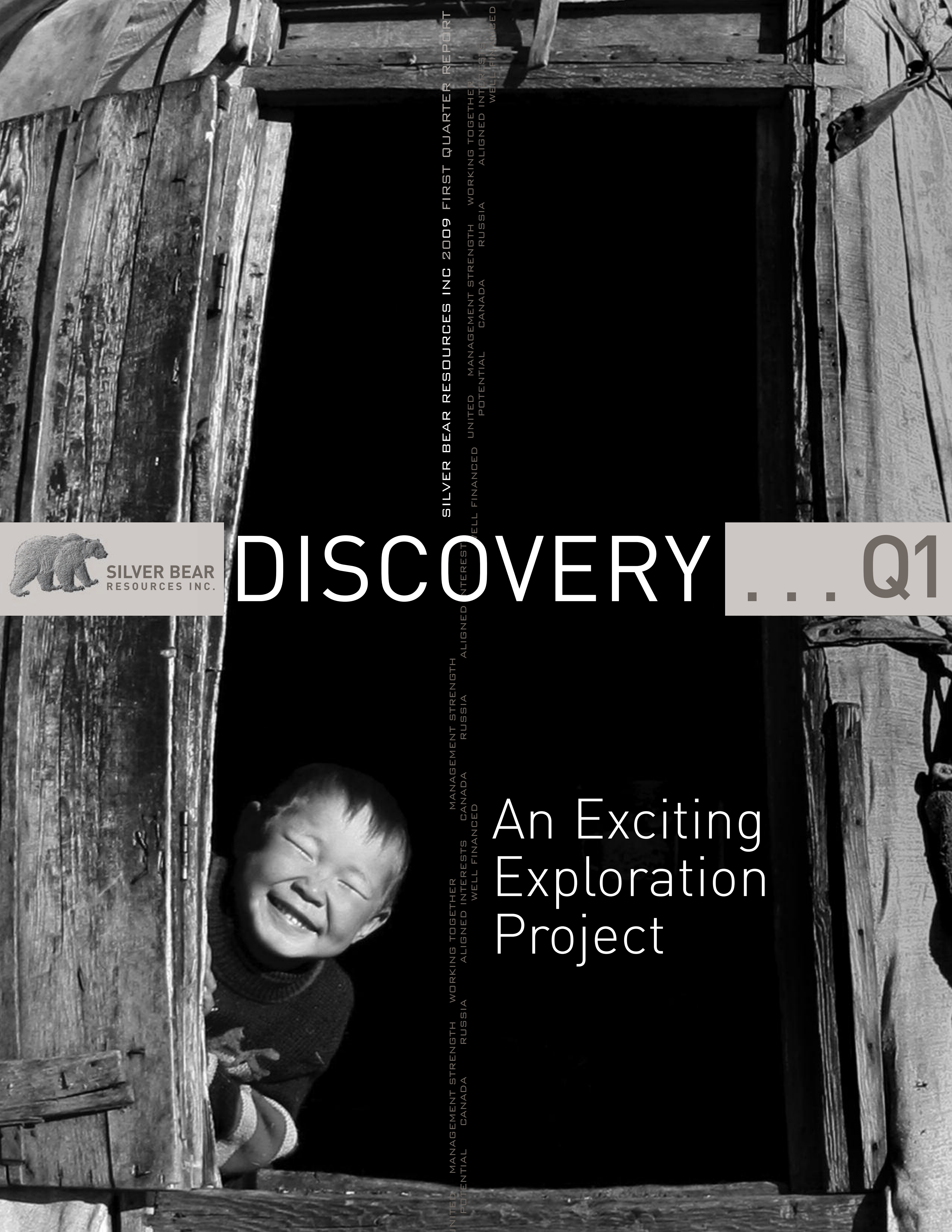
SILVER BEAR RESOURCES INC 2009 FIRST QUARTER REPORT

SILVER BEAR
RESOURCES INC.

DISCOVERY . . . Q1

An Exciting Exploration Project



Management's Discussion and Analysis ("MD&A")

The following Management Discussion and Analysis, which has been prepared as of May 8th, 2009, should be read in conjunction with the unaudited consolidated financial statements of Silver Bear Resources Inc. (the "Company" or "Silver Bear") for the three month period ending March 31, 2009 should be read in conjunction with the December 31, 2008 audited consolidated financial statements and related notes and related Management Discussion and Analysis, prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the notes there to. This discussion covers the three month period ended March 31, 2009. Other pertinent information on the Company is available on SEDAR at www.sedar.com as well as on the Company's website at www.silverbearresources.com. For the purpose of preparing our MD&A, the Company considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant effect in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances. All dollar amounts are stated in Canadian dollars unless otherwise indicated.

