Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Silver Bear Resources Inc.

For the three and six months ended June 30, 2014

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.

Consolidated Statement of Financial Position

(Canadian dollars)

	June 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	2,405,317	276,909
Receivable (note 4)	353,483	409,905
Inventories (note 5)	1,277,025	1,133,556
Prepaid expenses (note 6)	110,035	60,602
Total current assets	4,145,860	1,880,972
Non-current assets		
Mineral property (note 7)	2,450,117	2,519,401
Property, plant and equipment (note 8)	1,588,547	1,770,284
Total assets	**8,184,524**	**6,170,657**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	1,478,581	1,534,232
Short-term loans (note 10)	750,000	-
Finance lease (note 11)	135,261	303,683
Total current liabilities	2,363,842	1,837,915
Non-current liabilities		
Asset retirement obligation (note 18)	1,256,180	1,241,223
Finance lease (note 11)	207,556	50,685
Total liabilities	3,827,578	3,129,823
EQUITY		
Equity attributable to owners of Silver Bear Resources Inc.		
Share capital (note 12)	91,505,979	87,542,402
Contributed surplus (note 12)	13,865,794	13,499,050
Accumulated other comprehensive loss	(662,435)	(554,144)
Deficit	(100,352,392)	(97,446,474)
Total equity	4,356,946	3,040,834
Total liabilities and shareholders' equity	**8,184,524**	**6,170,657**

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 August 12, 2014

"Mark Trevisiol"

Mark Trevisiol
Director

"Trevor Eyton"

Trevor Eyton
Director

Silver Bear Resources Inc.

Consolidated Statement of Comprehensive Loss

For the three and six months ended June 30, 2014 and 2013

(Canadian dollars)

	Three months ended		Six months ended	
	June 30, 2014	**June 30, 2013**	**June 30, 2014**	**June 30, 2013**
Income				
Interest income	4,005	14	5,883	43
	4,005	14	5,883	43
Expenses (Note 14)				
Exploration costs	831,096	772,702	1,147,024	1,277,028
General and administrative	544,855	523,317	943,747	1,002,084
Depreciation	65,609	32,016	132,324	146,664
Share-based payments	125,582	36,972	472,275	175,144
Accretion expense	25,519	26,445	51,280	53,569
Interest expense	69,339	142,228	89,212	157,037
Foreign exchange loss	35,219	68,762	75,939	59,277
Expenses from operations	1,697,219	1,602,442	2,911,801	2,870,803
Net loss for the period	(1,693,214)	(1,602,428)	(2,905,918)	(2,870,760)
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(9,965)	(66,799)	(108,291)	(55,047)
Comprehensive loss for the period	(1,703,179)	(1,669,227)	(3,014,209)	(2,925,807)
Weighted average number of common shares outstanding	106,688,212	56,038,250	100,865,381	54,917,218
Basic and diluted loss per share	(0.02)	(0.03)	(0.03)	(0.05)

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

Silver Bear Resources Inc.

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2014 and 2013

(Canadian dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance - December 31, 2012	83,580,384	11,473,112.00	(517,054)	(91,267,691)	3,268,751
Net loss for the period	-	-	-	(2,870,760)	(2,870,760)
Other comprehensive loss:					
Cumulative translation adjustment	-	-	(55,047)	-	(55,047)
Comprehensive loss for the period	-	-	(55,047)	(2,870,760)	(2,925,807)
Net proceeds from issuance shares in private placement	1,182,338	-	-	-	1,182,338
Share based payments	-	175,144	-	-	175,144
Warrants	-	296,789.00	-	-	296,789
Balance -June 30, 2013	**84,762,722**	**11,945,045**	**(572,101)**	**(94,138,451)**	**1,997,215**
Balance - December 31, 2013	87,542,402	13,499,050.00	(554,144)	(97,446,474)	3,040,834
Net loss for the period	-	-	-	(2,905,918)	(2,905,918)
Other comprehensive loss:					
Cumulative translation adjustment	-	-	(108,291)	-	(108,291)
Comprehensive loss for the period	-	-	(108,291)	(2,905,918)	(3,014,209)
Net proceeds from issuance shares in private placement	3,829,364	-	-	-	3,829,364
Shares issued for debt	28,682	-	-	-	28,682
Shares issued under share bonus plan	105,531				105,531
Share based payments	-	366,744	-	-	366,744
Warrants	-	-	-	-	-
Balance -June 30, 2014	**91,505,979**	**13,865,794**	**(662,435)**	**(100,352,392)**	**4,356,946**

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

Silver Bear Resources Inc.

