Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Silver Bear Resources Inc.

For the three and nine months ended September 30, 2013 and 2012

(Unaudited)

NOTICE OF NO REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

Silver Bear Resources Inc.

Condensed Consolidated Interim Statement of Financial Position

(Canadian dollars)

	September 30, 2013	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	78,717	141,669
Receivable (note 4)	247,659	354,677
Inventories (note 5)	1,335,279	1,781,914
Prepaid expenses (note 6)	187,822	86,181
Total current assets	1,849,477	2,364,441
Non-current assets		
Mineral property (note 7)	2,477,909	1,791,068
Property, plant and equipment (note 8)	1,805,906	2,065,814
Total assets	**6,133,292**	**6,221,323**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	1,573,879	1,294,795
Short-term loans (note 10)	1,998,825	50,000
Finance lease (note 11)	334,190	221,212
Total current liabilities	3,906,894	1,566,007
Non-current liabilities		
Asset retirement obligation (note 18)	1,192,973	1,143,383
Finance lease (note 11)	100,708	243,182
Total liabilities	5,200,575	2,952,572
EQUITY		
Equity attributable to owners of Silver Bear Resources Inc.		
Share capital (note 12)	84,762,722	83,580,384
Contributed surplus (note 12)	12,011,314	11,473,112
Accumulated other comprehensive loss	(618,162)	(517,054)
Deficit	(95,223,157)	(91,267,691)
Total equity	932,717	3,268,751
Total liabilities and shareholders' equity	**6,133,292**	**6,221,323**

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

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

Approved by the Board of Directors on November 12, 2013

"Mark Trevisiol"	**"Christopher Westdal"**
Mark Trevisiol	**Christopher Westdal**
Director	Director

Silver Bear Resources Inc.

Condensed Consolidated Interim Statement of Comprehensive Loss

For the three and nine months ended September 30, 2013 and 2012

(Canadian dollars)

	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Income				
Interest income	352	1,941	395	10,242
	352	1,941	395	10,242
Expenses (Note 14)				
Exploration costs	473,045	877,740	1,750,073	5,256,570
General and administrative	450,570	458,657	1,452,654	1,753,255
Depreciation	67,295	41,172	213,959	157,982
Share-based payments	66,269	286,813	241,413	843,363
Accretion expense	25,922	-	79,491	-
Interest expense	21,723	15,473	178,760	37,873
Foreign exchange loss	(19,766)	(71,725)	39,511	5,570
Expenses from operations	1,085,058	1,608,130	3,955,861	8,054,613
Net loss for the period	(1,084,706)	(1,606,189)	(3,955,466)	(8,044,371)
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(46,061)	9,951	(101,108)	(149,446)
Comprehensive loss for the period	(1,130,767)	(1,596,238)	(4,056,574)	(8,193,817)
Weighted average number of common shares outstanding	62,149,949	49,465,389	57,381,845	49,353,671
Basic and diluted loss per share	(0.02)	(0.03)	(0.07)	(0.16)

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 nine months ended September 30, 2013 and 2012

(Canadian dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance - December 31, 2011	78,730,574	10,081,156	(497,307)	(81,881,299)	6,433,124
Net loss for the period	-	-	-	(8,044,371)	(8,044,371)
Other comprehensive loss:					
Cumulative translation adjustment	-	-	(149,446)	-	(149,446)
Comprehensive loss for the period	-	-	(149,446)	(8,044,371)	(8,193,817)
Share based payments	-	843,363	-	-	843,363
Net proceeds from issuance shares in private placement	4,849,810	-	-	-	4,849,810
Warrants		393,535			393,535
Balance -September 30, 2012	**83,580,384**	**11,318,054**	**(646,753)**	**(89,925,670)**	**4,326,015**
Balance - December 31, 2012	83,580,384	11,473,112	(517,054)	(91,267,691)	3,268,751
Net loss for the period	-	-	-	(3,955,466)	(3,955,466)
Other comprehensive loss:					
Cumulative translation adjustment	-	-	(101,108)	-	(101,108)
Comprehensive loss for the period	-	-	(101,108)	(3,955,466)	(4,056,574)
Net proceeds from issuance shares in private placement	1,182,338	-	-	-	1,182,338
Share based payments	-	241,413	-	-	241,413
Warrants	-	296,789	-	-	296,789
Balance -September 30, 2013	**84,762,722**	**12,011,314**	**(618,162)**	**(95,223,157)**	**932,717**

