from defects or that the material contracts between the Company and the entities owned or controlled by foreign government will not be unilaterally altered or revoked. The Company has investigated its rights and believes that these rights are in good standing. There is no assurance, however, that such rights and title interests will not be revoked or significantly altered to the detriment of the Company. There can be no assurances that Silver Bear's rights and title interests will not be challenged or impugned by third parties. In 2006 Silver Bear failed to complete the required amount of drilling and in 2005 failed to complete the required amount of trenching and has not been in full compliance with other technical requirements under the Mangazeisky License. Although the Company has in the aggregate, to date, exceeded the drilling requirements under the license, and at the end of 2007 exceeded trenching requirements of the license and has received confirmation from YAKUTNEDRA that: (i) YAKUTNEDRA is not conducting any procedures regarding the suspension or cancellation of the Mangazeisky License, and (ii) as of November 1, 2007, no material violation of the license had been observed, there is no assurance that Russian Federation authorities will not terminate or impose further conditions in connection with the Mangazeisky License. There are certain inconsistencies between the auction terms pursuant to which the subsoil use license preceding the Avlayakan License has been granted and the text of the license itself. For example, the area indicated in the Avlayakan License is larger than the area provided under the auction terms. Under Russian Federation law, the basic terms of subsoil use contemplated by the auction terms have to be included into the license issued as a result of the auction and the license terms must remain unchanged in the event of re-issuance of the license. Accordingly, there is a risk that activities, including exploration and production activities, carried out within the area outside the boundaries of the allotment indicated in the auction terms may be challenged or prohibited and/or that infrastructure placed in such area may be lost, and ultimately, that the Avlayakan License may be terminated. The termination of the Avlayakan License would have a material adverse effect on the Company's operations. There may be other failures and defects in connection with the Company's compliance with license terms and Russian legal requirements with respect to the Company's licenses in addition to those discussed above. Generally, as the Russian Federation is an uncertain legal environment, Silver Bear's interest in its licenses may be challenged for various technical reasons or in connection with the conduct auction process related thereto. Such challenges, if any, may have a material adverse effect on the business and operations of the Company.

Competition

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

Dependence on Key Personnel and Shortage of Labour Force

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

Currency

Silver Bear’s functional currency is the Canadian Dollar and any possible future revenues will likely be in U.S. dollars, while most of its expenditures are in Russian Rubles. As a result of the use of these different currencies, Silver Bear’s operations are subject to foreign currency fluctuations. Silver Bear has not hedged against fluctuations in exchange rates. Foreign currencies are affected by a number of factors that are beyond the control of Silver Bear. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors. Foreign currency fluctuations may materially affect Silver Bear's financial position and operating results.

Repatriation of Earnings

There is no assurance that the Russian Federation or any other foreign country in which Silver Bear may operate in the future will not impose restrictions or additional restrictions to existing ones, on the repatriation of earnings to foreign entities.

Silver Bear Does Not Have Any Production Revenues

To date, Silver Bear has not recorded any revenues from its mineral properties nor has the Company commenced commercial production on any of its properties. There can be no assurance that significant additional losses will not occur in the near future or that Silver Bear will be profitable in the future. Silver Bear's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, Silver Bear's acquisition of additional properties and other factors, many of which are beyond our control. Silver Bear expects to continue to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of Silver Bear's properties will require the commitment of substantial resources to conduct the time-consuming exploration and development of properties. There can be no assurance that Silver Bear will generate any revenues or achieve profitability. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate.

Conflicts of Interest

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

Resource Estimates and Lack of Mineral Reserves

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly upon new information becoming available. In addition, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should Silver Bear encounter mineralization or formations different from those predicted by past sampling and drilling, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could have a negative effect on Silver Bear's operations. Silver Bear does not have any mineral reserves and there is no assurance that mineral reserves will be established. A mineral resource is not the equivalent of a commercially mineable ore body or a mineral reserve.

