Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Silver Bear Resources Inc.

For the three and six months ended June 30, 2011

(Unaudited)

Silver Bear Resources Inc.

Condensed Consolidated Interim Statement of Financial Position

(Canadian dollars)
(Unaudited)

	June 30, 2011	December 31, 2010
		(Note 5)
ASSETS		
Current assets		
Cash and cash equivalents	13,852,028	11,114,277
Receivable (note 6)	204,802	24,117
Inventories (note 7)	1,138,599	1,097,946
Prepaid expenses (note 8)	661,613	37,697
Total current assets	15,857,042	12,274,037
Non-current assets		
Mineral property (note 9)	1,152,898	1,085,277
Property, plant and equipment (note 10)	689,423	900,072
Total assets	17,699,363	14,259,386
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	359,993	301,535
Non-current liabilities		
Asset retirement obligation (note 18)	629,879	588,609
Total liabilities	989,872	890,144
SHAREHOLDERS' EQUITY		
Capital Stock (note 12)	78,728,748	73,771,289
Contributed surplus (note 12)	9,427,112	9,166,433
Accumulated other comprehensive loss	(76,138)	(211,508)
Deficit	(71,370,231)	(69,356,972)
Total shareholders' equity	16,709,491	13,369,242
Total liabilities and shareholders' equity	17,699,363	14,259,386

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

See accompanying notes to the condensed consolidated interim financial statements

Silver Bear Resources Inc.

Condensed Consolidated Interim Statement of Comprehensive Loss

For the three and six months ended June 30, 2011 and 2010

(Canadian dollars)
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2011	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Income				
Interest income	31,760	17,050	57,123	27,402
Other income	-	512,940	-	512,940
	31,760	529,990	57,123	540,342
Expenses (Note 14)				
Exploration costs	475,504	322,813	781,323	877,560
General and administrative	441,724	497,936	747,501	876,626
Amortization	106,455	162,335	268,015	327,148
Share-based payment	167,809	10,005	264,713	31,992
Gain on disposal of property, plant and equipment	-	-	-	(1,922)
Interest expense (note 18)	2,297	2,218	4,536	4,498
Foreign exchange loss	2,023	(6,854)	4,294	(3,317)
Expenses from operations	1,195,812	988,453	2,070,382	2,112,585
Total Loss for the period	(1,164,052)	(458,463)	(2,013,259)	(1,572,243)
Other comprehensive income (loss)				
Exchange differences on translating foreign operations	(36,990)	46,120	135,370	47,093
Total Comprehensive Loss for the period	(1,201,042)	(412,343)	(1,877,889)	(1,525,150)
Deficit - Beginning of the period	(70,206,179)	(68,178,213)	(69,356,972)	(66,580,685)
Deficit - End of the period	(71,370,231)	(68,636,676)	(71,370,231)	(68,152,928)
Weighted average number of common shares outstanding	39,461,699	37,935,569	38,710,379	37,935,569
Basic and diluted loss per share	(0.03)	(0.01)	(0.05)	(0.04)

Going concern (note 1)

See accompanying notes to the condensed consolidated interim financial statements

Silver Bear Resources Inc.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended June 30, 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	-	-	-	(2,013,259)	(2,013,259)
Other comprehensive income (net of tax):					
Cumulative translation adjustment	-	-	135,370	-	135,370
Other comprehensive income (loss) for the period	-	-	135,370	(2,013,259)	(1,877,889)
Share based payment	-	264,713	-	-	264,713
Options exercised	8,234	(4,034)			4,200
Net proceeds from issuance shares in private placement	4,949,225				4,949,225
Balance - June 30, 2011	78,728,748	9,427,112	(76,138)	(71,370,231)	16,709,491
Balance - January 1, 2010	73,771,289	9,089,843	-	(67,064,433)	15,796,699
Net loss for the period	-	-	-	(1,572,243)	(1,572,243)
Other comprehensive income (net of tax):					
Cumulative translation adjustment	-	-	(47,093)	-	(47,093)
Other comprehensive income (loss) for the period	-	-	(47,093)	(1,572,243)	(1,619,336)
Share-based payment	-	31,992	-	-	31,992
Balance - June 30, 2010	73,771,289	9,121,835	(47,093)	(68,636,676)	14,209,355

See accompanying notes to the condensed consolidated interim financial statements

Silver Bear Resources Inc.

