Condensed Consolidated Interim Statement of Financial Position

(Canadian dollars)
(Unaudited)

	March 31, 2011	December 31, 2010	January 1, 2010
		(Note 4)	(Note 4)
ASSETS			
Current assets			
Cash and cash equivalents	**10,726,546**	11,114,277	12,320,095
Other receivables	**24,608**	24,117	355,438
Inventories (note 6)	**1,143,203**	1,097,946	1,226,195
Prepaid expenses (note 7)	**22,106**	37,697	90,677
Total current assets	**11,916,463**	12,274,037	13,992,405
Non-current assets			
Mineral property (note 8)	**1,139,241**	1,085,277	1,150,234
Property, plant and equipment (note 9)	**786,735**	900,072	1,621,159
Total assets	**13,842,439**	14,259,386	16,763,798
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities (note 10)	**432,993**	301,535	352,298
Non-current liabilities			
Asset retirement obligation (note 17)	**620,147**	588,609	614,801
Total liabilities	**1,053,140**	890,144	967,099
SHAREHOLDERS' EQUITY			
Capital stock (note 11)	**73,771,289**	73,771,289	73,771,289
Contributed surplus (note 11)	**9,263,337**	9,166,433	9,089,843
Accumulated other comprehensive loss	**(39,148)**	(211,508)	–
Deficit	**(70,206,179)**	(69,356,972)	(67,064,433)
Total shareholders' equity	**12,789,299**	13,369,242	15,796,699
Total liabilities and shareholders' equity	**13,842,439**	14,259,386	16,763,798

Going concern (note 1)

Commitments and contingency (note 12)

See accompanying notes to the interim consolidated financial statements

Condensed Consolidated Interim Statement of Comprehensive Loss

For the three months ended March 31, 2011 and 2010
(Canadian dollars)
(Unaudited)

	March 31, 2011	March 31, 2010
Income		
Interest income	**25,363**	10,352
	25,363	10,352
Expenses (Note 13)		
Exploration costs	**305,819**	554,747
General and administrative	**305,777**	378,690
Amortization	**161,560**	164,813
Share-based payment	**96,904**	21,987
Gain on disposal of property, plant and equipment	**–**	(1,922)
Interest expense (note 17)	**2,239**	2,280
Foreign exchange loss	**2,271**	3,537
Expenses from operations	**874,570**	1,124,132
Total Loss for the period	**(849,207)**	(1,113,780)
Other comprehensive income (loss)		
Exchange differences on translating foreign operations	**172,360**	973
Total comprehensive loss for the period	**(676,847)**	(1,112,807)
Deficit – Beginning of the period	**(69,356,972)**	(67,064,433)
Deficit – End of the period	**(70,206,179)**	(68,178,213)
Weighted average number of common shares outstanding	**37,935,569**	37,935,569
Basic and diluted loss per share	**(0.02)**	(0.03)

Going concern (note 1)

See accompanying notes to the interim consolidated financial statements

Condensed Consolidated Interim Statement of Changes in Equity

For the three months ended March 31, 2011 and 2010
(Canadian dollars)
(Unaudited)

	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity
Balance – January 1, 2011	73,771,289	9,166,433	(211,508)	(69,356,972)	13,369,242
Net loss for the period	–	–	–	(849,207)	(849,207)
Other comprehensive income (net of tax):					
Cumulative translation adjustment	–	–	172,360	–	172,360
Comprehensive income (loss) for the period	–	–	172,360	(849,207)	(676,847)
Share-based payment	–	96,904	–	–	96,904
Balance – March 31, 2011	73,771,289	9,263,337	(39,148)	(70,206,179)	12,789,299
Balance – January 1, 2010	73,771,289	9,089,843	–	(67,064,433)	15,796,699
Net loss for the period	–	–	–	(1,113,780)	(1,113,780)
Other comprehensive income (net of tax):					
Cumulative translation adjustment	–	–	973	–	973
Comprehensive income (loss) for the period	–	–	973	(1,113,780)	(1,112,807)
Share-based payment	–	21,987	–	–	21,987
Balance – March 31, 2010	73,771,289	9,111,830	973	(68,178,213)	14,705,879
Balance – January 1, 2010	73,771,289	9,089,843	–	(67,064,433)	15,796,699
Net loss for the year	–	–	–	(2,292,539)	(2,292,539)
Other comprehensive income (net of tax):					
Cumulative translation adjustment	–	–	(211,508)	–	(211,508)
Comprehensive income (loss) for the year	–	–	(211,508)	(2,292,539)	(2,504,047)
Share-based payment	–	76,590	–	–	76,590
Balance – December 31, 2010	73,771,289	9,166,433	(211,508)	(69,356,972)	13,369,242