Consolidated Statement of Cash Flow

For the six months ended June 30, 2014 and 2013

(Canadian dollars)

	June 30, 2014	June 30, 2013
Cash provided by (used in)		
Operating activities		
Total loss for theperiod	(2,905,918)	(2,870,760)
Adjustments for items not affecting cash:		
Depreciation	132,324	146,664
Share-based payments	472,275	175,144
Accretion expense	51,280	53,569
Interest expense	44,377	37,037
Net change in non-cash working capital (note 15)	(162,111)	217,325
Net cash used in operations	(2,367,773)	(2,241,021)
Investing activities		
Acquisition of property, plant and equipment	(3,165)	-
Net cash used in investing activities	(3,165)	-
Financing activities		
Net proceeds from issuance shares in private placement	3,829,364	1,479,127
Finance lease repayment	(81,700)	(63,229)
Short-term loans drawn	750,000	773,920
Net cash generated from financing activities	4,497,664	2,189,818
Effect of exchange rate changes on cash and cash equivalents	1,682	3,398
Increase (decrease) in cash and cash equivalents during the period	2,128,408	(47,805)
Cash and cash equivalents - beginning of the period	276,909	141,669
Cash and cash equivalents - end of the period	2,405,317	93,864
Cash and cash equivalents consist of:		
Cash	2,370,317	58,864
Cash equivalents	35,000	35,000
	2,405,317	93,864

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.

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 June 30, 2014, the Company had no source of operating cash flows and reported a net loss for the period of $2,905,918 and a deficit of $100,352,392. 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 a need for additional capital and while it has been successful in obtaining short term bridge financing and equity in order to meet its funding requirements to date (see Notes 10, 12 and 20), there can be no assurance that it will be able to do so in the future.

These unaudited 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 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, 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, 2013, which has been prepared in accordance with IFRS as issued by the IASB. 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 consolidated 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.

These unaudited consolidated interim financial statements were reviewed, approved and authorized for issue by the Board of Directors on August 12, 2014.

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.

- 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. 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.

2. BASIS OF PREPARATION (Continued)

- 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.

  The 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

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. The effective date of the standard has been deferred by the IASB. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

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 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 six months ended June 30, 2014 compared to the year ended December 31, 2013. 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 June 30, 2014, the Company had a cash balance of $2,405,317 (December 31, 2013 – $276,909). The Company had total obligations of $342,817 at June 30, 2014 (December 31, 2013 – $354,368) under a three-year finance lease of exploration equipment.

At June 30, 2014 the Company had total current assets of $4,145,860 (December 31, 2013 - $1,880,972) to settle current liabilities of $2,363,842 (December 31, 2013 – $1,837,915), 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. Had 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 $168,654.

4. RECEIVABLE

		June 30, 2014		December 31, 2013
Russian Value Added Tax	$	211,995	$	143,821
Canadian Harmonized Sales Tax		44,375	$	46,463
Other		97,113		219,620
	$	353,483	$	409,905

5. INVENTORIES

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

		June 30, 2014		December 31, 2013
Fuel and lubricants	$	467,541	$	259,937
Parts and supplies		809,484		873,619
	$	1,277,025	$	1,133,556

6. PREPAID EXPENSES

Prepaid expenses consist of the following:

		June 30, 2014		December 31, 2013
Insurance	$	94	$	16,207
Exploration services and goods		100,501		31,104
Rent and administrative costs		9,440		13,291
	$	110,035	$	60,602

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		June 30, 2014		December 31, 2013
Balance at the beginning of the period	$	2,519,401	$	1,791,068
Additions		-		738,854
Translation adjustment		(69,284)		(10,521)
Balance at the end of the period	$	2,450,117	$	2,519,401

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

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 27, 2012, the Mangazeisky License was extended by the Federal Subsoil Use Agency in the Russian Federation ("Rosnedra") through December 31, 2016.