Condensed Consolidated Interim Statement of Cash Flow

For the six months ended June 30, 2011 and 2010

(Canadian dollars)
(Unaudited)

	June 30, 2011	June 30, 2010
Cash provided by (used in)		
Operating activities		
Total Loss for the period	(2,013,259)	(1,572,243)
Adjustments for items not affecting cash:		
Amortization	268,015	327,148
Share-based payment	264,713	31,992
Gain on disposal of property, plant and equipment	-	(1,922)
Interest expense	4,536	4,498
Net change in non-cash working capital (note 15)	(716,251)	(86,564)
Net cash used in operations	(2,192,246)	(1,297,091)
Investing activities		
Acquisition of property, plant and equipment	(7,009)	(393)
Proceeds from sale of property, plant and equipment	-	1,922
Net cash (used in) provided from investing activities	(7,009)	1,529
Financing activities		
Net proceeds from issuance shares in private placement	4,949,225	-
Proceeds from exercised options	4,200	-
Net cash provided from financing activities	4,953,425	-
Effect of exchange rate changes on cash and cash equivalents	(16,419)	10,039
Increase (decrease) in cash and cash equivalents during the period	2,737,751	(1,285,523)
Cash and cash equivalents - beginning of the period	11,114,277	12,320,095
Cash and cash equivalents - end of the period	13,852,028	11,034,572

See accompanying notes to the condensed consolidated interim 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 9. 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 June 30, 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 June 30, 2011, the Company had no source of operating cash flows and reported a loss for the period then ended of $2,013,259 and an accumulated deficit of $71,370,231. 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. On May 11, 2011 the Company closed a $5 million non-brokered private placement ("Private Placement") of common shares at a price $0.80 per common share. With the proceeds of this financing and Silver Bear's current treasury, the Company is sufficiently financed to proceed with the analysis and further exploration of the Mangazeisky Project and to review other value-enhancing opportunities. 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 IFRS1 - First-time Adoption of International Financial Reporting Standards. Subject to certain transition elections disclosed in Note 4i, 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 4ii 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 August 10, 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 CGAAP annual financial statements for the year ended December 31, 2010 and the condensed consolidated interim financial statements for the period ended March 31, 2011.

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.

Significant Accounting Policies (continued)

The financial statements of ZAO Prognoz have a Russian rouble 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 gain 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 preset value of the expected future cash flows of the relevant asset).

Significant Accounting Policies (continued)

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 13), 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 a 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 12. An estimate for forfeitures is made when determining the number of equity instruments expected to vest. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

Significant Accounting Policies (continued)

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 limited to:

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

Significant Accounting Policies (continued)

New accounting standards

A number of new standards and amendments to existed 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 statement 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 June 30, 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.

3. Capital Management and Financial Risk Factors (continued)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. As at June 30, 2011, the Company had a cash balance of $13,852,028 (December 31, 2010 – $11,114,277) to settle current liabilities of $359,993 (December 31, 2010 – $301,535), as well as its commitments outlined in Note 16.

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 rouble 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 $51,405; a minus 1% change in interest rates would have increased the net loss for the year by $50,768 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 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 CGAAP to IFRS
(iii) Adjustments to the statement of cash flows.

4. Transition to IFRS (continued)

(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.

		June 30, 2010		
	Note 4ii	**CGAAP**	**Adj**	**IFRS**
ASSETS				
Current assets				
Cash and cash equivalents		11,034,572	-	11,034,572
Receivable		486,306	-	486,306
Inventories		1,186,090	-	1,186,090
Prepaid expenses		24,533	-	24,533
Total current assets		12,731,501	-	12,731,501
Non-current assets				
Mineral property	a, b	1,265,117	(132,538)	1,132,579
Property, plant and equipment	b	1,578,648	(304,835)	1,273,813
Total assets		15,575,266	(437,373)	15,137,893
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		318,724	-	318,724
Non-current liabilities				
Asset retirement obligation	a, b	627,733	(17,919)	609,814
Total liabilities		946,457	(17,919)	928,538
SHAREHOLDERS' EQUITY				
Capital Stock		73,771,289	-	73,771,289
Contributed surplus	c	9,041,160	80,675	9,121,835
Accumulated other comprehensive loss	b	-	(47,093)	(47,093)
Deficit	a, c, d, e	(68,183,640)	(453,036)	(68,636,676)
Total shareholders' equity		14,628,809	(419,454)	14,209,355
Total liabilities and shareholders' equity		15,575,266	(437,373)	15,137,893