Effecting Service of Process

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

Inclement Weather and Climate Conditions

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

Outlook

Mangazeisky Project

Silver Bear is focused on further delineating the high grade silver mineralization discovered in the Vertikalny vein of its Mangazeisky Project and the exploration of the project's 15 other known silver anomalies. Based on the encouraging results from its drilling program concluded in September 2007, Silver Bear believes that the Mangazeisky Project has the potential to become a world class silver deposit.

The winter road re-supply of equipment and supplies necessary to complete the 2008 exploration program has been completed. Boart Longyear (Russia) has mobilized a second drill to the site and a contract to complete a minimum of 16,000 metres of diamond drilling on the Vertikalny vein has been signed. Negotiations with a Canadian geophysical surveying company are ongoing and the Company expects to have a signed contract in place to complete an Induced Polarity geophysical survey of the Vertikalny vein in place by the second quarter of 2008, with the objective of completing the geophysical field work by the third quarter of 2008. Planned exploration spending on the Mangazeisky project is $14.9 million for 2008.

Key milestones for Silver Bear are:

- Complete further exploration on the Mangazeisky Project by the end of 2008.
- Define a Canadian Institute of Mining "CIM" compliant Inferred resource on a portion of the Vertikalny vein of up to 150 million ounces of silver(1) by the end of 2008.
- Complete exploration on the known extensions of the Vertikalny vein to demonstrate a potential of 200 to 250 million ounces of silver(1) by the end of 2008.
- Complete exploration on the known extensions of the Vertikalny vein to define a CIM compliant resource of 200 to 250 million ounces of silver(1) by the end of 2009.
- Complete further exploration and a scoping study by the end of 2009.
- Initiate a feasibility study for the Mangazeisky Project by the beginning of 2010.

Avlayakan Project

In December 2007, Silver Bear announced that it was considering strategic options regarding the Avlayakan Gold Project, including the sale of Silver Bear's interest therein. The Company announced on May 12, 2008 that it has signed an agreement to sell its 70% interest in Mine Avlayakan LLC for the purchase price of US$8.5 million, plus the assumption of all current and contingent obligations of Silver Bear with regard to the Project. The agreement, which is subject to a number of standard conditions, is expected to close before the end of May.

The sale of our interest in the Avlayakan Gold Project will allow the Company to focus our efforts and financial resources on the Mangazeisky Project

Forward-Looking Statements

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

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

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

Silver Bear Resources Inc.
(an exploration stage enterprise)

Consolidated Financial Statements
March 31, 2008 and 2007
Unaudited

Silver Bear Resources Inc.
(an exploration stage enterprise)
Consolidated Balance Sheet
(Canadian dollars)
(unaudited)

	March 31, 2008	December 31, 2007
Assets	**$**	**$**
Current assets		
Cash and cash equivalents	27,873,668	30,314,667
Related party receivable (note 13)	18,268	31,052
Non-controlling interest receivable (note 5)	176,221	151,592
Inventories (note 6)	1,762,312	628,196
Prepaid expenses (note 7)	2,593,429	2,305,284
Miscellaneous receivables	16,279	50,232
	32,440,177	33,481,023
Capital assets		
Mineral properties (notes 4, 8 and 18)	6,812,523	6,812,524
Property, plant and equipment (note 9)	1,144,200	887,425
	40,396,900	41,180,972
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	1,101,777	1,327,743
Long-term liabilities		
Asset retirement obligation (note 18)	248,959	245,360
Non-controlling interest (note 11)	127	127
Shareholders' equity		
Capital stock (note 12)	69,918,283	67,991,311
Warrants (note 12)	184,008	273,575
Contributed surplus (note 12)	7,349,755	6,835,085
Deficit	(38,406,009)	(35,492,229)
	39,046,037	39,607,742
	40,396,900	41,180,972

Going concern (note 1)
Commitments and contingency (notes 4 and 15)

See accompanying notes to interim consolidated financial statements

Silver Bear Resources Inc.
(an exploration stage enterprise)
Consolidated Statement of Operations and Comprehensive Loss and Deficit
(Canadian dollars)
(unaudited)

