

Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Silver Bear Resources Inc.

For the three months ended March 31, 2012

(Unaudited)

Silver Bear Resources Inc.

Condensed Consolidated Interim Statement of Financial Position

(Canadian dollars)

(Unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	2,018,570	4,282,883
Receivable (note 4)	1,555,267	714,033
Inventories (note 5)	1,951,073	573,727
Prepaid expenses (note 6)	1,740,581	210,433
Total current assets	7,265,491	5,781,076
Non-current assets		
Mineral property (note 7)	1,292,097	1,212,964
Property, plant and equipment (note 8)	1,992,979	636,008
Total assets	10,550,567	7,630,048
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	1,172,103	617,446
Finance lease (note 10)	198,035	-
Total current liabilities	1,370,138	617,446
Non-current liabilities		
Asset retirement obligation (note 17)	623,292	579,478
Finance lease (note 10)	396,070	-
Total liabilities	2,389,500	1,196,924
EQUITY		
Equity attributable to owners of Silver Bear Resources Inc.		
Capital Stock (note 11)	82,230,574	78,730,574
Contributed surplus (note 11)	10,349,793	10,081,156
Accumulated other comprehensive loss	(210,939)	(497,307)
Deficit	(84,208,361)	(81,881,299)
Total equity	8,161,067	6,433,124
Total liabilities and shareholders' equity	10,550,567	7,630,048

Going concern (note 1)

Commitments and contingency (note 15)

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

Approved by the Board of Directors on May 14, 2012

“Mark Trevisiol”

Mark Trevisiol
Director

“Bill Biggar”

Bill Biggar
Director

Silver Bear Resources Inc.

Condensed Consolidated Interim Statement of Loss and Comprehensive Loss For the three months ended March 31, 2012 and 2011

(Canadian dollars)

(Unaudited)

	For the three months ended	
	March 31, 2012	March 31, 2011
Income		
Interest income	5,724	25,363
	<u>5,724</u>	<u>25,363</u>
Expenses (Note 13)		
Exploration costs	1,373,535	305,819
General and administrative	650,458	305,777
Depreciation	21,584	161,560
Share-based payments	268,637	96,904
Interest expense	-	2,239
Foreign exchange loss	18,572	2,271
Expenses from operations	<u>2,332,786</u>	<u>874,570</u>
Net loss for the period	<u>(2,327,062)</u>	<u>(849,207)</u>
Other comprehensive income		
Exchange differences on translating foreign operations	286,368	172,360
Comprehensive loss for the period	<u>(2,040,694)</u>	<u>(676,847)</u>
Weighted average number of common shares outstanding	44,973,133	37,935,569
Basic and diluted loss per share	<u>(0.05)</u>	<u>(0.02)</u>

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

Silver Bear Resources Inc.

Condensed Consolidated Interim Statement of Changes in Equity

For the three months ended March 31, 2012 and 2011

(Canadian dollars)

(Unaudited)

	Attributable to equity owners of Silver Bear Resources Inc.				
	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance - December 31, 2010	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 - December 31, 2011	78,730,574	10,081,156	(497,307)	(81,881,299)	6,433,124
Net loss for the period	-	-	-	(2,327,062)	(2,327,062)
Other comprehensive income (net of tax):					
Cumulative translation adjustment	-	-	286,368	-	286,368
Comprehensive income (loss) for the period	-	-	286,368	(2,327,062)	(2,040,694)
Share based payments	-	268,637	-	-	268,637
Options exercised					-
Net proceeds from issuance shares in private placement	3,500,000				3,500,000
Balance - March 31, 2012	82,230,574	10,349,793	(210,939)	(84,208,361)	8,161,067

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

Silver Bear Resources Inc.