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 nine months ended September 30, 2013 and 2012

(Canadian dollars)

	For the nine months ended	
	September 30, 2013	September 30, 2012
Cash provided by (used in)		
Operating activities		
Total Loss for the period	(3,955,466)	(8,044,371)
Adjustments for items not affecting cash:		
Depreciation	213,959	157,982
Share-based payments	241,413	843,363
Accretion expense	79,491	-
Interest expense	41,355	-
Net change in non-cash working capital (note 15)	917,692	(537,669)
Net cash used in operations	(2,461,556)	(7,580,695)
Investing activities		
Acquisition of mineral property	(740,967)	(1,141,073)
Net cash used in investing activities	(740,967)	(1,141,073)
Financing activities		
Net proceeds from issuance units in private placement	1,247,872	5,243,345
Finance lease repayment	(63,229)	(86,138)
Short-term loan	1,948,825	-
Net cash generated from financing activities	3,133,468	5,157,207
Effect of exchange rate changes on cash and cash equivalents	6,103	14,472
Decrease in cash and cash equivalents during the period	(62,952)	(3,550,089)
Cash and cash equivalents - beginning of the period	141,669	4,282,883
Cash and cash equivalents - end of the period	78,717	732,794
Cash and cash equivalents consist of:		
Cash	43,717	697,794
Cash equivalents	35,000	35,000
	78,717	732,794

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

As at September 30, 2013, 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 International Financial Reporting Standards ("IFRS") applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due for the foreseeable future. As at September 30, 2013, the Company had no source of operating cash flows and reported a net loss for the nine-month period then ended of $3,955,861 and a deficit of $95,223,157. In order to fund operations and maintain rights under licenses and agreements, the Company must secure sufficient future funding. In these circumstances, there exists significant doubt as to the ability of the Company to continue to meet its obligations as they come due and, hence the ultimate appropriateness of the use of accounting principles applicable to a going concern. The Company has an immediate need for additional capital and, while it has been successful in obtaining short term bridge financing (see Notes 10 and 20) in order to meet its funding requirements 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 to the carrying value of assets and liabilities, the expenses, the reported comprehensive loss and balance sheet classifications used that would be necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. These adjustments could be material.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with the Handbook of the Canadian Institute of Charted Accountants, in accordance with IFRS, as issued by International Accounting Standards Board ("IASB"), applicable to the preparation of consolidated financial statements and in accordance with accounting policies based on IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The Company has consistently applied the accounting policies used in the preparation of its IFRS statement of financial position throughout all periods presented, as if these policies had always been in effect.

These 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, 2012, which has been prepared in accordance with IFRS as issued by the IASB.

The Board of Directors approved the financial statements on November 12, 2013.

2. BASIS OF PREPARATION (Continued)

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

Accounting estimates and management judgments

The preparation of condensed consolidated interim 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 condensed consolidated interim 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.

- Assets' carrying values and impairment charges

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

- Impairment of mineral properties

  While assessing whether any indications of impairment exist for mineral properties, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral properties.

2. BASIS OF PREPARATION (Continued)

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

- Contingencies

  Refer to Note 16.

Key sources of estimation uncertainty:

- Depreciation rates

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

- Rehabilitation provisions and asset retirement obligations

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

  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 that the management estimates, the carrying amount of the provision would have been lower as would be interest expense.

- Share-based payment transactions

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

New accounting standards

The following 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. Updates that are not applicable or are not consequential to the Company have been excluded thereof.

IAS 1 – Financial Statements Presentation ("IAS 1").

On 16 June 2011 the IASB issued amendments to IAS 1*Financial Statement Presentation*. These amendments improve presentation of components of other comprehensive income require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled in the future.

2. BASIS OF PREPARATION (Continued)

Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012. There is no significant impact of the amendments to IAS 1 on the Company's financial statements.

IFRS 9 – Financial Instruments ("IFRS 9")

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")

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*. The Company adopted IFRS 10 in its financial statements for the annual period beginning January 1, 2013.The Company's subsidiary is 100% owned and the Company is in compliance with IFRS 10. There is no change to the presentation of the Company's financial statement as a result of adoption IFRS 10.