	Three months Ended March 31, 2008 $	2007 $
Income		
Interest income	285,627	22,126
Expenses		
Exploration costs	1,585,347	681,359
General and administrative	1,221,199	420,123
Stock option compensation (note 12)	425,103	127,201
Amortization	291,742	231,645
Foreign exchange loss (gain)	(299,751)	19,360
Accretion expense	3,600	-
	3,227,240	1,479,688
Non-controlling interest	(27,833)	-
Loss and Comprehensive Loss for the period	(2,913,780)	(1,457,562)
Deficit - Beginning of the period	(35,492,229)	(22,631,234)
Deficit - End of the period	(38,406,009)	(24,088,797)
Weighted average number of common shares outstanding	36,304,800	19,735,063
Loss per share (note 12)	$ (0.08)	$ (0.07)

Going concern (note 1)

See accompanying notes to consolidated financial statements

Silver Bear Resources Inc.
(an exploration stage enterprise)
Consolidated Statement of Cash Flows
(Canadian dollars)
(unaudited)

	Three Months Ended March 31	
	2008	**2007**
	$	**$**
Cash provided by (used in)		
Operating activities		
Loss for the year	(2,913,780)	(1,457,563)
Items not affecting cash:		
Amortization	291,742	231,645
Accretion expense	3,600	-
Stock option compensation	425,103	127,201
Gain on sale of property, plant and equipment	-	-
Exploration cost liability satisfied through sale of capital assets	-	
Net change in non-cash working capital (note 15)	(1,626,118)	(291,247)
	(3,819,453)	(1,389,964)
Financing activities		
Issuance of common shares	1,926,971	17,278,891
Non-controlling interest	-	127
	1,926,971	17,279,018
Investing activities		
Project acquisition costs - Mine Avlayakan	-	(4,724,953)
Acquisition of property, plant and equipment	(548,517)	(28,716)
Proceeds on sale of property plant and equipment	-	-
	(548,517)	(4,753,669)
Increase (decrease) in cash and cash equivalents during the period	(2,440,999)	11,135,385
Cash and cash equivalents - beginning of the year	30,314,667	1,978,930
Cash and cash equivalents - end of the period	27,873,668	13,114,315

1. Nature of operations and going concern

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

As at March 31, 2008, the Company has no source of operating cash flows. The Company’s ability to meet its obligations and continue as a going concern is dependent on the ability to identify and complete future funding. While the Company has been successful in raising financing to date, there can be no assurance that it will be able to do so in future.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due. As at March 31, 2008, the Company had no source of operating cash and reported a loss of $2.9 million for the period then ended and an accumulated deficit of $ 38.5 million as at that date. In order to fund its future operations, maintain its rights under licences and agreements and to advance its projects, the Company must secure sufficient future funding. In these circumstances, there exists substantial doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, as to the appropriateness of the use of accounting principles applicable to a going concern. The Company secured funding of $27 million through an initial public offer of its common shares in December 2007 to meet its exploration requirements and contractual obligations and to continue as a going concern. While the Company has been successful in raising financing to date, there can be no assurance that it will be able to do so in future.

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

2. Basis of presentation and significant accounting policies

a) Basis of presentation

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

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

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

These unaudited interim consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries: Silver Bear Holdings Limited (a Barbados corporation) which was incorporated on April 27, 2004 ("Holdings"), ZAO Prognoz (a Russian Federation corporation) which was acquired on October 21, 2004, and 70% owned Mine Avlayakan LLC ("Avlayakan") (a Russian Federation corporation) which was incorporated on March 29, 2006. The Company has consolidated the results of Mine Avlayakan LLC since March 31, 2007 The Company has controlling voting rights in Avlayakan and controls the funding of exploration activities. These unaudited interim consolidated financial statements include the assets and liabilities of the Company as March 31, 2008 and its results of operations and its cash flows for the year ended December 31, 2007. All significant inter-company accounts and transactions have been eliminated on consolidation.

b) Significant accounting policies

Mineral properties

Mineral properties include the costs of acquiring exploration and mining licenses. Licenses are valued at their fair value at the date of acquisition. Any resulting write-down of the excess of carrying value over the fair value is charged to the consolidated statement of operations and comprehensive loss and deficit.