Condensed Consolidated Interim Statement of Cash Flow

For the three months ended March 31, 2012 and 2011

(Canadian dollars)

(Unaudited)

	For the three months ended	
	March 31,	March 31,
	2012	2011
Cash provided by (used in)		
Operating activities		
Total Loss for the period	(2,327,062)	(849,207)
Adjustments for items not affecting cash:		
Depreciation	21,584	161,560
Share-based payments	268,637	96,904
Interest expense	-	2,239
Net change in non-cash working capital (note 14)	(2,845,687)	150,133
Net cash used in operations	(4,882,528)	(438,371)
Investing activities		
Acquisition of property, plant and equipment	(876,024)	(6,912)
Proceeds from sale of property, plant and equipment	-	-
Net cash used in investing activities	(876,024)	(6,912)
Financing activities		
Net proceeds from issuance shares in private placement	3,500,000	-
Proceeds from exercised options	-	-
Net cash generated from financing activities	3,500,000	-
Effect of exchange rate changes on cash and cash equivalents	(5,761)	57,552
Decrease in cash and cash equivalents during the period	(2,264,313)	(387,731)
Cash and cash equivalents - beginning of the period	4,282,883	11,114,277
Cash and cash equivalents - end of the period	2,018,570	10,726,546

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

Silver Bear Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2012 and 2011

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Silver Bear Resources Inc. (“Silver Bear”) was incorporated under the Business Corporations Act of the Province of Ontario, Canada, on April 8, 2004 and continued under Articles of Continuance dated August 30, 2004 under the Business Corporations Act (Yukon) and February 1, 2005 under the Business Corporations Act (Ontario). The primary business of Silver Bear and its subsidiaries (“the Company”) is the evaluation, acquisition, exploration and development of precious metal properties. The head office of the Company is located in Toronto, Canada. The principal asset of the Company is the project described in Note 7. The exploration strategy of the Company is to focus on the discovery of precious metal deposits. To date, Silver Bear has not earned revenue from operations and is considered to be in the exploration stage.

As at March 31, 2012, 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 its 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, 2012, the Company had no source of operating cash flows and reported a net loss for the period then ended of \$2,327,062 and an accumulated deficit of \$84,208,361. 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 continue to meet its obligations as they come due and, hence the ultimate appropriateness of the use of accounting principles applicable to a going concern. On March 16, 2012 the Company closed a \$3.5 million non-brokered private placement (“Private Placement”) of common shares at a price \$0.80 per common share. 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 condensed consolidated interim financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, and the reported comprehensive loss and balance sheet classifications used. These adjustments could be material.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with IFRS, as issued by International Accounting Standards Board (IASB), applicable to the preparation of interim financial statements, including IAS 34 – Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year December 31, 2011, which has been prepared in accordance with IFRS as issued by the IASB.

The Board of Directors approved the financial statements on May 14, 2012.

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.

Silver Bear Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2012 and 2011

(Unaudited)

2. Basis of preparation (continued)

Accounting estimates and management judgments

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

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

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

Critical judgement in applying accounting policies:

- Determination of functional currency

Based on the primary indicators in IAS 21 – The Effects of Change in Foreign Exchange Rates – Russian rouble has been determined as the functional currency of ZAO Prognoz, operating subsidiary of Silver Bear, because Russian rouble is the currency that mainly influences labour, material and other costs of providing goods or services, and is the currency in which these costs are denominated and settled. Significant management judgment was exercised, since the second primary indicator related to the currency influencing the sales price is not applicable, as ZAO Prognoz that does not yet generate any revenue. Effects of changes in foreign exchange rates at the consolidation of financial statements are recorded in the other comprehensive income and carried in the form of cumulative translation adjustment in the accumulated other comprehensive income section of the Statement of financial position of the Company. If the functional currency of the Russian entity had been Canadian dollar, the effect of changes in foreign exchange rates would have been reflected in net income as foreign exchange gain (loss) on the Statement of comprehensive loss.

Key sources of estimation uncertainty:

- Depreciation rates

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

- Rehabilitation provisions and asset retirement obligations

Exploration activities carried by the Company give rise to obligations for environmental rehabilitation. Significant uncertainty exists to the amount and timing of associated cash flows. A Canadian government bond yield is used in discounting of future cash flows as a pre-tax discount rate. A term of the exploration license is used as the discounting period. If the estimated pre-tax discount rate used in the calculation had been higher than the management estimate, the carrying amount of the provision would have been lower and interest expense higher. If the estimated period over which the cash flows associated with the asset retirement obligations are calculated had been longer than the management estimates, the carrying amount of the provision would have been lower as would be interest expense.

Silver Bear Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2012 and 2011

(Unaudited)

2. Basis of preparation (continued)

- Share-based payment transactions

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

New accounting standards

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

IAS 1 – Financial Statements Presentation.