See accompanying notes to the interim consolidated financial statements

Condensed Consolidated Interim Statement of Cash Flows

For the three months ended March 31, 2011 and 2010
(Canadian dollars)
(Unaudited)

	March 31, 2011	March 31, 2010
Cash provided by (used in)		
Operating activities		
Net loss for the period	**(849,207)**	(1,113,780)
Adjustments for items not affecting cash:		
Amortization	**161,560**	164,813
Share-based payment	**96,904**	21,987
Gain on disposal of property, plant and equipment	**–**	(1,922)
Interest expense	**2,239**	2,280
Net change in non-cash working capital (note 14)	**150,133**	297,626
Net cash used in operations	**(438,371)**	(628,996)
Investing activities		
Acquisition of property, plant and equipment	**(6,912)**	–
Proceeds from sale of property, plant and equipment	**–**	1,922
Net cash (used in) provided from investing activities	**(6,912)**	1,922
Effect of exchange rate changes on cash and cash equivalents	**57,552**	(1,868)
Decrease in cash and cash equivalents during the period	**(387,731)**	(628,942)
Cash and cash equivalents – beginning of the period	**11,114,277**	12,320,095
Cash and cash equivalents – end of the period	**10,726,546**	11,691,153

See accompanying notes to the interim consolidated financial statements

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 the evaluation, acquisition, exploration and development of precious metal properties. The head office of the Company is located in Toronto, Canada. The principal asset of the Company is the project described in Note 8. The exploration strategy of the Company is to focus on the discovery of precious metal deposits. To date, Silver Bear has not earned revenue from operations and is considered to be in the exploration stage.

As at March 31, 2011, the Company has no source of operating cash flows. The Company's ability to meet its obligations and continue as a going concern is dependent on the ability to identify and complete future funding.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due for the foreseeable future. As at March 31, 2011, the Company had no source of operating cash flows and reported a loss for the period then ended of $849,207 and an accumulated deficit of $70,206,179. In order to fund future operations, maintain rights under licenses and agreements and to advance the project, the Company must secure sufficient future funding. In these circumstances, there exists significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, as to the appropriateness of the use of accounting principles applicable to a going concern. The Company secured funding through an initial public offering of its common shares in December 2007, and an over-allotment option that was completed on January 18, 2008 for aggregate gross proceeds of $32,091,239. On July 16, 2008, the Company also completed a private placement of 1,500,000 common shares for aggregate gross proceeds of $4,500,000; the funds were used to meet the Company's exploration requirements and contractual obligations and to continue as a going concern. Subsequent to March 31, 2011, Silver Bear completed a $5,000,000 non-brokered private placement of common shares. 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 the future.

These condensed consolidated interim financial statements do not include adjustments or disclosures that may result should the Company not be able to continue as a going concern. If the going concern assumption were not appropriate for these 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 PREPARATION AND ADOPTION OF IFRS

These condensed consolidated interim financial statements have been prepared in accordance with the Handbook of the Canadian Institute of Charted Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revisited to incorporate IFRS, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim consolidated financial statements. In these financial statements the term "Canadian GAAP" (CGAAP), refers to Canadian GAAP before the adoption of IFRS.

These condensed consolidated interim financial statements have been prepared in accordance with IFRS, as issued by IASB, applicable to the preparation of interim financial statements, including IAS 34 – Interim Financial Reporting and IFRS 1 – First-time Adoption of International Financial Reporting Standards. Subject to certain transition elections disclosed in Note 4(i), the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as these policies had always been in effect. Note 4(ii) discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The policies applied in these interim financial consolidated statements are based on IFRS issued and outstanding as of June 9, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS could result in restatement of these interim condensed consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

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

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

Significant Accounting Policies

Foreign currency translation

Items included in the financial statements of each consolidated subsidiary are measured using the currency of the primary economic environment in which it operates ("functional currency"). The condensed consolidated interim financial statements are presented in Canadian dollars which is Silver Bear's functional and reporting currency. The financial statements of ZAO Prognoz have a Russian ruble as its functional currency which is different from Silver Bear and are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

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

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.