The following discussion contains forward-looking statements that involve numerous risks and uncertainties. Actual results of the Company could differ materially from those discussed in such forward-looking statements as a result of these risks and uncertainties, including those set forth in this MD&A under "Forward-Looking Statements" and under "Risk Factors."

OVERVIEW

The primary business of the Company is the evaluation, acquisition, exploration and development of silver properties in the Russian Federation. The exploration strategy of the Company is to focus on the discovery of silver deposits in the Russian Federation. The Company has not yet earned revenue from operations and is considered to be in the exploration stage. The Company's principal asset is the Mangazeisky Project, located approximately 400 kilometres north of Yakutsk in the Republic of Sakha, Yakutia, in the Russian Federation. The Company was granted the exploration license for the Mangazeisky Project in September 2004 for an initial term of five years. On February 18, 2009 the Mangazeisky License was extended by the Federal Subsoil Use Agency, in The Russian Federation ("Rosnedra") to December 31, 2011.

On March 6, 2009, Wardrop Engineering, Swindon, UK ("Wardrop") estimated an inferred mineral resource for the Vertikalny vein. Based on a silver price of U.S. $10.50 per ounce (consistent with Wardrop's long term price of U.S. $10.60 per ounce), the Mangazeisky Project hosts an inferred mineral resource of 1.92 million tonnes averaging 508 grams of silver per tonne totaling approximately 31 million ounces.

Wardrop's estimate was prepared by Mr. P. Gribble, FIMMM, C.Eng, a qualified person as defined by National Instrument 43-101. The detailed disclosure with respect to the technical information on the Mangazeisky Project can be found in the Technical Report for the Mangazeisky Project dated March 31, 2009 available on SEDAR.

The resource is limited to a 1,600 metre strike length and a 275 metre depth. Mineralization remains open in all directions offering an excellent opportunity for resource increases through additional exploration.

Silver Bear is focused on further delineating the high grade silver mineralization discovered in the Vertikalny vein of the Mangazeisky Project and the exploration of the other known silver mineralized zones on the property. Based on the encouraging results from the drilling program concluded to date, Silver Bear believes the Mangazeisky Project has the potential to become a world class silver deposit.

The winter road re-supply of equipment and supplies necessary to complete the 2009 exploration program has been completed. Boart Longyear (Russia) has been contracted to complete 10,000 metres of diamond drilling on the Vertikalny vein in 2009. Drilling activities are scheduled to commence in May.

In light of current uncertainty in the capital markets, the Company reduced the exploration program planned for 2009 to conserve cash. This will allow the Company to continue exploration activities into 2010. In late 2008, the Company scaled back its drilling program to 10,000 metres from 40,000 metres originally planned. Silver Bear remains committed to further advancing the project through targeted exploration within the Mangazeisky license area. The total estimated cost for the 2009 program is approximately $12.0 million.

Key milestones for Silver Bear:

- Complete 10,000 metres of drilling and 10,000 cubic metres of trenching during the 2009 field season (May through October 2009).
- Update the existing resource estimate during the first quarter of 2010.

Silver Bear believes it can successfully implement its corporate strategy because of its unique strengths. These strengths include:

- The Mangazeisky Project is located in a highly prospective silver anomalous region. It is located in the Republic of Sakha, Yakutia, in the Russian Federation, 160 kilometres from High River Gold's high grade Prognoz silver deposit.
- Encouraging exploration results to date at the Mangazeisky Project indicate the potential for a high grade silver deposit.
- Extensive management experience. Silver Bear's management team has considerable mining industry experience and is supported by an experienced technical and mining operations team, some of whom have had prior operating experience in the Russian Federation.
- We continue to have a high level of support from both Moscow and Yakutsk-based regulators.
- The Alfa Group, our largest shareholder, remains committed to its investment and continues to provide excellent guidance on Russian business matters.