Translation of foreign currencies

The Company's functional currency is the Canadian dollar. The accounts of subsidiaries, which are integrated operations, are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities resulting from foreign currency transactions are translated into Canadian dollars at year-end exchange rates and non-monetary assets and liabilities are translated at historical rates. Expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings except for amortization of mineral properties, property, plant and equipment which are translated at the same rates as the assets to which they relate. Gains and losses on translation of monetary assets and monetary liabilities are included in results from operations for the period.

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated amortization. All property, plant and equipment, with the exception of leasehold improvements, are amortized on a straight line basis over three years. Leasehold improvements are amortized over the remaining life of the lease.

Exploration costs

Field exploration, supervisory costs and costs associated with maintaining a mineral property are expensed until the Company has a reasonable expectation that the property is capable of commercial production, supported by a positive economic analysis and approved by the Board of Directors.

Asset impairment – long-lived assets

The Company reviews and evaluates the carrying value of its mineral properties, property, plant and equipment when events or changes in circumstances indicate that the carrying amounts of related assets or groups of assets might not be recoverable. In assessing impairment for these assets, if the fair value or total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is measured and recorded based on discounted cash flows. Future cash flows are based on estimated future recoverable mine production, expected sales prices (considering current and historical prices), production levels and costs, and further expenditures. All long-lived assets at a particular operation or project are combined for purpose of performing the recoverability test and estimating future cash flows.

Asset retirement obligations

Under the terms of the exploration licenses held by ZAO Prognoz and Mine Avlayakan LLC (Avlayakan) the Company has asset retirement obligations. The Company will record its asset retirement obligation at fair value at the time the legal liability exists and can be measured. The associated asset retirement obligations will be capitalized to mineral properties as part of the carrying amount of the long-lived asset and amortized over the estimated remaining useful life of the asset. The Company will make periodic assessments as to the reasonableness of its asset retirement obligations and will revise those estimates accordingly. The respective asset and liability balances will be adjusted, which will correspondingly increase or decrease the amounts expensed in future years.

Financial instruments and commodity contracts

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

Income taxes

The Company uses the asset and liability method of accounting for income taxes, under which future income tax assets and liabilities are recognized for the estimated future income tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using income tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in income tax rates or laws is recognized as part of the provision for income taxed in the year the changes are considered substantively enacted.

Future 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 earnings 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 had been issued using the treasury stock method.

Stock-based compensation

The fair value of any stock options granted to directors, officers, consultants and employees is recorded as an expense over the vesting period with a corresponding increase recorded to contributed surplus. The fair value of the stock based compensation is determined using the Black-Scholes option pricing model and management's assumptions as disclosed in Note 12. 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.

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 Balance Sheet. Prepaid expenses are classified as current assets for the reason that if they were not paid in advance, the item would require the use of current assets during the operating cycle.

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 would include treasury bills and term deposits with original maturities of less than 90 days. Treasury bills and term deposits with original maturities in excess of 90 days are classified under short-term investments. Equity investments are excluded from cash equivalents.

Inventories

Inventories consist of supplies and spare parts to be consumed in exploration activities and are stated at the lower of costs or net realizable value.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reporting amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and as adjustments become necessary, they are made in the period in which they become known. Actual results could differ from these estimates.

Capital Disclosures and Financial Instruments – Disclosures and Presentation

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

Capital Disclosures

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

Financial Instruments

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

3. Capital Management

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

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

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

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

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

Credit risk
The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of interesting earning bank accounts, which are invested with a reputable financial institution and management believes the risk of loss to be remote. Accounts receivable consist of taxes due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to accounts receivable is remote.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2008, the Company had a cash balance of $27,873,668, (December 31, 2007 - $30,314,667) to settle current liabilities of $1,101,777 (December 31, 2007 - $1,327,743).