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and impairment losses. All property, plant and equipment, with the exception of leasehold improvements, are depreciated on a straight line basis over three years. Leasehold improvements are amortized over the remaining life of the lease. Significant components of the property, plant and equipment are recorded and depreciated separately. Residual values, method of depreciation and the useful lives of assets are revised annually and adjusted if appropriate.

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.

Impairment of non-financial assets

The Company reviews and evaluates the recoverable amount of its mineral properties, property, plant and equipment annually and when events or changes in circumstances indicate that the carrying amounts of related assets or groups of assets might not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset).

Asset retirement obligations

Under the terms of the exploration licenses held by ZAO Prognoz, the Company has an asset retirement obligation. Under IFRS decommissioning provisions are measured based on management's best estimate of the expenditure that will be made. 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 cash flows associated with the settlement of the obligation are discounted using a pre-tax discount rate which reflects current assessments of the time value of money and the risks specific to the liability. The unwinding of the discount in subsequent periods is presented as interest expense. The Company will re-measure the liability at each reporting date. Changes in estimates are recorded using current discount rate assumptions.

Financial instruments and commodity contracts

Financial instruments are initially recorded at fair value. The fair values of cash and cash equivalents, receivable from related party (Note 12), miscellaneous receivables and accounts payable and accrued liabilities approximate their recorded amounts because of their short-term nature.

Loss per share

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

Share-based payment

The fair value of any stock options granted to directors, officers, consultants and employees is recorded as an expense over the vesting period using the accelerated method of amortization with a corresponding increase recorded to contributed surplus. The fair value of stock-based compensation is determined using the Black-Scholes option pricing model and management's assumptions as disclosed in Note 11. An estimate for forfeitures is made when determining the number of equity instruments expected to vest. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

Prepaid expenses

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

Cash and cash equivalents

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

Inventories

IAS 2 "Inventories" provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. Inventories consist of fuel, supplies and spare parts to be consumed in exploration activities and are stated at the lower of weighted average cost and net realizable value.

Accounting estimates and management judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. 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. The significant areas of estimation and uncertainties considered by management in preparing the condensed consolidated interim financial statements include but are not limited to:

- Inventories
- Property, plant and equipment
- Mineral property
- Amortization rates
- Impairment of assets
- Rehabilitation provisions and asset retirement obligations
- Share-based payment transactions

New accounting standards

A number of new standards and amendments to existing standards and interpretations are not yet effective in the year ended December 31, 2011, and have not been applied when preparing these consolidated condensed interim financial statements. Management does not currently expect the implementation of these new standards and amendments like IFRS 1 – Presentation of Financial Statements, IFRS 9 – Financial Instruments, and IFRS 37 – Provisions, Contingent Liabilities and Contingent Assets will have a significant effect on the financial statements of the Company.

3. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS

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

The property in which the Company currently has an interest is in the exploration stage; as such the Company is dependent on external financing to fund ongoing activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend 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 where sufficient geologic or economic potential are noted and if financial resources exist to do so.

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

There were no changes in the Company's approach to capital management during the period ended March 31, 2011 compared to the year ended December 31, 2010. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

FINANCIAL RISK FACTORS

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

Credit risk

The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of interest earning bank accounts, which are invested with Canadian chartered banks and management believes the risk of loss to be remote. Miscellaneous receivables consist of taxes due from the Federal Government of Canada and Russian Value Added Tax refunds from the Russian tax authorities. Management believes that the credit risk concentration with respect to accounts receivable is low.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. As at March 31, 2011, the Company had a cash balance of $10,726,546 (December 31, 2010 – $11,114,277) to settle current liabilities of $432,993 (December 31, 2010 – $301,535), as well as its commitments outlined in Note 15.

Interest rate risk

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

Foreign currency risk

The Company has funded certain exploration and administrative expenses on a transaction by transaction basis using U.S. dollar and Russian ruble 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. Sensitivity to a plus 1% change in interest rates would have affected the net loss for the year by a reduction of $24,479; a minus 1% change in interest rates would have increased the net loss for the year by $24,018 as deposits currently earn above 1%.

The carrying amount of accounts receivable equals fair market value. The effect of changes in foreign exchange rates on net loss is deemed to be insignificant as number and amount of foreign-currency transactions are relatively small.