On 16 June 2011 the IASB issued amendments to IAS 1 *Financial Statement Presentation*. These amendments improve presentation of components of other comprehensive income. The new requirements are effective for annual periods beginning on or after 1 July 2012. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 9 – Financial Instruments

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10 – Consolidated Financial Statements.

IFRS 10 (issued in May 2011) provides a single consolidation model that identifies control as the basis for consolidation for all types of entities and establishes principles for the preparation and presentation of consolidated financial statements when an entity controls one or more entities. IFRS 10 replaces IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation—Special Purpose Entities* and is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Silver Bear Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2012 and 2011

(Unaudited)

2. Basis of preparation (continued)

IFRS 12 – Disclosure of Interest in Other Entities

IFRS 12 (issued in May 2011) sets the disclosure requirements for an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company has not yet determined whether it will adopt the standard early, but doesn't anticipate any significant impact the standard.

New accounting policies:

Leases

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

Finance leases

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

Operating leases

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

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 plans to raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties where sufficient geologic or economic potential are noted and if financial resources exist to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

Silver Bear Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2012 and 2011

(Unaudited)

3. Capital management and financial risk factors (continued)

There were no changes in the Company's approach to capital management during the three months ended March 31, 2012 compared to the year ended December 31, 2011. 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 a major Russian bank with credit rating from AA for Canadian banks and BB for Russian bank and a stable future outlook. Miscellaneous receivables and prepaid expenses other than taxes due from the Federal Government of Canada and Russian Value Added Tax refunds from the Russian tax authorities are insignificant. Management believes that the credit risk concentration with respect to accounts receivable is low.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. As at March 31, 2012, the Company had a cash balance of \$2,018,570 (December 31, 2011 – \$4,282,883) to settle current liabilities of \$1,370,138 (December 31, 2011 – \$617,446), 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 low and therefore does not hedge its foreign exchange risk.

Sensitivity analysis

Sensitivity to a plus (minus) 10% change in interest rates would have affected the net loss for the period by a reduction (increase) of \$571.

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. Have the foreign exchange rates been higher (lower) by 5%, the cumulative translation adjustment in the other comprehensive income section of the Statement of financial position would have been lower (higher) by \$141,197.

Silver Bear Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements For the three months ended March 31, 2012 and 2011 (Unaudited)

4. RECEIVABLE

	March 31, 2012	December 31, 2011
Russian Value Added Tax	\$ 1,217,500	\$ 652,632
Canadian Harmonized Sales Tax	111,951	61,401
Other	225,816	-
	\$ 1,555,267	\$ 714,033

5. 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, 2012	December 31, 2011
Fuel and lubricants	\$ 919,775	\$ 93,562
Parts and supplies	1,031,298	480,165
	\$ 1,951,073	\$ 573,727

6. PREPAID EXPENSES

Prepaid expenses consist of the following:

	March 31, 2012	December 31, 2011
Insurance	\$ 15,448	\$ 30,949
Exploration services and goods	1,532,767	107,688
Employee advances	16,527	19,619
Rent and administrative costs	175,839	52,177
	\$ 1,740,581	\$ 210,433

7. MINERAL PROPERTY

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

Mineral property consists of the following:

	March 31, 2012	December 31, 2011
Mangazeisky		
Balance at the beginning of the period	1,212,964	1,085,277
Additions	-	159,520
Translation adjustment	79,133	(31,833)
Balance at the end of the period	\$ 1,292,097	\$ 1,212,964

Silver Bear Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2012 and 2011

(Unaudited)

7. Mineral property (continued)

The Company acquired the exploration licence in respect of the Mangazeisky property when it acquired all the shares of ZAO Prognoz on October 21, 2004. On December 21, 2011, the Mangazeisky License was extended by the Federal Subsoil Use Agency in the Russian Federation (“Rosnedra”) through December 31, 2012.

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

	March 31, 2012	December 31, 2011
Mangazeisky	\$ 46,181,807	\$ 44,808,272

8. PROPERTY, PLANT AND EQUIPMENT

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

	March 31, 2012			December 31, 2011		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Property plant and equipment:						
Mangazeisky site	\$ 5,593,001	\$ 3,607,118	\$ 1,985,883	\$ 3,961,848	\$ 3,338,918	\$ 622,930
Yakutsk office	130,272	128,143	2,129	121,114	117,972	3,142
Other office furniture, equipment and leasehold improvements	267,583	262,616	4,967	267,583	257,647	9,936
	\$ 5,990,856	\$ 3,997,877	\$ 1,992,979	\$ 4,350,545	\$ 3,714,537	\$ 636,008

Reconciliation of the carrying amount at the beginning and end of the three months ended March 31, 2012 and 2011.