In September 2013, the Company acquired the mining license in respect of the Mangazeisky property that is valid for a period of 20 years.

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

	June 30, 2014	December 31, 2013
Mangazeisky	$ 55,067,727	$ 53,920,703

8. PROPERTY, PLANT AND EQUIPMENT

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

	June 30, 2014			December 31, 2013		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Property plant and equipment:						
Mangazeisky site	$ 5,501,398	$ 3,912,851	$ 1,588,547	$ 5,667,799	$ 3,897,515	$ 1,770,284
Yakutsk office	120,348	120,348	-	123,988	123,988	-
Other office furniture, equipment and leasehold improvements	59,620	59,620	-	59,620	59,620	-
	$ 5,681,366	$ 4,092,819	$ 1,588,547	$ 5,851,407	$ 4,081,123	$ 1,770,284

Reconciliation of the carrying amount at the beginning and end of the years ended December 31, 2013 and six months ended June 30, 2014:

	Mangazeisky site equipment	Yakutsk equipment	Office equipment	Total
Carrying amount at January 1, 2013	$ 2,065,814	$ -	$ -	$ 2,065,814
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	(282,448)	-	-	(282,448)
Exchange differences	(13,082)		-	(13,082)
Carrying amount at December 31, 2013	$ 1,770,284	$ -	$ -	$ 1,770,284
Additions	3,165	-	-	3,165
Disposals	-	-	-	-
Depreciation	(132,324)	-	-	(132,324)
Exchange differences	(52,577)		-	(52,577)
Carrying amount at June 30, 2014	$ 1,588,547	$ -	$ -	$ 1,588,547

The carrying value of equipment held under finance leases as at June 30, 2014 was $594,395 (December 31, 2013 - $662,023). A piece of exploration equipment was acquired during the six months ended June 30, 2014. 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:

	June 30, 2014	December 31, 2013
Exploration costs - Mangazeisky project	$ 334,932	$ 271,736
Corporate - accounts payable and accrued liabilities	1,143,649	1,262,496
	$ 1,478,581	$ 1,534,232

10. SHORT-TERM LOANS

On March 10, 2014, the Company entered into a loan agreement with 1039593 Ontario Ltd., who agreed to provide an unsecured loan in the amount of $250,000 repayable on June 9, 2014. Interest on the loan is calculated at a rate of 25% per annum and is payable monthly. 1039593 Ontario Ltd. is 100% owned by Mr. Mark Trevisiol, a president and CEO of the Company. The principal of the loan and accrued interest were repaid on May 23, 2014.

On March 14, 2014, the Company entered into a loan agreement with Aterra Investments Ltd. Aterra Investments Ltd. agreed to provide an unsecured loan in the amount of $250,000. Interest is calculated at rate of 25% per annum and is payable monthly. On April 17, 2014, the Company entered into another loan agreement with Aterra Investments Ltd. Aterra Investments Ltd. agreed to provide an unsecured loan in the amount of $250,000. Interest is calculated at rate of 25% per annum and is payable monthly. Mr. Boris Granovsky, a former director of the Company, is a managing partner of Aterra Capital, a management company for Aterra Investments Ltd. Ms Anastasia Gracheva, a director of the Company is an officer of Aterra Capital, a management company for Aterra Investments Ltd. The principal of both loans was outstanding at June 30, 2014.

On March 20, 2014, the Company entered into a loan agreement with Forbes & Manhattan Inc. Forbes & Manhattan Inc. agreed to provide an unsecured loan in the amount of $250,000 repayable on June 18, 2014. Interest is calculated at rate of 25% per annum and is payable monthly. Mr. Stan Bharti, a director of the Company, is the Executive Chairman of Forbes & Manhattan Inc.

On April 17, 2014, the Company entered into a loan agreement with Inflection Management Corp. Inflection Management Corp. agreed to provide an unsecured loan in the amount of $250,000 repayable on July 17, 2014. Interest is calculated at rate of 25% per annum and is payable monthly. The principal of the loan was repaid on May 20, 2014.