Corporate Activity

At Silver Bear's annual meeting on May 7th 2009, Mr. Stephen Shefsky and Mr. Pavel Kepezhinskas, two founders of the Company, decided not to stand for reelection to the Board of Directors, but remain significant shareholders. The Board thanks them for their contribution over the past five years.

RESULTS OF OPERATIONS

Period Ended March 31, 2009, compared to Period Ended March 31, 2008

Revenues

As at March 31 2009, the Company was in the exploration stage and therefore did not have revenue from operations. Interest income was, for the period ended March 31, 2009, $0.1 million as compared to $0.3 million for the period ended March 31, 2008, a decrease of $0.2 million. Interest income decreased due to lower cash balances on hand and lower interest rates received on cash deposits and treasury bills.

Expenses

Exploration

For the period ended March 31, 2009, Silver Bear spent $2.6 million on exploration activities, compared with $1.6 million during the same period in 2008. All of the $2.6 million was spent on the Mangazeisky Project. Costs associated with the Mangazeisky Project for the period ended March 31, 2009 relate to the 2009 exploration program and costs related to the Company's Yakutsk administrative office. Exploration expenses increased when compared to the 2008 period due to increased staffing, increased winter road costs and a $0.8 million mobilization fee paid to the diamond drilling contractor for the mobilization of drilling equipment and supplies.

General and Administrative

General and administrative expenses for the period ended March 31, 2009 were $0.7 million compared with $1.2 million in the 2008 period. Management salaries for the period ended March 31, 2009 were $0.3 million, (period ended March 31, 2008 – $0.3 million). In addition, for the period ended March 31, 2009, Silver Bear spent $0.2 million on professional fees (period ended March 31, 2008 – $0.5 million) for legal, audit and consulting fees. Other general and administrative expenses for the period ended March 31, 2009 were $0.2 million, (period ended March 31, 2008 – $0.4 million). General and administrative costs are below prior year as the Company has favourably settled previous litigation matters in the Russian Federation as well as reduced travel in the first quarter of 2009 compared to the same period of 2008.

Non-Cash Items

Stock option compensation expense for the period ended March 31, 2009 was $0.2 million compared with $0.4 million for the period ended March 31, 2008. Amortization expense for the period ended March 31, 2009 was $0.2 million, (period ended March 31, 2008 – $0.3 million). The foreign exchange loss for the period ended March 31, 2009 was $0.3 million (period ended March 31, 2008 – $0.3 million gain) as a result of the translation to Canadian dollars of the financial results of consolidated foreign subsidiaries.

Net Loss

Silver Bear incurred a net loss for the period ended March 31, 2009 of $4.0 million or $0.11 per share. This compares to a loss of $2.9 million or $0.08 per share for the period ended March 31, 2008. Exploration costs were $2.6 million in the period ended March 31, 2009 compared with $1.6 million in the period ended March 31, 2008, as the Company has paid mobilization costs for drilling supplies and equipment in the first quarter of 2009 that were not paid in 2008. General and administrative expenses for the period ended March 31, 2009 were $0.7 million compared with $1.2 million in the prior period. Non-cash items for the period ended March 31, 2009 were $0.7 million compared with $0.4 million in the period ended March 31, 2008. Interest income for the period ended March 31, 2009 was $0.1 million compared with $0.3 million in the prior period.

Liquidity and Capital Resources

At March 31, 2009, Silver Bear had cash and cash equivalents of $19.3 million, enough to sustain 2009 operations and continue exploration activities into 2010. December 31, 2008 cash and cash equivalents were $24.2 million. In the first quarter of 2009, in addition to exploration and general and administrative costs, the Company spent $0.2 million investing in property, plant and equipment and an additional $0.9 million in supply inventories for the 2009 drilling season.

Commitments

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 exploration program concluded to date at December 31, 2008 and the program planned for 2009 more than satisfies the commitments established in the License Agreement.

Silver Bear has entered into a drilling contract to complete a minimum of 10,000 metres of diamond drilling at the Mangazeisky Project for 2009. Performance of work is expected to commence on May 25, 2009 and is expected to be completed on October 1, 2009. The Company expects the cost to be $2.7 million for the contractor's portion of the 10,000 metre program. Silver Bear has also agreed to pay demobilization charges of $26,000 per month at the end of the 2009 drilling program until the equipment is returned to Khabarovsk, the Russian Federation. Should the Company choose to sign a contract for drilling services in 2010 before November 15, 2009 these charges would not apply. Should the Company terminate the contract prior to completing the expected 10,000 metres in 2009, charges of $44 per uncompleted metre would apply.