4. TRANSITION TO IFRS

The effect of the Company's transition to IFRS, described in Note 2, is summarized in this note as follows:

(i) Transition elections

(ii) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS

(iii) Adjustments to the statement of cash flows

(i) Transition elections

The Company has elected the following exemptions to full retrospective application of IFRS:

- Decommissioning liabilities (reclamation and closure cost obligations) (as described in Note 4ii (a,g))
- Cumulative translation adjustment (as described in Note 4ii (e))
- Share-based payment transactions (Note 4ii (d))

(ii) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS

(Canadian dollars)		December 31, 2010			March 31, 2010			January 1, 2010		
	Note 4ii	CGAAP	Adj	IFRS	CGAAP	Adj	IFRS	CGAAP	Adj	IFRS
ASSETS										
Current assets										
Cash and cash equivalents		11,114,277	–	11,114,277	11,691,153	–	11,691,153	12,320,095	–	12,320,095
Other receivables		24,117	–	24,117	63,037	–	63,037	355,438	–	355,438
Inventories		1,097,946	–	1,097,946	1,212,613	–	1,212,613	1,226,195	–	1,226,195
Prepaid expenses		37,697	–	37,697	71,554	–	71,554	90,677	–	90,677
Total current assets		12,274,037	–	12,274,037	13,038,357	–	13,038,357	13,992,405	–	13,992,405
Non-current assets										
Mineral property	a, b	1,265,117	(179,840)	1,085,277	1,265,117	(115,550)	1,149,567	1,265,117	(114,883)	1,150,234
Property, plant and equipment	b	1,169,474	(269,402)	900,072	1,780,857	(323,942)	1,456,915	1,969,181	(348,022)	1,621,159
Total assets		14,708,628	(449,242)	14,259,386	16,084,331	(439,492)	15,644,839	17,226,703	(462,905)	16,763,798
LIABILITIES										
Current liabilities										
Accounts payable and accrued liabilities		301,535	–	301,535	322,257	–	322,257	352,298	–	352,298
Non-current liabilities										
Asset retirement obligation	a, b	646,741	(58,132)	588,609	618,229	(1,526)	616,703	608,725	6,076	614,801
Total liabilities		948,276	(58,132)	890,144	940,486	(1,526)	938,960	961,023	6,076	967,099
SHAREHOLDERS' EQUITY										
Capital stock		73,771,289	–	73,771,289	73,771,289	–	73,771,289	73,771,289	–	73,771,289
Contributed surplus	c	9,084,429	82,004	9,166,433	9,028,537	83,293	9,111,830	8,975,687	114,156	9,089,843
Accumulated other comprehensive loss	b	–	(211,508)	(211,508)	–	973	973	–	–	–
Deficit	a, c, d, e	(69,095,366)	(261,606)	(69,356,972)	(67,655,981)	(522,232)	(68,178,213)	(66,481,296)	(583,137)	(67,064,433)
Total shareholders' equity		13,760,352	(391,110)	13,369,242	15,143,845	(437,966)	14,705,879	16,265,680	(468,981)	15,796,699
Total liabilities and shareholders' equity		14,708,628	(449,242)	14,259,386	16,084,331	(439,492)	15,644,839	17,226,703	(462,905)	16,763,798

		Year ended December 31, 2010			Three months ended March 31, 2010		
		CGAAP	Adj	IFRS	CGAAP	Adj	IFRS
Income							
Interest income	e	70,799	(165)	70,634	10,357	(5)	10,352
Other income	e	1,405,273	21,586	1,426,859	–	–	–
		1,476,072	21,421	1,497,493	10,357	(5)	10,352
Expenses							
Exploration costs	e	1,484,517	(2,751)	1,481,766	553,798	949	554,747
General and administrative	e	1,566,869	10	1,566,879	383,331	(4,641)	378,690
Stock-based compensation	c	108,742	(32,152)	76,590	52,850	(30,863)	21,987
Amortization	b	794,903	(142,026)	652,877	188,324	(23,511)	164,813
Accretion expense	f	38,016	(38,016)	–	9,504	(9,504)	–
Loss on disposal of property, plant and equipment		2,882	–	2,882	(1,922)	–	(1,922)
Interest expense	f	–	8,876	8,876	–	2,280	2,280
Foreign exchange loss	b,e	94,213	(94,051)	162	(843)	4,380	3,537
Expenses from operations		4,090,142	(300,110)	3,790,032	1,185,042	(60,910)	1,124,132
Total loss for the period		**(2,614,070)**	**321,531**	**(2,292,539)**	**(1,174,685)**	**60,905**	**(1,113,780)**
Other comprehensive income (loss)							
Exchange differences on translating foreign operations	e	–	(211,508)	(211,508)	–	973	973
Total comprehensive loss for the period		**(2,614,070)**	**110,023**	**(2,504,047)**	**(1,174,685)**	**61,878**	**(1,112,807)**

(a) The Company has elected the exemption for decommissioning liabilities that allows the Company not to apply requirements of IFRIC 1 to changes in such liabilities that occurred before the date of transition to IFRS. The transition adjustments at January 1, 2010 of $6,076 and $20,844 have been recorded for asset retirement obligations and related assets respectively at the date of transition to IFRS with an offset to accumulated deficit.