IFRS 12 – Disclosure of Interest in Other Entities ("IFRS 12")

IFRS 12 (issued in May 2011) sets the disclosure requirements for an entity's interest in subsidiaries, joint arrangements, special purpose and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Adoption of IFRS 12 has no impact of the standard on the Company's financial statements.

IFRS 13 – Fair Value Measurement ("IFRS 13")

IFRS 13 converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. There is no impact of the standard on the Company's financial statements.

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.

3. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS (Continued)

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

There were no changes in the Company's approach to capital management during the three and nine months ended September 30, 2013 compared to the year ended December 31, 2012. 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 September 30, 2013, the Company had a cash balance of $78,717 (December 31, 2012 – $141,669). The Company had total obligations of $434,890 at September 30, 2013 (December 31, 2012 – $464,394) under a three-year finance lease of exploration equipment and a short-term loans of 1,998,825 (December 31, 2012 – $50,000) repayable within six month of the date of a loan agreement.

At September 30, 2013 the Company had total current assets of $1,849,477 (December 31, 2012 - $2,364,441) to settle current liabilities of $3,906,894 (December 31, 2012 – $1,566,007), as well as its commitments outlined in Note 16.

Interest rate risk

The Company has cash balances 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.

3. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS (Continued)

Sensitivity analysis

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. RECEIVABLE

	September 30, 2013	December 31, 2012
Russian Value Added Tax	$ 76,767	$ 121,370
Canadian Harmonized Sales Tax	44,437	$ 50,754
Other	126,454	182,553
	$ 247,659	$ 354,677

5. INVENTORIES

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

	September 30, 2013	December 31, 2012
Fuel and lubricants	$ 370,919	$ 588,486
Parts and supplies	964,360	1,193,428
	$ 1,335,279	$ 1,781,914

6. PREPAID EXPENSES

Prepaid expenses consist of the following:

	September 30, 2013	December 31, 2012
Insurance	$ 25,169	$ 25,880
Exploration services and goods	155,381	3,109
Consulting services	-	52,500
Employee advances	2,837	345
Rent and administrative costs	4,436	4,347
	$ 187,822	$ 86,181

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:

Mangazeisky	September 30, 2013	December 31, 2012
Balance at the beginning of the period	$ 1,791,068	$ 1,212,964
Additions	727,388	545,940
Translation adjustment	(40,547)	32,164
Balance at the end of the period	$ 2,477,909	$ 1,791,068

7. MINERAL PROPERTY (Continued)

The change in value of the asset is due to additional cost incurred in the process of obtaining mining license, and foreign exchange difference on translation of the asset.

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

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

	September 30, 2013	December 31, 2012
Mangazeisky	$ 52,427,773	$ 50,677,700

8. PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2013			December 31, 2012		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Property plant and equipment:						
Mangazeisky site	$ 5,586,341	$ 3,780,435	$ 1,805,906	$ 5,728,711	$ 3,662,897	$ 2,065,814
Yakutsk office	121,766	121,766	-	124,869	124,869	-
Other office furniture, equipment and leasehold improvements	59,620	59,620	-	267,583	257,647	-
	$ 5,767,727	$ 3,961,821	$ 1,805,906	$ 6,121,163	$ 4,045,413	$ 2,065,814

Reconciliation of the carrying amount at the beginning and end of the years ended December 31, 2012 and the nine-month period ended September 30, 2013.

	Mangazeisky site equipment	Yakutsk equipment	Office equipment	Total
Carrying amount at January 1, 2012	$ 622,930	$ 3,142	$ 9,936	$ 636,008
Additions	1,687,304	-	-	1,687,304
Disposals	-	-	-	-
Depreciation	(217,240)	(3,193)	(9,936)	(230,369)
Exchange differences	(27,180)	51	-	(27,129)
Carrying amount at December 31, 2012	$ 2,065,814	$ -	$ -	$ 2,065,814
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	(213,959)	-	-	(213,959)
Exchange differences	(45,949)		-	(45,949)
Carrying amount at June 30, 2013	$ 1,805,906	$ -	$ -	$ 1,805,906

The carrying value of equipment held under finance leases as at September 30, 2013 was $753,780 (December 31, 2012 - $866,748). There were no addtions or disposals of capital assets during the three and nine months ended September 30, 2013. Leased assets are pledged as security for the related finance lease obligations.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	September 30, 2013	December 31, 2012
Exploration costs - Mangazeisky project	$ 260,198	$ 432,170
Corporate - accounts payable and accrued liabilities	$ 1,313,681	862,625
	$ 1,573,879	$ 1,294,795