Interest rate risk
The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high interest earning bank accounts with reputable Canadian financial intuitions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

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

Sensitivity analysis

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

The carrying amount of accounts receivable equals fair market value.

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

• The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

• Price risk is remote since the Company is not a producing entity.

4. Acquisition of a 70% Interest in Mine Avlayakan LLC

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

The purchase price paid by Silver Bear was U.S. $5,100,000 (Cdn. $5,852,854). Of this amount, U.S. $1,000,000 was paid on June 16, 2006 and the balance of U.S. $4,100,000 was paid on March 31, 2007. These payments have been treated as property acquisition costs and the financial statements of Avlayakan have been consolidated as at March 31, 2007. An additional U.S. $1,100,000 will be payable to Vostok contingent on achieving commercial production at the Mayvachan-Kundumi license area. In addition, Silver Bear has agreed to fund a feasibility study and exploration activities at Avlayakan totaling U.S. $3,000,000, which was completed and funded in 2007. See Note 19 Subsequent Events.

5. Receivable from Non-controlling Interest

Under the terms of the Framework Financing Agreement for the Avlayakan project, the Company is required to unilaterally fund Avlayakan's exploration activities and feasibility study costs of up to U.S. $3,000,000. Costs above that limit will be funded by the Company and the non-controlling interest partner in proportion to their respective equity interests in the charter capital of Avlayakan. The Company has paid costs in excess of U.S. $3,000,000 and has reflected the portion of the excess relating to the non-controlling interest partner as a receivable which amounted to $176,221 as at March 31, 2008.

6. Inventories

	March 31, 2008 $	December 31, 2007 $
Fuel and lubricants	1,017,391	273,134
Explosives	24,117	22,161
Drilling supplies and food	720,804	387,301
Transportation costs in inventory	590,545	352,367
	2,352,857	1,034,963
Adjustments / Writedown of inventory	-	(54,400)
Provision for reduction to net realizable value	(590,545)	(352,367)
	$1,762,312	$628,196

7. Prepaid expenses

	March 31, 2008 $	December 31, 2007 $
Project advances - Mangazeisky		
Fuel	300,875	1,230,730
Equipment and Supplies	2,188,905	966,627
Transportation	9,629	29,481
Rent	26,547	24,394
Other	67,473	54,052
	$2,593,429	$2,305,284

8. Mineral properties

	March 31, 2008 $	December 31, 2007 $
Mangazeisky - exploration license	959,670	959,670
Avlayakan - property acquisition costs	5,852,854	5,852,854
	$6,812,524	$6,812,524

The Company acquired the exploration licences in respect of the Arkachan and Mangazeisky properties when it acquired all the shares of ZAO Prognoz on October 21, 2004. The cost attributed to the mineral properties was determined as $890,310 of which approximately 20% was allocated to the Arkachan property and approximately 80% to the Mangazeisky property. The value of the Arkachan license was written off at December 31, 2005 based on the results of the 2005 drilling program.

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

	March 31, 2008 $	December 31, 2007 $
Mangazeisky	12,241,464	10,635,040
Avlayakyan	5,547,942	5,528,141
Russian management costs	1,563,283	1,563,283
Corporate costs related to exploration activities	436,533	477,411
	$19,789,222	$18,203,875

9. Property, plant and equipment

	March 31, 2008			December 31, 2007		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Exploration plant and equipment						
Mangazeisky property site	$3,293,137	$2,277,545	$1,015,592	$2,730,361	$2,006,905	$723,456
Yakutsk office	99,931	87,969	11,962	99,931	77,431	22,500
Khabarovsk office	16,326	4,409	11,917	16,326	3,048	13,278
Other office furniture, equipment and leasehold improvements	457,307	352,578	104,729	449,333	321,142	128,191
	$3,866,701	$2,722,501	$1,144,200	$3,295,951	$2,408,526	$887,425

10. Accounts payable and accrued liabilities

	March 31, 2008 $	December 31, 2007 $
Exploration costs - Mangazeisky project	419,535	308,609
Exploration costs - Avlayakan project	228,808	200,265
Accounts payable and accrued liabilities	453,434	818,869
	$1,101,777	$1,327,743

11. Non-controlling interest

At March 31, 2008, the non-controlling interest in Avlayakan represented the cost to the non-controlling shareholder’s 30% investment in the charter capital of Avlayakan.