(b) Under Canadian GAAP the functional currency of ZAO Prognoz was the Canadian dollar. Capital assets were translated at historical exchange rates. Under IFRS the functional currency of ZAO Prognoz has been determined to be the Russian ruble. Under IFRS all assets and liabilities including capital assets are translated at the closing rate at the date of the statement of financial position. Translation differences on mineral properties of $135,726 and/or property, plant and equipment of $348,022 at January 1, 2010 have been reset to zero under IFRS 1 election Cumulative translation adjustment (Note (d)). Translation differences on mineral properties of $136,394 and on property, plant and equipment of $323,942 at March 31, 2010 and $200,684 on mineral properties and $269,402 on property, plant and equipment at December 31, 2010 were recognized under IFRS with an offset to the Accumulated other comprehensive loss. Translation adjustment to asset retirement obligation was $1,526 for the three months ended March 31, 2010 (for the year ended December 31, 2010 – $58,132). Under IFRS depreciation expense is translated at average rate for the period as opposed to Canadian GAAP where it is translated at historical rates.

(c) Canadian GAAP allows both an accelerated method of amortization for the fair value of stock options under graded vesting as well as a straight line method, while IFRS allows only the accelerated method. Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur. The effect of estimated forfeiture rate and the changeover to graded amortization from straight line amortization in the amount of $114,156 has been recognized in the IFRS opening balance at January 1, 2011 with an offset to the accumulated deficit balance. Additional adjustments of $30,863 and $32,152 were recognized at March 31, 2010 and December 31, 2010 respectively with an offset to an accumulated loss for the period.

(d) Cumulative translation adjustment in Other comprehensive income (loss) represents an unrealized loss on translation of accounts of ZAO Prognoz from its functional currency (Notes (b), (c) and (e)), Russian ruble into the presentation currency, Canadian dollar. Using the IFRS 1 election Cumulative translation adjustment the Company has reset to zero translation differences of $483,748 existed at the date of transition to IFRS, January 1, 2010.

(e) For the purpose of translation of income and expense accounts quarterly average exchange rates were used to restate the 2010 financial statements as an approximation of actual rate.

(f) Under IFRS the unwinding of the discount in subsequent periods is presented as interest expense, while under Canadian GAAP it is accretion expense. A transitional adjustment of $9,504 is recognized in the period ended March 31, 2010 and $38,016 cumulatively in the year ended December 31, 2010 with offset to the loss for the respective period. The interest expense of $2,280 is recognized in the period ended March 31, 2010 ($8,876 for the year ended December 31, 2010).

5. ADDITIONAL IFRS INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2010

The following IFRS disclosures relating to the year ended December 31, 2010 are material to an understanding of the interim financial statements:

(i) Property, plant and equipment

Reconciliation of the carrying amount at the beginning and end of the period ended December 31, 2010:

	Mangazeisky site equipment	Yakutsk equipment	Office equipment	Total
Carrying amount at January 1, 2010	$1,508,825	$ 44,941	$ 67,393	$1,621,159
Additions	–	–	393	393
Disposals	–	1,922	(4,804)	(2,882)
Depreciation	(591,998)	(24,674)	(36,205)	(652,877)
Exchange differences	(62,219)	(3,502)	–	(65,721)
Carrying amount at December 31, 2010	$ 854,608	$ 18,687	$ 26,777	$ 900,072

(ii) Compensation of key management

Compensation awarded to key management included:

	Year ended December 31, 2010
Salaries and short-term employee benefits	$ 524,333
Post-employment benefits	–
Other long-term employee benefits	–
Share-based payments	50,303
Termination benefits	–
	$ 574,636

(iii) Employee benefits

Employee benefits expense for the year ended December 31, 2010 consisted of the following:

	Year ended December 31, 2010
Salaries and short-term employee benefits	$ 1,726,302
Post-employment benefits	–
Other long-term employee benefits	–
Share-based payments	76,590
Termination benefits	–
	$ 1,802,892