	Mangazeisky site equipment	Yakutsk equipment	Office equipment	Total
Carrying amount at January 1, 2011	\$ 854,608	\$ 18,687	\$ 26,777	\$ 900,072
Additions	65,581	673	-	66,254
Disposals	-	-	-	-
Depreciation	(291,263)	(16,761)	(16,841)	(324,865)
Exchange differences	(5,996)	543	-	(5,453)
Carrying amount at December 31, 2011	\$ 622,930	\$ 3,142	\$ 9,936	\$ 636,008
Carrying amount at January 1, 2012	\$ 622,930	\$ 3,142	\$ 9,936	\$ 636,008
Additions	1,331,602	-	-	1,331,602
Disposals	-	-	-	-
Depreciation	(15,390)	(1,225)	(4,969)	(21,584)
Exchange differences	46,741	212	-	46,953
Carrying amount at March 31, 2012	\$ 1,985,883	\$ 2,129	\$ 4,967	\$ 1,992,979

The carrying value of equipment held under finance leases as at March 31, 2012 was \$1,043,363 (December 31, 2011 - \$Nil). Additions during the three months ended March 31, 2012 included \$1,043,363 of equipment under finance leases. Leased assets are pledged as security for the related finance lease obligations.

Silver Bear Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements For the three months ended March 31, 2012 and 2011 (Unaudited)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	March 31, 2012	December 31, 2011
Exploration costs - Mangazeisky project	\$ 796,541	\$ 147,795
Corporate - accounts payable and accrued liabilities	375,562	469,651
	\$ 1,172,103	\$ 617,446

10. FINANCE LEASE

The Company entered into a long-term lease agreement with Caterpillar Financial Ltd. for the purchase of certain exploration equipment payable in monthly installments over a three-year period. The lease payments were discounted at a rate of 11.5%. The Company made a downpayment for the 50% of the cost of equipment.

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

Payments due by period	March 31, 2012	December 31, 2011
Within one year	\$ 240,442	\$ -
With two to five years	470,189	-
Over five	-	-
	710,631	-
Future finance charges on finance lease	(116,525)	-
Present value of lease payments	\$ 594,105	\$ -

11. SHAREHOLDERS' EQUITY

Common shares

Authorized:

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

Reconciliation of the number and value of common shares at the beginning and end of the three months ended March 31, 2012 and December 31, 2011 follows. All issued shares are fully paid.

	March 31, 2012		December 31, 2011	
	Number of common shares	\$	Number of common shares	\$
Balance - Beginning of period	44,203,902	78,730,574	37,935,569	73,771,289
Issued pursuant to private placement, net	4,375,000	3,500,000	6,250,000	4,949,225
Issued pursuant to options exercised	-	-	18,333	10,060
Balance - End of period	48,578,902	82,230,574	44,203,902	78,730,574

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 from the issue of 6,250,000 common shares at a price of \$0.80 per share. Share issue costs amounted to \$50,775.

Silver Bear Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2012 and 2011

(Unaudited)

11. Shareholders' equity (continued):

On March 16, 2012 the Company completed a non-brokered private placement financing of 4,375,000 common shares of the Company (the "Common Shares") at an issue price of \$0.80 for gross proceeds in the amount of \$3,500,000 (the "Private Placement"). Tabac Ventures Limited ("Tabac"), a company affiliated with Aterra Capital, an investment fund established by Alexey Mordashov, acquired all of the Common Shares issued in connection with the Private Placement. Subsequent to March 31, 2012, a nominee of Tabac was appointed to the Board of Directors of the Company.

Stock Options

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

The maximum aggregate number of Shares reserved by the Company for issuance and which may be purchased upon the exercise of all Options granted under its option plan is 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. As at March 2012 the total number of options available to issue was 4,857,890. A total of 821,223 options are available for future issue as at March 31, 2012.

During the three months ended March 31, 2012, no stock options (three months ended March 31, 2011: 75,000) were granted to directors, officers, or employees of the Company. However certain options vested during the period ended March 31, 2012 generating a share based payments expense of \$268,637 (three months ended March 31, 2011: \$96,904) The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years. The expected life of the option was calculated based on the history of option exercises.