In relation to a cost sharing agreement with Western Goldfields Inc. ("WGI"), the Company anticipates paying in respect of the lease of the head office premises $0.2 million per year for the remaining nine years of the office lease.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Capital Stock

As at May 8, 2009 the Company had issued and outstanding 37,935,569 Common Shares (December 31, 2008, 37,935,569) issued and outstanding.

As at March 31, 2009, the Company had share options outstanding and expiring as follows:

	Outstanding		Exercisable	
Expiring during the year	Number	Weighted average exercise price $	Number	Weighted average exercise price $
2012	1,133,329	4.50	1,133,329	4.50
2014	2,438,237	1.86	1,157,221	2.37
2015	195,002	3.00	130,002	3.00
	3,766,568	2.72	2,420,552	3.41

Summary of Quarterly Results

	Mar-09	Dec-08	Sep-08	Jun-08
Net Loss	**(3,985,866)**	**(4,038,651)**	**(8,314,892)**	**(2,434,315)**
Basic and diluted loss per share (cents per share)	**(0.11)**	**(0.11)**	**(0.22)**	**(0.07)**
Cash and cash equivalents	**19,347,148**	**24,170,023**	**28,669,371**	**32,087,043**
Total assets	**26,936,190**	**30,783,897**	**35,978,824**	**38,904,042**
Total long-term financial liabilities	**580,215**	**570,711**	**577,814**	**252,942**

	Mar-08	Dec-07	Sep-07	Jun-07
Net Loss	(2,913,780)	(2,749,434)	(3,732,761)	(4,921,237)
Basic and diluted loss per share (cents per share)	(0.08)	(0.11)	(0.15)	(0.19)
Cash and cash equivalents	27,873,668	30,295,581	7,183,413	10,383,567
Total assets	40,396,900	41,180,972	16,492,689	20,175,969
Total long-term financial liabilities	248,959	245,360	–	–

Related Party Transactions

In November 2008, a new cost sharing agreement was reached between Silver Bear and WGI with an effective date of January 1, 2009. The new agreement amends cost sharing ratios between the two companies to 33% for Silver Bear and 67% to WGI, to reflect current levels of activities.

We relocated our Toronto head office in June 2008 and share premises with WGI. As a result of WGI entering into a new lease they have charged Silver Bear for our proportional share under the cost sharing agreement. Silver Bear's share of the estimated rental and operating costs is approximately $1.9 million over the ten year term. At March 31, 2009, $9,922 (March 31, 2008 – $23,063) was receivable from WGI for items invoiced to Silver Bear that were chargeable to WGI.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management has concluded its internal controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no significant changes to the Company's internal control over financial reporting that occurred during the most recent period ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly impact financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly accountable companies to convert from Canadian GAAP to IFRS. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. While the Company has begun assessing the adoption of IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

RISK FACTORS

The operations of the Company are speculative due to the high-risk nature of its business which is the acquisition, financing, exploration, development and operation of mining properties. The risk factors described are not the only ones facing the Company. Additional risks currently not known to the Company or that the Company considers immaterial may also impair the business operations of the Company. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. If any of the described risks actually occurs, the Company's business, financial condition and operating results could be materially affected. In such case, the trading price of the common shares of the Company would likely decline and the holders of common shares of the Company could lose all or part of their investment.

An investment in the Shares is considered to be speculative due to the nature of Silver Bear's business and the present stage of its development. For a discussion of risk factors and additional information please refer to the Company's 2008 Annual MD&A, the 2008 Annual Information Form and other filings, which are available on the Company's web site *www.silverbearresources.com* and on *www.sedar.com* or upon request from the Company.

OUTLOOK

Mangazeisky Project

Silver Bear will continue to explore the Mangazeisky property in 2009. In light of current uncertainty in the capital markets, the Company has decided to reduce the exploration program planned for 2009 to conserve cash. This will allow the Company to continue exploration activities into 2010. In late 2008 the Company scaled back its drilling program to 10,000 metres from 40,000 metres originally planned. Silver Bear remains committed to further advancing the project through targeted exploration within the Mangazeisky license. Total estimated cost for the 2009 program is approximately $12.0 million.