10. SHORT-TERM LOANS

On January 30, 2013, amended March 12, 2013, the Company entered into a loan agreement with Forbes & Manhattan Inc. Forbes & Manhattan Inc. agreed to provide an unsecured bridge loan in the amount of $350,000 in three tranches originally repayable in cash on the earlier of (a) July 30, 2013 and (b) the date on which the Company completes an equity financing. The Executive Chairman of Forbes & Manhattan Inc. is a director of the Company. Interest is calculated at rate of 8% per annum and is payable on maturity of the loan. On June 28, 2013 Forbes & Manhattan Inc. advanced the Company $25,000 and another $150,000 in July 2013. The principal of the loan of $525,000 was outstanding at September 30, 2013.

On September 18, 2013 the Company entered into another loan agreement with Forbes & Manhattan Inc. Forbes & Manhattan Inc. agreed to provide an unsecured loan in the amount of $500,000 due on December 9, 2013. Interest is calculated at rate of 20% per annum and is payable on maturity of the loan. The principal of the loan was outstanding at September 30, 2013.

On March 25, 2013, the Company entered into a loan agreement with Aberdeen International Inc. Aberdeen International Inc. agreed to provide an unsecured loan in the amount of $400,000 repayable on the earlier of (a) October 2, 2013 and (b) the date on which the Company completes an equity financing. Interest is calculated at a rate of 30% per annum and was prepaid at the time the loan was advanced. Mr. Bharti, a director of the Company, is the Chairman of the Board of Aberdeen International Inc. The first tranche of $50,000 was received on March 25, 2013, the second tranche of $250,000 was received on April 4, 2013. The loan was partially repaid on June 4, 2013, with a balance of $31,000 outstanding at September 30, 2013.

On April 24, 2013 the Company entered into a loan agreement with Aterra Investments Ltd. Aterra Investments Ltd. agreed to provide an unsecured loan in the amount of $400,000 repayable in cash on the earlier of (a) October 22, 2013 and (b) the date on which the Company completes an equity financing. Interest is calculated at a rate of 30% per annum and was prepaid at the time the loan was advanced. Mr. Boris Granovsky, a director of the Company, is a managing partner of Aterra Capital, a management company for Aterra Investments Ltd. The principal of the loan was outstanding at September 30, 2013.

On August 7, 2013 the Company entered into a loan agreement with Aterra Investments Ltd., who agreed to provide an unsecured loan in the amount of $30,000 repayable on or before February 7, 2014. Interest on the loan is calculated at a rate of 20% per annum and is payable on maturity of the loan. The principal of the loan was outstanding at September 30, 2013.

On September 18, 2013 the Company entered into another loan agreement with Aterra Investments Ltd. Aterra Investments Ltd. agreed to provide an unsecured loan in the amount of $500,000 due on December 9, 2013. Interest is calculated at rate of 20% per annum and is payable on maturity of the loan. Mr. Boris Granovsky, a director of the Company, is a managing partner of Aterra Capital, a management company for Aterra Investments Ltd. The principal of the loan was outstanding at September 30, 2013.

11. FINANCE LEASE

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

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

11. FINANCE LEASE (Continued)

Payments due by period		September 30, 2013		December 31, 2012
Within one year	$	344,500	$	235,232
With two to five years		121,588		294,040
		466,088		529,272
Future finance charges on finance lease		(31,190)		(64,878)
Present value of the net lease payments		434,898		464,394
Current portion		334,190		221,212
Long-term portion		100,708		243,182
Total obligations under finance lease	$	434,898	$	464,394

12. SHAREHOLDERS' EQUITY

Common shares

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

All issued shares are fully paid. Reconciliation of the number and value of common shares at the beginning and end of the year ended December 31, 2012 and nine-month period ended September 30, 2013:

	September 30, 2013		December 31, 2012	
	Number of common shares	$	Number of common shares	$
Balance - Beginning of period	53,866,307	83,580,384	44,203,902	78,730,574
Issued pursuant to private placement, net	8,283,642	1,182,338	9,662,405	4,849,810
Balance - End of period	62,149,949	84,762,722	53,866,307	83,580,384

On June 4, 2013 the Company closed private placement financing through the sale of 7,044,998 units (the "Units") at a price of $0.18 per Unit for gross proceeds of $1,268,100. Each Unit consists of one common share of the Company (a "Common Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder thereof to acquire a Common Share at the exercise price of $0.33 per share until June 4, 2016. The Common Shares, the Warrants, and the shares issuable upon the exercise of the Warrants, are subject to statutory resale restrictions for a period until October 5, 2013. The Company used the gross proceeds of the Offering to finance its exploration program and Feasibility Study for the Mangazeisky Silver Project, to repay debt and supplement general working capital.