	March 31, 2012		December 31, 2011	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance - Beginning of the period	4,036,667	0.73	1,903,333	0.48
Granted	-	-	2,331,000	0.91
Exercised	-	-	(18,333)	0.28
Expired / Cancelled / Forfeited	-	-	(179,333)	0.59
Balance - End of the period	4,036,667	0.73	4,036,667	0.73

As at March 31, 2012, the Company had share options outstanding and exercisable as follows:

Silver Bear Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2012 and 2011

(Unaudited)

11. Shareholders' equity (continued):

Expiry year	Outstanding		Exercisable	
	Number	Weighted	Number	Weighted
		average		average
		exercise price		exercise price
		\$		\$
2013	636,667	0.28	636,667	0.28
2015	1,070,000	0.59	356,666	0.59
2016	2,330,000	0.91	121,667	1.01
	4,036,667	0.73	1,115,000	0.46

Contributed surplus consists of the following:

	March 31, 2012	December 31, 2011
Balance-Beginning of year	\$ 10,081,156	\$ 9,166,433
Share-based payments	268,637	919,649
Exercised options		(4,926)
Balance- End of year	\$ 10,349,793	\$ 10,081,156

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.

	March 31, 2012	March 31, 2011
Net loss	(2,327,062)	(849,207)
Weighted average number of common shares out	44,973,133	37,935,569
	\$ (0.05)	\$ (0.02)

12. RELATED PARTY DISCLOSURES

The Company shares office space with companies that have officers or directors in common with the Company. The costs associated with this space are administered by 2227929 Ontario Inc.

Aservices Ltd., a company controlled by Alfa Group Consortium, a shareholder of the Company, provided consulting services relating to the exploration license extension. Mr. Andrey Tseshinskiy was appointed as Alfa Group's representative to the Board of Directors of the Company effective September 23, 2011.

In addition, effective May 11, 2011, an administration fee of \$25,000 per month is charged by Forbes & Manhattan Inc. pursuant to a consulting agreement entered into between the companies. Mr. Stan Bharti, a director of the Company, is the Executive Chairman of Forbes & Manhattan Inc.

The following balances were outstanding as at March 31, 2012 and December 31, 2011:

	Amounts owed by related parties		Amounts owed to related parties	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Oustanding balances				
2227929 Ontario Inc.	47,460	36,104	27,299	20,259
Aservices Ltd.	-	-	-	160,000
	\$ 47,460	\$ 36,104	\$ 27,299	\$ 180,259

Silver Bear Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2012 and 2011

(Unaudited)

12. Related party disclosures (continued)

During the three months ended March 31, 2012 and year ended December 31, 2011 the Company entered into transactions with the following related parties:

Goods and services received from (provided to):	Goods and services received		Goods and services provided	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
New Gold Inc.	\$ -	\$ 76,760	\$ -	\$ 1,798
2227929 Ontario Inc.	101,401	113,086	-	-
Forbes & Manhattan Inc.	75,000	211,875	-	52,257
Aservices Ltd.	-	160,000	-	-
Other entites of F&M Group	-	83,251	-	-
	\$ 176,401	\$ 644,972	\$ -	\$ 54,055

Compensation of key management

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

	March 31, 2012	March 31, 2011
Salaries, fees and short-term employee benefits	\$ 186,781	\$ 85,250
Share-based payments	176,052	75,063
	\$ 362,833	\$ 160,313

13. EXPENSES BY NATURE

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

	March 31, 2012	March 31, 2011
Employee Benefits	\$ 1,134,389	427,880
Drilling and trenching	99,471	-
Depreciation	21,584	161,560
Professional fees	62,094	67,052
Geological & environmental studies	133,458	-
Transportation	352,818	869
Camp maintenance	121,975	15,026
Taxes	10,705	10,484
Office expenses	194,984	88,912
Travel expenses	58,252	-
Other expenses	143,056	102,787
	\$ 2,332,786	\$ 874,570

Employee benefits expense for the three months ended March 31, 2012 and 2011 consisted of the following:

	March 31, 2012	March 31, 2011
Salaries, fees and short-term employee benefits	\$ 865,752	\$ 330,976
Share-based payments	268,637	96,904
	\$ 1,134,389	\$ 427,880