(iv) Loss per share

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

	Year ended December 31, 2010
Net loss	$ (2,292,539)
Weighted average number of common shares outstanding	37,935,569
	(0.06)

6. INVENTORIES

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

	March 31, 2011	December 31, 2010	January 1, 2010
Fuel and lubricants	**$ 490,291**	$ 480,164	$ 546,610
Parts and supplies	**652,912**	617,782	679,585
	$ 1,143,203	$ 1,097,946	$ 1,226,195

7. PREPAID EXPENSES

Prepaid expenses consist of the following:

	March 31, 2011	December 31, 2010	January 1, 2010
Insurance	**$ 15,142**	$ 30,284	$ 38,378
Exploration services	**582**	1,922	49,111
Other	**6,382**	5,491	3,188
	$ 22,106	$ 37,697	$ 90,677

8. MINERAL PROPERTY

Mineral property includes the cost of acquiring exploration and mining licenses.

Mineral property consists of the following:

	March 31, 2011	December 31, 2010	January 1, 2010
Mangazeisky – exploration license	**$ 1,139,241**	$ 1,085,277	$ 1,150,234

The change in value of the asset is due to a foreign exchange difference on translation.

The Company acquired the exploration license in respect of the Mangazeisky property when it acquired all the shares of ZAO Prognoz on October 21, 2004. On February 18, 2009, the Mangazeisky License was extended by the Federal Subsoil Use Agency in the Russian Federation ("Rosnedra") through December 31, 2011.

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

	March 31, 2011	December 31, 2010	January 1, 2010
Mangazeisky	**$ 34,043,951**	$ 33,738,142	$ 33,658,898
Russian management costs	**1,563,283**	1,563,283	1,563,283
Corporate costs related to exploration activities	**477,411**	477,411	477,411
	$ 36,084,645	$ 35,778,836	$ 35,699,592

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost, less accumulated depreciation.

Property, plant and equipment consist of the following:

	March 31, 2011			December 31, 2010			January 1, 2010		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Property plant and equipment:									
Mangazeisky site	**$ 4,222,268**	**$ 3,471,342**	**$ 750,926**	$ 4,016,238	$ 3,161,630	$ 854,608	$ 4,256,621	$ 2,747,796	$ 1,508,825
Yakutsk office	**131,038**	**116,762**	**14,276**	124,181	105,494	18,687	134,835	89,894	44,941
Other office furniture, equipment and leasehold improvements	**267,583**	**246,050**	**21,533**	267,583	240,806	26,777	455,073	387,680	67,393
	$ 4,620,889	**$ 3,834,154**	**$ 786,735**	$ 4,408,002	$ 3,507,930	$ 900,072	$ 4,846,529	$ 3,225,370	$ 1,621,159

Reconciliation of the carrying amount at the beginning and end of the period ended March 31, 2011:

	Mangazeisky site equipment	Yakutsk equipment	Office equipment	Total
Carrying amount at January 1, 2011	**$ 854,608**	**$ 18,687**	**$ 26,777**	**$ 900,072**
Additions	**6,239**	**673**	**–**	**6,912**
Disposals	**–**	**–**	**–**	**–**
Depreciation	**(150,378)**	**(5,938)**	**(5,244)**	**(161,560)**
Exchange differences	**40,457**	**854**	**–**	**41,311**
Carrying amount at March 31, 2011	**$ 750,926**	**$ 14,276**	**$ 21,533**	**$ 786,735**

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	March 31, 2011	December 31, 2010	January 1, 2010
Exploration costs – Mangazeisky Project	**$ 155,120**	$ 130,186	$ 70,219
Corporate – accounts payable and accrued liabilities	**277,873**	171,349	282,079
	$ 432,993	$ 301,535	$ 352,298

11. SHAREHOLDERS' EQUITY

Common shares

Authorized:

Unlimited number of common shares and preferred shares issued:

	March 31, 2011		December 31, 2010		January 1, 2010	
	Number of common shares	$	Number of common shares	$	Number of common shares	$
Balance – Beginning of the period	**37,935,569**	**73,771,289**	37,935,569	73,771,289	37,935,569	73,771,289
Balance – End of period	**37,935,569**	**73,771,289**	37,935,569	73,771,289	37,935,569	73,771,289

Stock Options

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

In May 2008, the Board of Directors approved an increase of 958,333 options to the stock option plan bringing the total options available to issue to 4,000,000.