On June 25, 2013 the Company issued 1,238,644 common shares of the Company at a deemed price of $0.187 per common share to settle outstanding debt in relation to past services provided by Landdrill International Inc.

See Note 20 for the events after the reporting period.

Share Bonus Plan

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

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

11. SHAREHOLDERS' EQUITY (Continued)

October 1, 2013	-	275,000 common shares
January 1, 2014	-	275,000 common shares
April 1, 2014	-	275,000 common shares
July 1, 2014	-	275,000 common shares

Subsequent to September 30, 2013, 275,000 common shares under the share bonus plan were issued to certain officers, directors and consultants of the Company valued at $0.125 per share.

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 September 30, 2013 the total number of options available for issue was 6,214,994. A total of 1,177,494 options are available for future issue as at September 30, 2013.

During the period ended September 30, 2013 options generated a share based payments expense of $241,413 (nine months ended September 30, 2012: $843,363). The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option. Expected volatility is based on the historical share price volatility over the past 5 years. The expected life of the option was calculated based on the history of option exercises.

On April 9, 2013 350,000 options were granted to a director and executive officer of the Company at a grant price of $0.24. Options vest in three equal installments: 1/3 on the day of the grant, 1/3 on the first and second anniversary of the grant. The fair value of these options was estimated to be $57,172 with the following assumptions: expected volatility of 107%, dividend yield of 0%, risk-free interest rate of 1.11% and expected life of 5 years.

See Note 20 for events after the reporting period.

Reconciliation of the number of options at the beginning and end of the year ended December 31, 2012 and nine months ended September 30, 2013 follows:

	September 30, 2013		December 31, 2012	
	Number	Weighted average exercise price, $	Number	Weighted average exercise price, $
Balance - Beginning of the period	4,844,167	0.70	4,036,667	0.73
Granted	350,000	0.24	932,500	0.55
Expired / Cancelled / Forfeited	(156,667)	0.91	(125,000)	1.07
Balance - End of the period	5,037,500	0.65	4,844,167	0.70

12. SHAREHOLDERS' EQUITY (Continued)

As at September 30, 2013, the Company had share options outstanding and exercisable as follows:

	Outstanding		Exercisable	
Expiry year	Number	Weighted average exercise price, $	Number	Weighted average exercise price, $
2013	636,667	0.28	636,667	0.28
2015	1,070,000	0.59	738,334	0.59
2016	2,055,000	0.91	1,428,331	0.91
2017	925,833	0.55	790,000	0.54
2018	350,000	0.24	116,667	0.24
	5,037,500	0.65	3,709,999	0.64

Contributed surplus consists of the following:

	September 30, 2013	December 31, 2012
Balance-Beginning of period	$ 11,473,112	$ 10,081,156
Share-based payments	241,413	998,421
Warrants	296,789	393,535
Balance- End of period	$ 12,011,314	$ 11,473,112

Share purchase warrant transactions are summarized as follows:

	September 30, 2013		December 31, 2012	
	Number of share purchase warrants	Weighted average exercise price, $	Number of share purchase warrants	Weighted average exercise price $
Balance - Beginning of the period	2,643,703	0.58	-	-
Granted	3,522,498	0.33	2,643,703	0.58
Balance - End of the period	6,166,201	0.43	2,643,703	0.58

At September 30, 2013, the following warrants were outstanding:

Expiry	Exercise price, $	Number of warrants	Grant date fair value recorded, $
June 7, 2015	0.58	1,753,703	264,254
July 16, 2015	0.58	890,000	129,281
June 4, 2016	0.33	3,522,498	296,789
		6,166,201	690,324

The fair value of warrants is estimated on the date of grant using the Black-Scholes pricing model with the following assumptions: risk free rate of return 1.08%, volatility of 106% and expected life of 3 years.