Silver Bear Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements For the three months ended March 31, 2012 and 2011 (Unaudited)

14. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	Year ended	
	March 31, 2012	March 31, 2011
Receivable	\$ (775,633)	\$ 9,206
Inventories	(1,304,716)	15,746
Prepaid expenses	(1,488,838)	(159)
Accounts payable and accrued liabilities	723,500	125,340
	\$ (2,845,687)	\$ 150,133

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 undertake 5,000 cubic metres of trenching and 3,000 metres of drilling to satisfy license agreement requirements in 2012. The Company is in the process of converting its exploration license, which expires December 31, 2012, to a mining license. As part of the process the Company has completed a required Russian Feasibility Study ("RFS") and submitted it along with a Russian reserve estimate to the Russian government.

The Company entered into a long-term lease agreement with Caterpillar Financial Ltd. for the purchase of certain exploration equipment payable in monthly installments of US\$19,703.16 over a three-year period.

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, 2012.

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 December 31, 2011

Country / Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral Properties	Property, plant and equipment	Net Loss
Russia - Mangazeisky	\$ 241,847	\$ 573,727	\$ 117,597	\$ 652,632	\$ 1,212,964	\$ 626,072	\$ 8,289,601
Canada - corporate	4,041,036	-	92,836	61,401	-	9,936	4,234,726
	\$ 4,282,883	\$ 573,727	\$ 210,433	\$ 714,033	\$ 1,212,964	\$ 636,008	\$ 12,524,327

As at March 31, 2012

Country / Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral Properties	Property, plant and equipment	Net Loss
Russia - Mangazeisky	\$ 668,827	\$ 1,951,073	\$ 1,606,217	\$ 1,443,316	\$ 1,292,097	\$ 1,988,012	\$ 1,265,914
Canada - corporate	1,349,742	-	134,364	111,951	-	4,967	1,061,147
	\$ 2,018,570	\$ 1,951,073	\$ 1,740,581	\$ 1,555,267	\$ 1,292,097	\$ 1,992,979	\$ 2,327,062

Silver Bear Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2012 and 2011

(Unaudited)

17. PROVISION FOR DECOMMISSIONING AND RESTORATION LIABILITY

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

The Company's provision for decommissioning and restoration liability consist of management's best estimate of reclamation and closure costs for Mangazeisky exploration project located in the Republic of Sakha, Yakutia in the Russian Federation. Significant reclamation and closure activities include land rehabilitation, demolition of buildings and site facilities, on-going care and maintenance and other costs.

Asset retirement obligation consists of the following:

	March 31, 2012	December 31, 2011
Balance at the beginning of the period	\$ 579,478	\$ 588,609
Interest expense	-	8,942
Translation adjustment	43,814	(18,073)
Balance at the end of the period	\$ 623,292	\$ 579,478

The estimated value of the obligation to rehabilitate the site expressed in Canadian dollars is \$632,292. A Canadian government bond yield of 1.47% has been used in discounting of future cash flows.

18. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at March 31, 2012 and December 31, 2011 were as follows:

	Assets/liabilities			TOTAL
	Loans and receivables	at fair value through profit and loss	Other liabilities	
At March 31, 2012				
Cash and cash equivalents	2,018,570	-	-	2,018,570
Accounts Receivables	1,555,267	-	-	1,555,267
Accounts payables and accrued liabilities	-	-	1,172,103	1,172,103
Finance lease			594,105	594,105
At December 31, 2011				
Cash and cash equivalents	4,282,883	-	-	4,282,883
Accounts Receivables	714,033	-	-	714,033
Accounts payables and accrued liabilities	-	-	617,446	617,446

The carrying value of cash equivalents, amounts receivable, finance lease accounts payable and accrued liabilities reflected in the consolidated statement of financial position approximate fair value.

Silver Bear Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2012 and 2011

(Unaudited)

19. EVENTS AFTER THE REPORTING PERIOD

On April 4, 2012 317,500 options were granted to consultants of the Company. The exercise price of the options is \$0.62. Granted stock options vest gradually over two years, one-third at the grant date, and one-third on every anniversary of the grant.

On April 24, 2012 100,000 options were granted to a new director of the Company. The exercise price of the options is \$0.56. Granted stock options vest gradually over two years, one-third at the grant date, and one-third on every anniversary of the grant.