12. Shareholders equity

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

Common shares

Authorized:

Unlimited number of common shares and preference shares issued:

	Period ended March 31, 2008		Year ended December 31, 2007	
	Number of common shares	$	Number of common shares	$
Balance-Beginning of period	35,735,569	67,991,312	19,324,271	22,908,566
Issued pursuant to Initial Public Offering (a)	700,000	1,926,971	10,000,000	27,339,953
Issued pursuant to private placement, net (b)	-	-	6,195,555	17,095,560
Issuance of penalty shares (c)	-	-	215,743	647,233
Balance- End of period	36,435,569	69,918,283	35,735,569	67,991,312

(a) On December 19, 2007, Silver Bear Resources Inc. successfully completed its initial public offering of 10,000,000 common shares at a price of $3.00 per share for gross proceeds of $30,000,000. Net proceeds after payment of Agent's commission of 6% and related expenses were $27,339,953. Silver Bear granted the underwriter an option to purchase an additional 1,500,000 common shares at the price of $3.00 per share. The option was exercisable, in whole or in part, within 30 days of the closing to cover any over-allotments and for market stabilization purposes. On January 18, 2008 Silver Bear Resources completed the sale of 700,000 common shares at a price of $3.00 per common share pursuant to the exercise in part of an over-allotment option for gross proceeds of $2,100,000 (net proceeds of $1,926,971) the underwriting syndicate was co-led by RBC Capital Markets and Merrill Lynch & Co., and included GMP Securities L.P. and Wellington West Capital Markets Inc. No further over allotment options remain outstanding.

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

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

Warrants

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

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

(b) In connection with the private placement of common shares on September 21, 2006, the Company issued 118,946 broker warrants to the agents as part of their compensation. These broker warrants are exercisable at a price of $2.25 per warrant and expired on March 21, 2008. For purposes of valuation, the fair value of the warrants was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 65%; risk-free rate of return of 4.93% and an expected life of 1.5 years. The warrants had a value of $89,567 on issue.

Stock options

	March 31, 2008		December 31, 2007	
	Number	Exercise price $	Number	Exercise Price $
Balance-Beginning of period	2,841,654	3.76	1,433,328	4.50
Granted	195,002	3.00	1,408,326	3.00
Balance- End of period	3,036,656	3.71	2,841,654	3.76

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

In October 2007 and November 2007, 133,332 stock options were granted to directors of the Company. The exercise price of the stock options is $3.00 and the term is seven years. For purposes of valuation, the fair value of the stock options was estimated on the date of the grant using the Black-Scholes stock option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 65%; risk-free rate of return of 4.37% and an average expected life of 6 years. The fair value assigned to these stock options was $251,200.

In August 2007, an additional 216,665 stock options were granted to various employees of the Company. The exercise price of the options is $3.00 and the term is seven years. For purposes of valuation, the fair value of the stock options was estimated on the date of the grant using the Black-Scholes stock option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 65%; risk-free rate of return of 4.37% and an average expected life of 6 years. The fair value assigned to these stock options was $408,200.

In May, 2007, 1,058,329 stock options were granted. The stock options vest as follows: one third immediately, one third on the first anniversary of the grant and one third on the second anniversary of the grant. The exercise price of the stock options is $3.00 and the term is seven years. For purposes of valuation, the fair value of the stock options was estimated on the date of the grant using the Black-Scholes stock option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 65%; risk-free rate of return of 4.37% and an average expected life of 6 years. The fair value assigned to these stock options was $1,993,901.