Loss per share

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

12. SHAREHOLDERS' EQUITY (Continued)

	Three months ended		Nine months ended	
	September 30, 2013	**September 30, 2012**	**September 30, 2013**	**September 30, 2012**
Net loss	(1,084,706)	(1,606,189)	(3,955,466)	(8,044,371)
Weighted average number of common shares outstanding	62,149,949	49,465,389	57,381,845	49,353,671
	$ (0.02)	$ (0.03)	$ (0.07)	$ (0.16)

13. 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 and certain other services are administered by 2227929 Ontario Inc.

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.

On January 30, 2013, amended March 12, 2013, the Company entered into a loan agreement with Forbes & Manhattan Inc. Forbes & Manhattan Inc. agreed to provide an unsecured bridge loan in the amount of $350,000 in three tranches repayable in cash on the earlier of (a) July 30, 2013 and (b) the date on which the Company completes an equity financing. The Executive Chairman of Forbes & Manhattan Inc. is a director of the Company. Interest is calculated at rate of 8% per annum and is payable on maturity of the loan. On June 28, 2013 Forbes & Manhattan Inc. advanced the Company $25,000 and another $150,000 in July 2013.The principal of the loan of $525,000 was outstanding at September 30, 2013.

On September 18, 2013 the Company entered into another loan agreement with Forbes & Manhattan Inc. Forbes & Manhattan Inc. agreed to provide an unsecured loan in the amount of $500,000 due on December 9, 2013. Interest is calculated at rate of 20% per annum and is payable on maturity of the loan. The principal of the loan was outstanding at September 30, 2013.

On March 25, 2013, the Company entered into a loan agreement with Aberdeen International Inc. Aberdeen International Inc. agreed to provide an unsecured loan in the amount of $400,000 repayable on the earlier of (a) October 2, 2013 and (b) the date on which the Company completes an equity financing. Interest is calculated at a rate of 30% per annum and was prepaid at the time the loan was advanced. Mr. Bharti, a director of the Company, is the Chairman of the Board of Aberdeen International Inc. The first tranche of $50,000 was received on March 25, 2012, the second tranche of $250,000 was received on April 4, 2013. The loan was partially repaid on June 4, 2013, with a balance of $31,000 outstanding at September 30, 2013.

On April 24, 2013 the Company entered into a loan agreement with Aterra Investments Ltd. Aterra Investments Ltd. agreed to provide an unsecured loan in the amount of $400,000 repayable in cash on the earlier of (a) October 22, 2013 and (b) the date on which the Company completes an equity financing. Interest is calculated at a rate of 30% per annum and was prepaid at the time the loan was advanced. Mr. Boris Granovsky, a director of the Company, is a managing partner of Aterra Capital, a management company for Aterra Investments Ltd. The principal of the loan was outstanding at September 30, 2013.

On August 7, 2013 the Company entered into a loan agreement with Aterra Investments Ltd., who agreed to provide an unsecured loan in the amount of $30,000 repayable on or before February 7, 2014. Interest on the loan is calculated at a rate of 20% per annum and is payable on maturity of the loan. The principal of the loan was outstanding at September 30, 2013.

13. RELATED PARTY DISCLOSURES (Continued)

On September 18, 2013 the Company entered into another loan agreement with Aterra Investments Ltd. Aterra Investments Ltd. agreed to provide an unsecured loan in the amount of $500,000 due on December 9, 2013. Interest is calculated at rate of 20% per annum and is payable on maturity of the loan. Mr. Boris Granovsky, a director of the Company, is a managing partner of Aterra Capital, a management company for Aterra Investments Ltd. The principal of the loan was outstanding at September 30, 2013.

Subsequent to September 30, 2013, Aterra Investments Ltd. agreed to provide an unsecured loan in the amount of $200,000 repayable on or before February 7, 2014. Interest on the loan is calculated at a rate of 20% per annum and is payable on maturity of the loan. The loan was repaid on October 21, 2013.

The Company entered into an agreement with Aterra Investments Ltd. (formerly Tabac Ventures Limited) ("Aterra") whereby Aterra provided certain consulting services related to government relations in Russia. The services included guidance with respect to exploration and mining license processes, as well as guidance with respect to correspondence, government submittals, approvals and permits.