4. Transition to IFRS (continued)

		Three month ended June 30, 2010			Six month ended June 30, 2010		
		CGAAP	Adj	IFRS	CGAAP	Adj	IFRS
Income							
Interest income	e	17,210	(160)	17,050	27,567	(165)	27,402
Other Income	e	502,453	10,487	512,940	502,453	10,487	512,940
		519,663	10,327	529,990	530,020	10,322	540,342
Expenses							
Exploration costs	e	325,408	(2,595)	322,813	879,206	(1,646)	877,560
General and administrative	e	493,256	4,680	497,936	876,587	39	876,626
Share-based payment	c	12,623	(2,618)	10,005	65,473	(33,481)	31,992
Amortization	b	202,209	(39,874)	162,335	390,533	(63,385)	327,148
Accretion expense	f	9,504	(9,504)	-	19,008	(19,008)	-
Loss on disposal of property, plant and equipment		-	-	-	(1,922)	-	(1,922)
Interest expense	f	-	2,218	2,218	-	4,498	4,498
Foreign exchange loss	b,e	4,322	(11,176)	(6,854)	3,479	(6,796)	(3,317)
Expenses from operations		1,047,322	(58,869)	988,453	2,232,364	(119,779)	2,112,585
Total Loss for the period		**(527,659)**	**69,196**	**(458,463)**	**(1,702,344)**	**130,101**	**(1,572,243)**
Other comprehensive income (loss)							
Exchange differences on translating foreign operations	e	-	46,120	46,120	-	47,093	47,093
Total Comprehensive Loss for the period		**(527,659)**	**115,316**	**(412,343)**	**(1,702,344)**	**177,194**	**(1,525,150)**

(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 $20,843 have been recorded for asset retirement obligation and related asset respectively at the date of transition to IFRS with an offset to accumulated deficit.

(b) Under CGAAP the functional currency of ZAO Prognoz was 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 rouble. 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 $153,381 and on property, plant and equipment of $304,835 at June 30, 2010 were recognized under IFRS with an offset to the Accumulated other comprehensive loss. Translation adjustment to asset retirement obligation was $23,995 for the six months ended June 30, 2010. Under IFRS depreciation expense is translated at average rate for the period as opposed Canadian GAAP where it is translated at historical rates.

(c) CGAAP 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 CGAAP 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, 2010 with an offset to the accumulated deficit balance. An additional adjustment of $33,481 was recognized in the six months ended June 30, 2010 ($2,618 in the three months ended June 30, 2010) with an offset to an accumulated deficit for the period.

4. Transition to IFRS (continued)

(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 rouble 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. Cumulative translation adjustment was $47,093 at June 30, 2010.

(e) For the purpose of translation of income and expense accounts quarter 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. Transitional adjustments of $19,008 and $9,504 were recognized in the six-month and three-month periods ended March 31, 2010 with offset to the loss for the respective periods. The interest expense of $4,498 and $2,218 was recognized in the six- and three-month period ended June 30, 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
Share-based payments	50,303
	$ 574,636

5. Additional IFRS information for the year ended December 31, 2010 (continued)

(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
Share-based payments		76,590
	$	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. RECEIVABLE

		June 30, 2011		December 31, 2010
Russian Value Added Tax	$	167,104	$	10,456
Canadian Harmonized Sales Tax		35,877		10,829
Other		1,821		2,832
	$	204,802	$	24,117

7. INVENTORIES

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

		June 30, 2011		December 31, 2010
Fuel and lubricants	$	476,475	$	480,164
Parts and Supplies		662,124		617,782
	$	1,138,599	$	1,097,946

8. PREPAID EXPENSES

Prepaid expenses consist of the following:

	June 30, 2011	December 31, 2010
Insurance	$ -	$ 30,284
Exploration Services	649,560	1,922
Other	12,053	5,491
	$ 661,613	$ 37,697

9. MINERAL PROPERTY

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

Mineral property consists of the following:

	June 30, 2011	December 31, 2010
Mangazeisky - exploration license	$ 1,152,898	$ 1,085,277

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

The Company acquired the exploration licence in respect of the Mangazeisky property when it acquired all the shares of ZAO Prognoz on October 21, 2004. On 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:

	June 30, 2011	December 31, 2010
Mangazeisky	$ 34,380,740	$ 33,738,142
Russian management costs	1,563,283	1,563,283
Corporate costs related to exploration activities	477,411	477,411
	$ 36,421,434	$ 35,778,836

10. PROPERTY, PLANT AND EQUIPMENT

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

	June 30, 2011			December 31, 2010		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Property plant and equipment:						
Mangazeisky site	$ 4,272,883	$ 3,608,956	$ 663,927	$ 4,016,238	$ 3,161,630	$ 854,608
Yakutsk office	132,609	123,673	8,936	124,181	105,494	18,687
Other office furniture, equipment and leasehold improvements	267,583	251,023	16,560	267,583	240,806	26,777
	$ 4,673,075	$ 3,983,652	$ 689,423	$ 4,408,002	$ 3,507,930	$ 900,072