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. In January 2014 the lease was extended until December 2016.

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		**June 30, 2014**		**December 31, 2013**
Within one year	$	144,776	$	314,344
With two to five years		265,422		62,869
		410,198		377,213
Future finance charges on finance lease		(67,380)		(22,845)
Present value of the net lease payments		342,817		354,368
Current portion		135,261		303,683
Long-term portion		207,556		50,685
Total obligations under finance lease	$	342,817	$	354,368

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 period ended June 30, 2014 and year ended December 31, 2013:

12. SHAREHOLDERS' EQUITY (Continued)

	June 30, 2014		December 31, 2013	
	Number of common shares	$	Number of common shares	$
Balance - Beginning of period	94,642,170	87,542,402	53,866,307	83,580,384
Issued pursuant to private placement, net	23,700,000	3,829,364	40,500,863	3,927,643
Issued for debt	220,630	28,682	-	-
Issued under share bonus plan	893,750	105,531	275,000	34,375
Balance - End of period	119,456,550	91,505,979	94,642,170	87,542,402

On March 6, 2014 the Company issued 220,630 common shares of the Company at a deemed price of $0.13 per common share to settle outstanding debt in relation to past services provided by Exploration Services UK Ltd.

On May 20, 2014 the Company completed the first tranche of private placement financing through the issuance of 23,700,000 common shares of the Company at a price of $0.17 per common share for gross proceeds in the amount of $4,029,000. A finder's fee of $184,017 was paid in connection with the first tranche of private placement financing.

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 and on February 21, 2014 the allocation issuance of up to further 1,375,000 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:

October 1, 2013	-	275,000 common shares
January 1, 2014	-	275,000 common shares
April 1, 2014	-	618,750 common shares
July 1, 2014	-	618,750 common shares
October 1, 2014	-	343,750 common shares
January 1, 2015	-	343,750 common shares

On January 2, 2014 and April 1, 2014 275,000 and 618,750 respectively common shares under the share bonus plan were issued to certain officers, directors and consultants of the Company valued at $0.08 and $0.135 per share respectively. Share bonus of $105,531 was included under the share-based payments in the Statement of comprehensive income.

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.

12. SHAREHOLDERS' EQUITY (Continued)

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 together will all shares reserved for issuance under the share bonus plan must not exceed 10% of the outstanding Shares (on a non-diluted basis) issued and outstanding at the time of the granting of the Options.

As at June 30, 2014 the total number of options available for issue was 7,563,780. A total of 801,280 options are available for future issue as at June 30, 2014.

On February 28, 2014, 2,240,000 options were granted to directors, officers and consultants of the Company. The exercise price of the options is $0.17 per option. Granted stock options vest immediately on the day of the grant and expire on February 28, 2019.

The fair value of these options was estimated to be $295,402 with the following assumptions: expected volatility of 132%, dividend yield of 0%, risk-free interest rate of 1.25% and expected life of 3.3 years.

During the six months ended June 30, 2014 the options generated a share based payments expense of $366,744 (June 30, 2013: $175,144). 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.

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

As at June 30, 2014, the Company had share options outstanding and exercisable as follows:

	June 30, 2014		December 31, 2013	
	Number	**Weighted average exercise price, $**	**Number**	**Weighted average exercise price, $**
Balance - Beginning of the period	4,522,500	0.68	4,844,167	0.69
Granted	2,240,000	0.17	475,000	0.20
Expired / Cancelled / Forfeited	(270,000)	0.82	(796,667)	0.39
Balance - End of the period	6,492,500	0.50	4,522,500	0.68

Expiry year	**Number**	**Weighted average exercise price, $**	**Number**	**Weighted average exercise price, $**
2015	995,000	0.59	995,000	0.59
2016	1,880,000	0.91	1,880,000	0.91
2017	902,500	0.54	902,500	0.54
2018	475,000	0.20	358,333	0.20
2019	2,240,000	0.17	2,240,000	0.17
	6,492,500	0.50	6,375,833	0.51

Contributed surplus consists of the following:

	June 30, 2014	December 31, 2013
Balance-Beginning of period	$ 13,499,050	$ 11,473,112
Share-based payments	366,744	312,236
Warrants	-	1,713,702
Balance- End of period	$ 13,865,794	$ 13,499,050

12. SHAREHOLDERS' EQUITY (Continued)

Share purchase warrant transactions are summarized as follows:

	June 30, 2014		December 31, 2013	
	Number of share purchase warrants	Weighted average exercise price, $	Number of share purchase	Weighted average exercise price, $
Balance - Beginning of the period	38,383,422	0.58	2,643,703	0.58
Granted	-	-	35,739,719	0.25
Balance - End of the period	38,383,422	0.58	38,383,422	0.58

At June 30, 2014, 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
October 17, 2015	0.245	3,892,308	168,667
October 21, 2015	0.245	3,846,153	187,500
December 18, 2015	0.245	24,478,760	1,060,746
		38,383,422	2,107,237

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 1.11%-1.20%, volatility of 116%-133% and expected life of 2-3 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.

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Net loss	(1,693,214)	(1,669,227)	(2,905,918)	(2,870,760)
Weighted average number of common shares outstanding	106,688,212	56,038,250	100,865,381	54,917,218
Basic and dilutes loss per share	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.05)

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 March 10, 2014, the Company entered into a loan agreement with 1039593 Ontario Ltd., who agreed to provide an unsecured loan in the amount of $250,000 repayable on June 9, 2014. Interest on the loan is calculated at a rate of 25% per annum and is payable monthly. 1039593 Ontario Ltd. is 100% owned by Mr. Mark Trevisiol, a president and CEO of the Company. The principal of the loan and accrued interest were repaid on May 23, 2014.

13. RELATED PARTY DISCLOSURES (Continued)

On March 14, 2014, the Company entered into a loan agreement with Aterra Investments Ltd. Aterra Investments Ltd. agreed to provide an unsecured loan in the amount of $250,000. Interest is calculated at rate of 25% per annum and is payable monthly. On April 17, 2014, the Company entered into another loan agreement with Aterra Investments Ltd. Aterra Investments Ltd. agreed to provide an unsecured loan in the amount of $250,000. Interest is calculated at rate of 25% per annum and is payable monthly. Mr. Boris Granovsky, a former director of the Company, is a managing partner of Aterra Capital, a management company for Aterra Investments Ltd. Ms Anastasia Gracheva, a director of the Company is an officer of Aterra Capital, a management company for Aterra Investments Ltd. The principal of both loans was outstanding at June 30, 2014.

On March 20, 2014, the Company entered into a loan agreement with Forbes & Manhattan Inc. Forbes & Manhattan Inc. agreed to provide an unsecured loan in the amount of $250,000 repayable on June 18, 2014. Interest is calculated at rate of 25% per annum and is payable monthly. Mr. Stan Bharti, a director of the Company, is the Executive Chairman of Forbes & Manhattan Inc.

On April 17, 2014, the Company entered into a loan agreement with Inflection Management Corp. Inflection Management Corp. agreed to provide an unsecured loan in the amount of $250,000 repayable on July 17, 2014. Interest is calculated at rate of 25% per annum and is payable monthly. A principal of the loan was repaid on May 20, 2014.

During the six months ended June 30, 2014 and 2013 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):	**June 30, 2014**	**June 30, 2013**
2227929 Ontario Inc.	116,323	110,233
Forbes & Manhattan Inc.	150,000	150,000
Aterra Investments Ltd.	-	52,500
	$ 266,323	$ 312,733

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

	Amounts owed to related parties	
Outstanding balances	**June 30, 2014**	**June 30, 2013**
2227929 Ontario Inc.	379,280	144,322
Forbes & Manhattan Inc.	28,250	-
Other entities of F&M Group	19,211	8,889
	$ 426,741	$ 153,211

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		**Six months ended**	
	June 30, 2014	**June 30, 2013**	**June 30, 2014**	**June 30, 2013**
Salaries, fees and short-term employee benefits	$ 204,300	$ 319,949	$ 456,989	$ 597,332
Share-based payments	15,852	95,462	238,837	185,104
	$ 220,152	$ 415,411	$ 695,826	$ 782,436