During the nine-month period ended September 30, 2013 and 2012 the Company entered into transactions for goods and services with the following related parties:

	Goods and services received	
Goods and services received from (provided to):	**September 30, 2013**	**September 30, 2012**
2227929 Ontario Inc.	168,406	214,558
Forbes & Manhattan Inc.	225,000	225,000
Aterra Investments Ltd.	52,500	52,500
	$ 445,906	$ 492,058

The following balances related to goods and services were outstanding at the end of the reporting period:

	Amounts owed to related parties	
Outstanding balances	**September 30, 2013**	**September 30, 2012**
2227929 Ontario Inc.	257,519	47,460
Forbes & Manhattan Inc.	84,750	141,250
Aterra Investments Ltd.	-	210,000
Other entities of F&M Group	20,760	-
	$ 363,029	$ 398,710

These amounts are unsecured, non-interest bearing with no fixed terms of repayment. The related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Compensation of key management

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

	Three months ended		Nine months ended	
	September 30, 2013	**September 30, 2012**	**September 30, 2013**	**September 30, 2012**
Salaries, fees and short-term employee benefits	$ 314,049	$ 245,950	$ 911,381	$ 763,981
Share-based payments	47,507	82,827	232,611	467,679
	$ 361,556	$ 328,777	$ 1,143,992	$ 1,025,679

14. EXPENSES BY NATURE

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

	Three months ended		Nine months ended	
	September 30, 2013	**September 30, 2012**	**September 30, 2013**	**September 30, 2012**
Employee compensation	$ 631,337	$ 772,537	$ 1,997,090	$ 3,056,303
Drilling and trenching	(373)	271,824	41,957	1,865,904
Depreciation	67,483	47,113	212,786	159,279
Professional fees	48,576	196,702	277,158	609,082
Geological & environmental studies	37,852	44,379	72,101	288,781
Transportation	22,351	76,683	26,828	726,570
Camp maintenance	119,501	69,718	428,329	448,429
Taxes	4,293	13,374	9,943	37,600
Office expenses	74,536	69,065	245,683	304,429
Travel expenses	24,555	33,793	202,912	289,870
Accretion expense	26,017	-	79,461	-
Interest expense	21,736	16,116	178,673	38,516
Foreign exchange	(20,116)	(77,970)	39,692	2,410
Other expenses	27,310	74,795	143,247	227,439
	$ 1,085,059	$ 1,608,130	$ 3,955,861	$ 8,054,613

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

Employee benefits expense for the three and nine months ended September 30, 2013 and 2012 consisted of the following:

	Three months ended		Nine months ended	
	September 30, 2013	**September 30, 2012**	**September 30, 2013**	**September 30, 2012**
Salaries, fees and short-term employee benefits	$ 565,068	$ 485,725	$ 1,755,677	$ 2,212,940
Share-based payments	66,269	286,813	241,413	843,363
	$ 631,337	$ 772,538	$ 1,997,090	$ 3,056,303

15. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	September 30, 2013	**September 30, 2012**
Receivable	$ 101,204	$ 249,633
Inventories	409,861	(1,217,794)
Prepaid expenses	(104,476)	14,287
Accounts payable and accrued liabilities	511,103	416,205
	$ 917,692	$ (537,669)

16. COMMITMENTS AND CONTINGENCIES

In order to maintain the exploration license at the Mangazeisky Project in good standing, Silver Bear is required to conduct certain minimum levels of exploration activity. The Company is required to undertake 5,000 cubic metres of trenching and 3,000 metres of drilling to satisfy license agreement requirements in 2013.

Minimum requirements under the exploration license for 2014 are the same as for 2013, namely 3,000 metres of drilling and 5,000 cubic metres of trenching that will require funds of approximately $3 million.

The Company has completed a required Russian Feasibility Study ("RFS") and submitted it along with a Russian reserve estimate to the Russian government.

16. COMMITMENTS AND CONTINGENCIES (Continued)

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 over a three-year period.

The Company is party to certain management contracts and severance obligations. These contracts contain clauses requiring additional payments of up to $1,073,200 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contractual commitments remaining under the agreements are approximately $582,998, all due within one year.

The Company may be involved in legal proceedings from time to time, arising in the ordinary course of its business. The amount of ultimate liability with respect to these actions will not, in the opinion of management, materially affect Silver Bear's financial position, results of operations or cash flows. There were no material outstanding legal proceedings as of September 30, 2013.