The winter road re-supply of equipment and supplies necessary to complete the 2009 exploration program has been completed.

Key milestones for Silver Bear:

- Complete 10,000 metres of drilling during the 2009 field season (May through October 2009).
- Update the existing resource estimate during the first quarter of 2010.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements relating to, but not limited to, the Company's expectations, estimates, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "budget", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations and assumptions of management that are inherently subject to a number of business and economic risks and uncertainties and contingencies. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any forward-looking statement. These risks, uncertainties and other factors include, but are not limited to, the following: failure to establish estimated resources and reserves; the grade and recovery of ore which is mined varying from estimates; capital and operating costs varying significantly from estimates; delays in obtaining or failures to obtain required governmental, environmental or other project approvals; changes in national and local government legislation, taxation or regulations; political or economic developments; inflation; changes in currency exchange rates; fluctuations in commodity prices; delays in the development of projects, challenges from governmental authorities of Silver Bear's validity of the title to its Russian assets, and other factors, disclosed herein, the Company's latest Annual Information Form and other documentation filed by the Company in SEDAR. All forward-looking statements in this MD&A are qualified by these cautionary statements.

Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company disclaims any intention or obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by applicable laws.

Consolidated Balance Sheet

(Canadian dollars)
(Unaudited)

	March 31, 2009	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	**$ 19,347,148**	$ 24,170,023
Related party receivable (note 11)	**9,922**	23,063
Inventories (note 4)	**2,065,615**	1,142,408
Prepaid expenses (note 5)	**699,492**	666,396
Miscellaneous receivables	**51,330**	52,475
	22,173,507	26,054,365
Capital assets		
Mineral properties (note 6)	**1,265,117**	1,265,117
Property, plant and equipment (note 7)	**2,553,416**	2,520,265
Asset held for sale (note 16)	**944,150**	944,150
	$ 26,936,190	$ 30,783,897
LIABILITIES		
Current liabilities		
Accounts payable and accrued (note 8)	**$ 950,801**	$ 1,013,888
Long-term liabilities		
Asset retirement obligation (note 15)	**580,215**	570,711
Shareholders' equity		
Capital Stock (note 10)	**73,771,289**	73,771,289
Contributed surplus (note 10)	**8,813,618**	8,621,876
Deficit	**(57,179,733)**	(53,193,867)
	25,405,174	29,199,298
	$ 26,936,190	$ 30,783,897

Going concern (note 1)

Commitments and contingency (note 13)

See accompanying notes to interim consolidated financial statements

Consolidated Statements of Operations and Comprehensive Loss and Deficit

(Canadian dollars)
(Unaudited)

	March 31, 2009	March 31, 2008
Income		
Interest income	**$ 56,445**	$ 285,627
Expenses		
Exploration costs	**2,581,816**	1,585,347
General and administrative	**730,999**	1,221,199
Stock option compensation	**191,742**	425,103
Amortization	**180,319**	291,742
Accretion expense	**9,504**	3,600
Foreign exchange loss (gain)	**347,931**	(299,751)
Expenses from operations	**4,042,311**	3,227,240
Non-controlling interest (note 9)	**–**	(27,833)
Loss and Comprehensive Loss for the period	**(3,985,866)**	(2,913,780)
Net Loss	**(3,985,866)**	(2,913,780)
Deficit – Beginning of the period	**(53,193,867)**	(35,492,229)
Deficit – End of the period	**$ (57,179,733)**	$ (38,406,009)
Weighted average number of common shares outstanding	**37,935,569**	36,304,800
Income (loss) per share	**$ (0.11)**	$ (0.08)

Going concern (note 1)

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

(Canadian dollars)
(Unaudited)

	March 31, 2009	March 31, 2008
Cash provided by (used in)		
Operating activities		
Loss from operations	**$ (3,985,868)**	$ (2,913,780)
Items not affecting cash:		
Amortization	**180,319**	291,742
Accretion expense	**9,504**	3,600
Stock option compensation	**191,742**	425,103
Net change in non-cash working capital (note 12)	**(1,005,102)**	(1,626,118)
Net cash from operations	**(4,609,405)**	(3,819,453)
Financing activities		
Issuance of common shares	**–**	1,926,971
	–	1,926,971
Investing activities		
Acquisition of property, plant and equipment	**(213,470)**	(548,517)
	(213,470)	(548,517)
Increase (decrease) in cash and cash equivalents during the period	**(4,822,875)**	(2,440,999)
Cash and cash equivalents – beginning of the period	**24,170,023**	30,314,667
Cash and cash equivalents – end of the period	**$ 19,347,148**	$ 27,873,668