The Company, in conjunction with the Underwriters, has requested that all Directors and Officers of the Company, for a period of 180 days following the date of the closing of the Initial Public Offering "the offering" enter into a lock-up agreement regarding Shares of the Company. As at December 31, 2007 1,694,438 are subject to the lock-up agreement, which would otherwise be exercisable and an additional 208,331 stock options are exercisable by individuals not subject to the lock-up agreement.

Contributed Surplus

	March 31, 2008 $	December 31, 2007 $
Balance-Beginning of period	6,835,085	5,100,703
Stock option compensation	425,103	1,734,382
Value assigned to expired warrants	89,567	-
Balance- End of period	$7,349,755	$6,835,085

Loss per share

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

13. Related party transactions

In March 2006, the Company entered into a cost sharing agreement with Western Goldfields Inc. ("WGI"), under which half of the Company's office overhead is charged to WGI. WGI is related to the Company as the senior executives of WGI also serve as senior executives of the Company. At March 31, 2008 and December 31, 2007 $18,269 and $31,052, respectively, were receivable from WGI under this agreement. These amounts were received in April 2008 and January 2008, respectively.

14. Net change in non-cash working capital

	March 31, 2008 $	March 31, 2007 $
Receivable from related party	12,783	12,941
Non-controlling interest receivable	(24,630)	-
Inventories	(1,134,115)	(232,306)
Prepaid expenses	(288,146)	(152,415)
Miscellaneous receivables	33,956	(2,632)
Accounts payable and accrued liabilities	(225,966)	83,165
	$ (1,626,118)	$ (291,247)

15. Commitments and contingency

In order to maintain the exploration licenses at the Mangazeisky Project and Avlayakan Project in good standing, Silver Bear is required to conduct certain minimum levels of exploration activity. Under the terms of the Agreement of a Purchase of an interest in Vostok dated June 1, 2006, Silver Bear committed to spend U.S. $3.0 million on exploration and feasibility study work on the Avlayakan Project. During the year 2007, Silver Bear completed the required spending. An additional U.S. $1,100,000 will be payable to Vostok in the event that commercial production at the Mayvachan-Kundumi license area is achieved.

Silver Bear has entered into a contract with Boart Longyear Russia, to complete a minimum of 16,000 metres of diamond drilling at the Mangazeisky project. Performance of the work is expected to commence in the second quarter of 2008 and is expected to be completed by the fourth quarter of 2008. In January 2008, the Company paid 8,575,000 rubles (approximately U.S. $352,000) to Boart Longyear as an advance payment for the work to be completed. This advance will be set off against the final payment due to Boart Longyear upon completion of performance.

Silver Bear has operating lease commitments as at March 31, 2008 totaling $16,978 of which 50% will be assumed by Western Goldfields pursuant to Silver Bear's cost sharing agreement with Western Goldfields. Silver Bear's net outlays will be $8,489 in the year to December 31, 2008, $1,930 in years 2 and $1,448 in year 3.

Silver Bear is subject to the risks of operating in the Russian Federation where the economy displays certain characteristics of an emerging market. These characteristics include, but are not limited to, a currency that is not freely convertible outside the country and which is subject to currency controls, and high inflation. The prospects for economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments.

Russian Federation laws have been in a state of change and new laws may be given retroactive effect. It is also not unusual in the context of dispute resolution in Russia for parties to use the uncertainty in the Russian Federation legal environment as leverage in business negotiations. In addition, Russian Federation tax legislation is subject to varying interpretations. The Company's interpretation of tax legislation may not coincide with that of Russian Federation tax authorities, with the result that the Company could be subject to additional taxes, penalties and interest. Fiscal periods remain open to review by authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

16. Segmented Information

The Company's operating segments include two properties in the Russian Federation, (Mangazeisky and Avlayakan) and a corporate office in Toronto, Canada

The Following is segmented information as at March 31, 2008

As at March 31,2008

Country / Property	Cash and cash equivalents	Inventories	Prepaid expenses	Other Current Assets	Mineral Properties	Property, plant and equipment
Russia - Mangazeisky	83,303	1,762,312	2,525,956	-	959,670	1,027,553
Russia - Avlayakan	68,200	-	-	-	5,852,854	11,917
Canada - corporate	27,722,165	-	67,473	210,768	-	104,730
	$ 27,873,668	$ 1,762,312	$ 2,593,429	$ 210,768	$ 6,812,524	$ 1,144,200