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 December 31, 2012

Country / Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral Properties	Property, plant and equipment	Depreciation	Interest expense	Net Loss for the period
Russia - Mangazeisky	$ 11,015	$ 1,781,914	$ 6,035	$ 303,923	$ 1,791,068	$ 2,065,814	$ 220,433	$ 52,016	$ 5,551,091
Canada - corporate	130,654	-	80,146	50,754	-	-	9,936	636	3,835,301
	$ 141,669	$ 1,781,914	$ 86,181	$ 354,677	$ 1,791,068	$ 2,065,814	$ 230,369	$ 52,652	$ 9,386,392

As at September 30, 2013

Country / Property	Cash and cash equivalents	Inventories	Prepaid expenses	Receivables	Mineral Properties	Property, plant and equipment	Depreciation	Interest expense	Net Loss for the period
Russia - Mangazeisky	$ 39,548	$ 1,335,279	$ 152,269	$ 203,222	$ 2,477,909	$ 1,805,906	$ 213,959	$ 35,690	$ 1,793,016
Canada - corporate	39,169	-	35,553	44,437	-	-	-	143,070	2,162,451
	$ 78,717	$ 1,335,279	$ 187,822	$ 247,659	$ 2,477,909	$ 1,805,906	$ 213,959	$178,760	$ 3,955,467

18. PROVISION FOR DECOMMISSIONING AND RESTORATION LIABILITY

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

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

18. PROVISION FOR DECOMMISSIONING AND RESTORATION LIABILITY (Continued)

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

Asset retirement obligation consists of the following:

	September 30, 2013	December 31, 2012
Balance at the beginning of the period	$ 1,143,383	$ 579,478
Increase in liability	-	545,940
Accretion expense	79,491	-
Translation adjustment	(29,901)	17,965
Balance at the end of the period	$ 1,192,973	$ 1,143,383

The estimated value of the obligation to rehabilitate the site expressed in Canadian dollars is $1,570,014. A Russian Central bank borrowing rate of 8.25% has been used in discounting of future cash flows.

19. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at September 30, 2013 and December 31, 2012 were as follows:

At December 31, 2012	Loans and receivables	Assets/liabilities at fair value through profit and loss	Other liabilities	TOTAL
Cash and cash equivalents	141,669	-	-	141,669
Accounts Receivables	354,677	-	-	354,677
Short-term loans	50,000	-	-	50,000
Accounts payables and accrued liabilities	-	-	1,294,795	1,294,795
Finance lease			464,394	464,394

At September 30, 2013	Loans and receivables	Assets/liabilities at fair value through profit and loss	Other liabilities	TOTAL
Cash and cash equivalents	78,717	-	-	78,717
Accounts Receivables	247,659	-	-	247,659
Short-term loans	1,998,825	-	-	1,998,825
Accounts payables and accrued liabilities	-	-	1,573,879	1,573,879
Finance lease			434,898	434,898

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

20. EVENTS AFTER THE REPORTING PERIOD

On October 1, 2013, 275,000 common shares under the share bonus plan were issued to certain officers, directors and consultants of the Company valued at $0.125 per share.

On October 4, 2013, Aterra Investments Ltd. agreed to provide an unsecured loan in the amount of $200,000 repayable on or before February 7, 2014. Interest on the loan is calculated at a rate of 20% per annum and is payable on maturity of the loan. The loan was repaid on October 21, 2013. Mr. Boris Granovsky, a director of the Company, is a managing partner of Aterra Capital, a management company for Aterra Investments Ltd.

20. EVENTS AFTER THE REPORTING PERIOD (Continued)

On October 17, 2013, the Company closed the first tranche of its private placement financing through the sale of 3,892,308 units at a price of $0.13 per Unit for gross proceeds of approximately $506,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire a common share of the Company at the exercise price of $0.245 per share until October 17, 2015.

On October 21, 2013, the Company closed a further tranche of its previously announced private placement financing through the sale of 3,846,153 units to Aterra Investments Limited at a price of $0.13 per unit for gross proceeds of approximately $500,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire a common share of the Company at the exercise price of $0.245 per share until October 21, 2015.

On November 12, 2013, 125,000 options were granted to consultants of the Company. The exercise price of the options is $0.10 per option. Granted stock options vest immediately on the day of the grant and expire on November 12, 2018.