1. NATURE OF OPERATIONS AND GOING CONCERN

Silver Bear Resources Inc. (the "Company" or "Silver Bear") was incorporated under the Business Corporations Act of the Province of Ontario, Canada, on April 8, 2004 and continued under Articles of Continuance dated August 30, 2004 under the Business Corporations Act (Yukon) and February 1, 2005 under the Business Corporations Act (Ontario). The primary business of the Company is evaluation, acquisition and exploration of silver mineral properties in the Russian Federation. The principal asset of the Company is the project described in Note 6. The exploration strategy of the Company is to focus on the discovery of silver deposits. To date Silver Bear has not earned revenue and is considered to be in the exploration stage.

As at March 31, 2009, 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 interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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. As at March 31, 2009, the Company had no source of operating cash flows and reported a loss for the period of $3,985,866 and an accumulated deficit of $57,179,733 as at that date. In order to fund its future operations, maintain its rights under licenses and agreements and to advance its projects, the Company must secure sufficient future funding. In these circumstances, there exists significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, as to the appropriateness of the use of accounting principles applicable to a going concern. The Company secured funding through an initial public offering of its common shares in December 2007, and an over-allotment option was completed on January 18, 2008 for aggregate gross proceeds of $32,091,239. On July 16, 2008 the Company also completed a private placement of 1,500,000 common shares for an aggregate gross proceeds of $4,500,000, the funds were used to meet the Company's exploration requirements and contractual obligations and to continue as a going concern. While the Company has been successful in raising financing to date, there can be no assurance that it will be able to do so in future.

These unaudited interim consolidated financial statements do not include adjustments or disclosures that may result should the Company not be able to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, and the reported net loss and balance sheet classifications used. These adjustments could be material.

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

These unaudited interim consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries: Silver Bear Holdings Limited (a Barbados corporation) ("Holdings"), and ZAO Prognoz (a Russian Federation corporation). These unaudited interim consolidated financial statements include the assets and liabilities of the Company as at March 31, 2009 and its results of operations and its cash flows for the period ended March 31, 2009. All significant inter-company accounts and transactions have been eliminated on consolidation.

3. CAPITAL MANAGEMENT

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 mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the business.

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

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

There were no changes in the Company's approach to capital management during the period ended March 31, 2009 compared to the year ended December 31, 2008. Neither the Company nor its subsidiaries is 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 a Canadian chartered bank as well as Government of Canada Treasury Bills and management believes the risk of loss to be remote. Miscellaneous receivables consist of taxes due from the Federal Government of Canada and costs paid on behalf of a supplier. Management believes that the credit risk concentration with respect to accounts receivable is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2009, the Company had a cash balance of $19,347,148, (December 31, 2008 – $24,170,023) to settle current liabilities of $950,801 (December 31, 2008 – $1,013,888).

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high interest earning bank accounts with a Canadian financial institution as well as Government of Canada Treasury Bills. The Company monitors the investments it makes and is satisfied with the credit ratings of its banks.

Foreign currency risk

The Company's functional currency is the Canadian dollar. The Company funds certain exploration and administrative expenses on a transaction by transaction basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is manageable and therefore does not hedge its foreign exchange risk.

Sensitivity analysis

The Company's cash and cash equivalents are measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Sensitivity to a plus 1% change in rates would have affected the net loss by a reduction of $264,038, a minus 1% change in rates would have increased the net loss by $44,597 as some deposits currently earn less than 1%.

The carrying amount of accounts receivable equals fair market value.

Based on management's knowledge and experience of the financial markets, the Company believes the following statements to be reasonable.

- The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.
- Price risk is remote since the Company is not a producing entity.

Adoption of New Accounting Standards

Goodwill and Intangible Assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, "Goodwill and Intangible Assets," which replaces Section 3062, "Goodwill and Other Intangible Assets." This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the adoption of this standard, CICA Emerging Issues Committee Abstract 27, "Revenues and Expenditures in the Pre-operating Period,""EIC-27") was withdrawn. The standard is effective for our fiscal year beginning January 1, 2009. Adoption of this standard did not have a significant effect on our financial statements.