10. Property, plant and equipment (continued)

Reconciliation of the carrying amount at the beginning and end of the period ended June 30, 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	(246,375)	(11,423)	(10,217)	(268,015)
Exchange differences	49,455	999	-	50,454
Carrying amount at June 30, 2011	$ 663,927	$ 8,936	$ 16,560	$ 689,423

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	June 30, 2011	December 31, 2010
Exploration costs - Mangazeisky project	$ 189,027	$ 130,186
Corporate - accounts payable and accrued liabilities	170,966	171,349
	$ 359,993	$ 301,535

12. SHAREHOLDERS' EQUITY

Common shares

Authorized:
Unlimited number of common shares and preferred shares issued:

	June 30, 2011		December 31, 2010	
	Number of common shares	$	Number of common shares	$
Balance - Beginning of year	37,935,569	73,771,289	37,935,569	73,771,289
Issued pursuant to private placement, net	6,250,000	4,949,225	-	
Issued pursuant to options exercised	15,000	8,234		
Balance - End of year	44,200,569	78,728,748	37,935,569	73,771,289

On May 11, 2011, the Company announced the closing of Private Placement of common shares resulting in aggregate proceeds to the Company of $5 million. 6,250,000 common shares were sold in the Private Placement at a price of $0.80 per share.

12. Shareholders' equity (continued)

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 Board of Directors at its sole discretion but shall not be less than the closing price of the Company's common stock on the Toronto Stock Exchange on the last trading date preceding the date of the grant. The term of each option is granted for a period not exceeding five years from the date of the grant. Except as expressly provided for in the option holder's employment, consulting or termination contract, the option holder may exercise the option to the extent exercisable on the date of such termination at any time within twelve months after the date of termination.

Effective June 9, 2011 the Company changed the maximum aggregate number of Shares reserved by the Company for issuance and which may be purchased upon the exercise of all Options granted under this Plan to be not greater than 10% of the outstanding Shares (on a non-diluted basis) issued and outstanding at the time of the granting of the options.

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 794,056 options are available for future issue as at June 30, 2011.

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 123.8%, forfeiture rate of 6.1%, risk free rate of return of 2.4% 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 6.9%, risk free rate of return of 2.2% and an average expected life of five years. Stock options granted vest gradually over three years, one third on every anniversary of the grant.

12. Shareholders' equity (continued)

On May 11, 2011 1,841,000 options were granted to directors, officers and consultants of the Company. The exercise price of the options is $0.89. Fair market value of the grant was estimated at $1,237,229 using the Black-Sholes stock pricing model with the following assumptions: dividend yield of 0%, expected volatility of 125.7%, forfeiture rate of 6.6%, risk free rate of return of 2.1% and an average expected life of five years. Granted stock options vest gradually over three years, one third on every anniversary of the grant.

	Period ended June 30, 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	1,916,000	0.89	1,245,000	0.59
Surrendered	-	-	(2,861,659)	3.16
Exercised	(15,000)	0.28	-	-
Expired / Cancelled / Forfeited	(178,333)	0.59	(41,667)	0.28
Balance - End of the period	3,626,000	0.69	1,903,333	0.48

As at June 30, 2011, the Company had share options outstanding and exercisable as follows:

	Outstanding		Exercisable	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
2013	640,000	0.28	426,665	0.28
2015	1,070,000	0.59	-	0.00
2016	1,916,000	0.89	-	0.00
	3,626,000	0.69	426,665	0.28

Contributed surplus consists of the following:

	June 30, 2011	December 31, 2010
Balance-Beginning of period	$ 9,166,433	$ 9,089,843
Stock option compensation	264,713	76,590
Exercised options	(4,034)	-
Balance- End of period	$ 9,427,112	$ 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.

13. RELATED PARTY TRANSACTION

Silver Bear shared premises and senior management with New Gold Inc. (NGD) and as a result a cost sharing agreement existed between Silver Bear and NGD for our proportional share of office costs. Agreement has been terminated on June 15, 2011. NGD billed the Company for items paid by NGD $41,298 and $69,864 in the three and six months ended June 30, 2011 ($67,442 and $70,890 in the three and six months ended June 30, 2010). The Company billed NGD $342 and $1,798 in the three and six months ended June 30, 2011 ($7,781 and 14,185 in the three and six months ended June 30 ,2010).

At June 30, 2011, $nil (2010 – $3,448) was receivable from NGD for items paid by Silver Bear and billed to NGD. At June 30, 2011, $6,363 (2010 – $36,849) was payable to NGD for items paid by NGD and billed to Silver Bear.