In order for Silver Bear to make options available for future grants and for other strategic alternatives, the Company asked option holders of out-of-the-money options to voluntarily surrender their options back to Silver Bear. On January 22, 2010, option holders voluntarily surrendered 2,861,659 options back to the Company. A total of 3,316,667 options were available for future issue.

On December 7, 2010, 1,245,000 stock options were granted to various directors, officers and employees of the Company. The exercise price of the options is $0.59 and the term is five years. For the purpose 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 123.82%, forfeiture rate of 6.1462%, risk free rate of return of 2.39% and an average expected life of five years. Fair market value of these options at the time of grant was $619,580. Stock options granted vest as follows: one third on the first anniversary of the grant, one third on the second anniversary of the grant and the final one third vests on the third anniversary of the grant.

On February 8, 2011, 75,000 stock options from the December 2010 grant have been cancelled without vesting upon the resignation of the director, to whom they were granted.

On March 25, 2011, 75,000 stock options were granted to a new director that replaced the one that has resigned. The exercise price of the options is $0.95. Fair market value of the grant was estimated at $53,709 using the Black-Scholes stock pricing model with the following assumptions: dividend yield of 0%, expected volatility of 125.5%, forfeiture rate of 6.915%, risk free rate of return of 2.15% and an average expected life of five years. Stock options granted vest gradually over three years, one third on every anniversary of the grant.

	Period ended March 31, 2011		Year ended December 31, 2010	
	Number	Exercise price $	Number	Exercise price $
Balance – Beginning of the period	**1,903,333**	**0.48**	3,561,659	2.86
Granted	**75,000**	**0.95**	1,245,000	0.59
Surrendered	**–**	**–**	(2,861,659)	3.16
Expired / Cancelled / Forfeited	**(75,000)**	**0.59**	(41,667)	0.28
Balance – End of the period	**1,903,333**	**0.50**	1,903,333	0.48

As at March 31, 2011, the Company had share options outstanding and exercisable as follows:

	Outstanding		Exercisable	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
2011	**8,333**	**0.28**	**8,333**	**0.28**
2013	**650,000**	**0.28**	**433,333**	**0.28**
2015	**1,170,000**	**0.59**	**–**	**0.00**
2016	**75,000**	**0.95**	**–**	**0.00**
	1,903,333	**0.50**	**441,666**	**0.28**

Contributed surplus consists of the following:

	March 31, 2011	December 31, 2010
Balance – Beginning of the period	**$ 9,166,433**	$ 9,089,843
Stock option compensation	**96,904**	76,590
Value assigned to expired warrants	–	–
Balance – End of the period	**$ 9,263,337**	$ 9,166,433

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.

12. RELATED PARTY TRANSACTION

Silver Bear shares premises and senior management with New Gold Inc. (NGD) and as a result a cost sharing agreement exists between Silver Bear and NGD for our proportional share of office costs under the cost sharing agreement. At March 31, 2011, $nil (2010 – $3,448) was receivable from NGD for items paid by Silver Bear and billed to NGD. At March 31, 2011, $12,387 (2010 – $36,849) was payable to NGD for items paid by NGD and billed to Silver Bear. NGD charged Silver Bear $28,566 for the three months ended March 31, 2011, compared to $38,402 for the comparative period in 2010.

Compensation of key management

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

	For the period ended	
	March 31, 2011	March 31, 2010
Salaries and short-term employee benefits	**$ 85,250**	$ 135,250
Share-based payments	**75,063**	5,694
	$ 160,313	$ 140,944

13. EXPENSES BY NATURE

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

	For the period ended	
	March 31, 2011	March 31, 2010
Employee benefits	**$ 427,880**	$ 481,884
Amortization	**161,560**	164,813
Transportation	**869**	111,224
Camp maintenance	**15,026**	39,791
Taxes	**10,484**	121,608
Office expenses	**88,912**	110,981
Other expenses	**169,839**	93,831
	$ 874,570	$ 1,124,132

Employee benefits expense for the three-month periods ended March 31, 2011 and 2010 consisted of the following:

	For the period ended	
	March 31, 2011	March 31, 2010
Salaries and short-term employee benefits	**$ 330,976**	$ 459,897
Share-based payments	**96,904**	21,987
	$ 427,880	$ 481,884

14. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	March 31, 2011	March 31, 2010
Inventories	**$ 9,206**	$ 12,998
Prepaid expenses	**15,746**	19,109
Receivables	**(159)**	309,117
Accounts payable and accrued liabilities	**125,340**	(43,601)
	$ 150,133	$ 297,623

15. COMMITMENTS AND CONTINGENCIES

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

The Company may be involved in legal proceedings from time to time, arising in the ordinary course of its business. The amount of ultimate liability with respect to these actions will not, in the opinion of management, materially affect Silver Bear's financial position, results of operations or cash flows. There were no material outstanding legal proceedings as of March 31, 2011.