The Following is segmented information as at December 31, 2007

As at December 31,2007

Country / Property	Cash and cash equivalents	Inventories	Prepaid expenses	Other Current Assets	Mineral Properties	Property, plant and equipment
Russia - Mangazeisky	115,969	628,196	2,251,232	-	959,670	745,956
Russia - Avlayakan	19,086	-	-	-	5,852,854	13,278
Canada - corporate	30,179,612	-	54,052	232,876	-	128,191
	$ 30,314,667	$ 628,196	$ 2,305,284	$ 232,876	$ 6,812,524	$ 887,425

17. Asset retirement obligation

	March 31, 2008 $	December 31, 2007 $
Balance at the beginning of the period	245,360	-
Estimated Liability	-	245,360
Accretion	3,600	-
Balance, end of year	248,960	245,360

The asset retirement obligation relates to the Mangazeisky project located in the Republic of Sakha, Yakutia in the Russian Federation. The Company estimated the cost of rehabilitating the site at $270,746 in the next 3 years. Such estimated costs have been discounted using a risk-free rate of 5.8%. Gross payments are expected to be $307,662 in 2010, and inflation factor of 12.6% was used to determine future gross payments.

18. Corporate Regulatory Matters

ZAO Prognoz has also received notice of an application by the Yakutia Inter-district Tax Office No. 5 of the Federal Tax Service to the Arbitration Court of the Republic of Sakha (Yakutia) claiming that documentation filed in connection with the registration of ZAO Prognoz in 2003 was signed by a person holding an improperly delegated power of attorney. On that ground, the application requests the Yakutia Arbitration Court to order the liquidation of ZAO Prognoz. ZAO Prognoz is investigating this claim, but, on the basis of advice received from its Russian Federation legal advisors, ZAO Prognoz is of the view the ground for the claim is a breach of a formality, and not a gross irremediable violation of the law, as required by the governing statute to support a claim for liquidation. A preliminary hearing was held on March 3, 2008 to determine what evidence is necessary to proceed with the case and resolve procedural petitions of the parties. The judge postponed the case until July 3 2008 and stated that a written ruling would be issued within five days. The judge agreed with the respondent's petition to include Silver Bear Holdings Limited as a third party to the case and to require the Tax Inspectorate to deliver to the respondent and Silver Bear Holdings Limited all attachments identified in the statement of the claim. ZAO Prognoz will take every measure to vigorously resist the claim from the Federal Tax Service.

ZAO Prognoz has also received a request from the local branch of the Federal Service for Financial Markets of Russia ("FSFM"), which references the above application, to provide corporate documents of ZAO Prognoz. The FSFM has not taken any proceeding nor made any claim in connection with this request.

19. Subsequent Events

In December 2007, Silver Bear announced that it was considering strategic options regarding the Avlayakan Gold Project, including the sale of Silver Bear's interest therein. The Company announced on May 12, 2008 that it has signed an agreement to sell its 70% interest in Mine Avlayakan LLC for the purchase price of US$8.5 million, plus the assumption of all current and contingent obligations of Silver Bear with regard to the Project. The agreement, which is subject to a number of standard conditions, is expected to close before the end of May.

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

Corporate Information

DIRECTORS

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

William Biggar[2,4]
Director

Dzhulustan Borisov
President, National Republic Bank

Pavel Kepeshinskas
Professional geologist

Cameron Mingay[3]
Partner, Cassels Brock & Blackwell, LLP

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

Stephen Shefsky
President, CanCap Investments Limited

Christopher Westdal[4,5,6]
Consultant in international affairs

OFFICERS

Randall Oliphant
President and Chief Executive Officer

Raymond Threlkeld
Chief Operating Officer

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

Wesley Hanson
Vice President of Mine Development

Paul Semple
Vice President of Projects

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

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