14. EXPENSES BY NATURE

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

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Employee compensation	$ 738,104	$ 702,023	$ 1,485,097	$ 1,365,753
Drilling and trenching	22,028	(19,292)	22,028	42,330
Depreciation	65,324	30,655	132,039	145,303
Professional fees	60,219	114,087	131,249	228,582
Geological & environmental studies	268,659	21,419	347,461	34,249
Transportation	115,844	2,834	115,589	4,477
Camp maintenance	136,564	279,542	152,794	308,829
Taxes	4,738	2,783	8,320	5,650
Office expenses	89,379	90,688	147,202	171,147
Travel expenses	36,546	88,831	59,279	178,356
Accretion expense	25,409	26,321	51,170	53,445
Interest expense	69,284	142,128	89,157	156,937
Foreign exchange	34,862	69,293	62,280	59,808
Other expenses	30,259	51,131	108,136	115,938
	$ 1,697,219	$ 1,602,442	$ 2,911,801	$ 2,870,803

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

Employee benefits expense for the three and six months ended June 30, 2014 and 2013 consisted of the following:

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Salaries, fees and short-term employee benefits	$ 612,522	$ 665,051	$ 1,012,822	$ 1,190,609
Share-based payments	125,582	36,972	472,275	175,144
	$ 738,104	$ 702,023	$ 1,485,097	$ 1,365,753

15. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	June 30, 2014	June 30, 2013
Receivable	$ 48,891	$ 70,108
Inventories	(175,965)	287,720
Prepaid expenses	(49,351)	66,778
Accounts payable and accrued liabilities	14,314	(207,281)
	$ (162,111)	$ 217,325

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 $4.5 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$11,300 over a three-year period until December 2016.

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 June 30, 2014.

17. SEGMENTED INFORMATION

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

As at June 30, 2014

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	$ 203,568	$ 1,277,025	$ 108,225	$ 308,729	$ 2,450,117	$ 1,588,547	$ 132,324	$ 23,031	$ 1,189,987
Canada - corporate	2,201,749	-	1,810	44,754	-	-	-	66,181	1,715,931
	$ 2,405,317	$ 1,277,025	$ 110,035	$ 353,483	$ 2,450,117	$ 1,588,547	$ 132,324	$ 89,212	$ 2,905,918

As at December 31, 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	$ 47,021	$ 1,133,556	$ 11,847	$ 264,405	$ 2,519,401	$ 1,770,284	$ 282,448	$ 44,973	$ 3,195,290
Canada - corporate	229,888	-	48,755	145,500	-	-	-	224,480	2,983,493
	$ 276,909	$ 1,133,556	$ 60,602	$ 409,905	$ 2,519,401	$ 1,770,284	$ 282,448	$269,453	$ 6,178,783

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.

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

18. PROVISION FOR DECOMMISSIONING AND RESTORATION LIABILITY (Continued)

Asset retirement obligation consists of the following:

	June 30, 2014	December 31, 2013
Balance at the beginning of the period	$ 1,241,223	$ 1,143,383
Accretion expense	51,280	105,873
Translation adjustment	(36,323)	(8,033)
Balance at the end of the period	$ 1,256,180	$ 1,241,223

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 June 30, 2014 and December 31, 2013 were as follows:

At June 30, 2014	Loans and receivables	Other liabilities	TOTAL
Cash and cash equivalents	2,405,317	-	2,405,317
Accounts Receivable	353,483	-	353,483
Short-term loans	750,000	-	750,000
Accounts payables and accrued liabilities	-	1,478,581	1,478,581
Finance lease		342,817	342,817

At December 31, 2013	Loans and receivables	Other liabilities	TOTAL
Cash and cash equivalents	276,909	-	276,909
Accounts Receivables	409,905	-	409,905
Accounts payables and accrued liabilities	-	1,534,232	1,534,232
Finance lease		354,368	354,368

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 July 1, 2014 618,750 common shares under the share bonus plan were issued to certain officers, directors and consultants of the Company valued at $0.155 per share.

On July 10, 2014 the Company obtained disinterested shareholder approval to complete the second tranche of the private placement financing.