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

16. SEGMENTED INFORMATION

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

As at March 31, 2011

Country/Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral properties	Property, plant and equipment	Mar 31, 2011 Net loss
Russia – Mangazeisky	**$ 1,119,327**	**$ 1,143,203**	**$ 582**	**$ 5,275**	**$ 1,139,241**	**$ 765,202**	**$ 336,971**
Canada – corporate	**9,607,219**	**–**	**21,524**	**19,333**	**–**	**21,533**	**512,236**
	$10,726,546	**$ 1,143,203**	**$ 22,106**	**$ 24,608**	**$ 1,139,241**	**$ 786,735**	**$ 849,207**

As at December 31, 2010

Country/Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral properties	Property, plant and equipment	Mar 31, 2010 Net loss
Russia – Mangazeisky	$ 1,208,168	$ 1,097,946	$ 7,413	$ 12,123	$ 1,085,277	$ 873,295	$ 570,333
Canada – corporate	9,906,109	–	30,284	11,994	–	26,777	543,447
	$11,114,277	$ 1,097,946	$ 37,697	$ 24,117	$ 1,085,277	$ 900,072	$ 1,113,780

As at January 1, 2010

Country/Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral properties	Property, plant and equipment
Russia – Mangazeisky	$ 116,233	$ 1,226,195	$ 18,184	$ 345,906	$ 1,150,234	$ 1,553,766
Canada – corporate	12,203,862	–	72,493	9,532	–	67,393
	$12,320,095	$ 1,226,195	$ 90,677	$ 355,438	$ 1,150,234	$ 1,621,159

17. ASSET RETIREMENT OBLIGATION

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

The Company's asset retirement obligations consist of reclamation and closure costs for the Mangazeisky Exploration Project located in the Republic of Sakha, Yakutia in the Russian Federation. Significant reclamation and closure activities include land rehabilitation, demolition of buildings and site facilities, ongoing care and maintenance and other costs.

Asset retirement obligation consists of the following:

	March 31, 2011	December 31, 2010
Balance at the beginning of the period	**$ 588,609**	$ 614,801
Interest expense	**2,239**	8,876
Translation adjustment	**29,299**	(35,068)
Balance at the end of the period	**$ 620,147**	$ 588,609

The estimated value of the obligation to rehabilitate the site expressed in Canadian dollars is $626,959. Present value of gross payments that are due in 2012 is $620,147. A Canadian government bond yield of 1.47% has been used in discounting of future cash flows.

18. SUBSEQUENT EVENT

On May 11, 2011, the Company closed a $5 million non-brokered private placement of common shares at a price of $0.80 per common share. This price reflects the 90-day average price of Silver Bear's shares since discussions commenced with Forbes & Manhattan in January. With the proceeds of this financing and Silver Bear's current treasury, the Company will be sufficiently financed to proceed with the analysis and further exploration of the Mangazeisky Project and to review other value-enhancing opportunities.

Silver Bear's Management Information Circular ("MIC") dated May 9, 2011 was mailed to shareholders on May 19, 2011 in advance of the Company's Annual and Special Meeting of Shareholders scheduled for June 9, 2011. The MIC contained a proposal approved by the Board of Directors for shareholders to consider and, if deemed advisable to pass with or without variation, an ordinary resolution approving certain amendments to the Company's Share Option Plan such that it would be a "rolling" stock option plan instead of a fixed number stock option plan and the aggregate number of Common Shares that may be subject to all outstanding options granted under the Share Option Plan at any time will not exceed 10% of the outstanding Common Shares at that time. This resolution must be approved by a majority of the votes cast by holders of Common Shares either present in person or represented by proxy at the June 9, 2011 Annual and Special Meeting.

Upon closing of the private placement, the Company granted 1,841,000 options to various investors, management and employees.

The Company has entered into an agreement with Forbes & Manhattan dated May 11, 2011 whereby Forbes & Manhattan will provide certain services to the Company for a fee of $25,000 per month.