Effective June 15, 2011 the Company shares premises and senior management with the Forbes & Manhattan group of companies. At June 30, 2011 $nil was receivable from the group and $nil was payable to the group. There were no other transactions between the companies besides the Private Placement.

Compensation of key management

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

	Three months ended		Six months ended	
	June 30, 2011	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Salaries and short-term employee benefits	$ 76,515	$ 135,250	$ 161,765	$ 270,500
Share-based payments	117,181	8,183	192,244	13,877
	$ 193,696	$ 143,433	$ 354,009	$ 284,377

14. EXPENSES BY NATURE

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

	Three months ended		**Six months ended**	
	June 30, 2011	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Employee Benefits	$ 509,281	$ 482,977	$ 937,161	$ 964,861
Amortization	106,455	162,335	268,015	327,148
Professional fees	214,660	186,275	281,712	226,204
Geological & environmental studies	280,610	4,436	280,610	4,436
Transportation	98,212	81,260	99,081	192,484
Camp maintenance	15,605	(21,493)	30,631	18,298
Taxes	10,833	(95,874)	21,317	25,734
Office expenses	62,862	79,228	151,774	190,209
VAT refund	(167,104)	-	(167,104)	-
Other expenses	64,398	109,309	167,185	163,211
	$ 1,195,812	$ 988,453	$ 2,070,382	$ 2,112,585

14. Expenses by nature (continued)

Employee benefits expense for the three and six-month periods ended June 30, 2011 and 2010 consisted of the following:

	Three months ended		Six months ended	
	June 30, 2011	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Salaries and short-term employee benefits	$ 342,419	$ 472,971	$ 673,395	$ 932,869
Share-based payments	167,809	10,005	264,713	31,992
	$ 510,228	$ 482,976	$ 938,108	$ 964,861

15. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	Three months ended		**Six months ended**	
	June 30, 2011	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Receivable	$ (187,028)	$ (437,118)	$(177,822)	$ (128,001)
Inventories	11,682	9,196	27,428	22,194
Prepaid expenses	(615,766)	46,739	(615,925)	65,848
Accounts payable and accrued liabilities	(75,272)	(3,004)	50,068	(46,605)
	$ (866,384)	$ (384,187)	$(716,251)	$ (86,564)

16. COMMITMENTS AND CONTINGENCIES

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

To convert its exploration license, which expires December 31, 2011, to a mining license, Silver Bear is required to complete a Russian Feasibility Study (“RFS”) and register this report, along with a Russian reserve estimate, with the Russian government.

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 June 30, 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.

17. SEGMENTED INFORMATION

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

As at June 30, 2011

Country / Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral Properties	Property, plant and equipment	June 30, 2011 Net Loss
Russia - Mangazeisky	$ 3,421,139	$ 1,138,599	$ 655,989	$ 168,925	$ 1,152,898	$ 672,863	$ 748,210
Canada - corporate	10,430,889	-	5,624	35,877	-	16,560	1,265,049
	$ 13,852,028	$ 1,138,599	$ 661,613	$ 204,802	$ 1,152,898	$ 689,423	$ 2,013,259

As at December 31, 2010

Country / Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral Properties	Property, plant and equipment	June 30, 2010 Net Loss
Russia - Mangazeisky	$ 1,208,168	$ 1,097,946	$ 7,413	$ 12,123	$ 1,085,277	$ 873,295	$ 363,535
Canada - corporate	9,906,109	-	30,284	11,994	-	26,777	1,208,708
	$ 11,114,277	$ 1,097,946	$ 37,697	$ 24,117	$ 1,085,277	$ 900,072	$ 1,572,243

18. 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 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:

	June 30, 2011	December 31, 2010
Balance at the beginning of the period	$ 588,609	$ 614,801
Interest expense	4,536	8,876
Translation adjustment	36,734	(35,068)
Balance at the end of the period	$ 629,879	$ 588,609

18. Asset retirement obligation (continued)

The estimated value of the obligation to rehabilitate the site expressed in Canadian dollars is $634,475. Present value of gross payments that are due in 2012 is $629,879. A Canadian government bond yield of 1.47% has been used in discounting of future cash flows.

19. SUBSEQUENT EVENTS

The Company granted 125,000 stock options on August 2, 2011 and 290,000 on August 11, 2011 to officers and consultants of the Company. These options have an exercise price of $1.07 and $1.01 respectively. These options vest over a three-year period and two-year period respectively and have a contractual life of five years from the date of the grant.