Credit Risk and Fair Value of Financial Assets and Liabilities

In January 2009, the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This standard is effective for our fiscal year beginning January 1, 2009. Adoption of this EIC did not have a significant effect on the company's financial statements.

Mining Exploration Costs

In March 2009, the CICA issued EIC-174, "Mining Exploration Costs." The EIC provides guidance on the accounting and the impairment review of exploration costs. This standard is effective for our fiscal year beginning January 1, 2009. The application of this EIC did not have an effect on the company's financial statements.

4. INVENTORIES

Materials and supplies inventories are stated at the lower of average cost or net realizable value.

Inventories consists of the following:

	March 31, 2009 $	December 31, 2008 $
Fuel and lubricants	**910,636**	673,239
Explosives	**128,913**	139,186
Drilling supplies and food	**1,026,066**	329,983
	2,065,615	1,142,408

5. PREPAID EXPENSES

Prepaid expenses consists of the following:

	March 31, 2009 $	December 31, 2008 $
Project advances – Mangazeisky		
Exploration Equipment, Supplies and Services	**662,789**	582,263
Rent	**1,042**	24,691
Other	**35,661**	59,442
	$ 699,492	$ 666,396

6. MINERAL PROPERTY

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

Mineral property consists of the following:

	March 31, 2009 $	December 31, 2008 $
Mangazeisky – exploration license	**1,265,117**	1,265,117

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

The following disclosure provides cumulative exploration costs pursuant to CICA Accounting Guideline 11 "Enterprises in the Development Stage".

	March 31, 2009 $	December 31, 2008 $
Mangazeisky	**27,346,794**	24,764,978
Russian management costs	**1,563,283**	1,563,283
Corporate costs related to exploration activities	**477,411**	477,411
	$ 29,387,488	$ 26,805,672

7. PROPERTY, PLANT AND EQUIPMENT

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

Property, plant and equipment consists of the following:

	March 31, 2009			December 31, 2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Exploration plant and equipment						
Mangazeisky site	**$4,705,422**	**$2,935,856**	**$1,769,566**	$ 4,546,848	$ 2,771,239	$ 1,775,609
Construction in progress	**676,315**	**–**	**676,315**	622,833	–	622,833
Yakutsk office	**172,423**	**111,719**	**60,704**	171,013	105,156	65,857
Other office furniture, equipment and leasehold improvements	**395,453**	**348,622**	**46,831**	395,453	339,487	55,966
	$5,949,613	**$3,396,197**	**$2,553,416**	$ 5,736,147	$ 3,215,882	$ 2,520,265

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	March 31, 2009 $	December 31, 2008 $
Exploration costs – Mangazeisky project	**512,861**	435,809
Corporate – accounts payable and accrued liabilities	**437,940**	578,079
	$ 950,801	$ 1,013,888

9. NON-CONTROLLING INTEREST

The non-controlling interest in Avlayakan represented the cost to the non-controlling shareholder's 30% investment in the charter capital of Avlayakan. As at May 27, 2008, the non-controlling interest was eliminated upon the sale of the Company's 70% interest in mine Avalayakan LLC.

10. SHAREHOLDERS' EQUITY

Common shares

Authorized:

Unlimited number of common shares and preference shares:

Issued and outstanding:

	March 31, 2009		December 31, 2008	
	Number of common shares	$	Number of common shares	$
Balance – Beginning of year	**37,935,569**	**73,771,289**	35,735,569	67,991,311
Issued pursuant to Initial Public Offering (a)	**–**	**–**	700,000	1,560,013
Issued pursuant to private placement, net (b)	**–**	**–**	1,500,000	4,219,965
Balance – End of year	**37,935,569**	**73,771,289**	37,935,569	73,771,289

(a) On January 18, 2008 Silver Bear completed the sale of 700,000 common shares at a price of $3.00 per common share pursuant to the exercise in part of an over-allotment option for gross proceeds of $2,100,000 (net proceeds of $1,560,013) the underwriting syndicate was co-led by RBC Capital Markets and Merrill Lynch & Co., and included GMP Securities L.P. and Wellington West Capital Markets Inc. No further over–allotment option remains outstanding. On December 19, 2007, Silver Bear successfully completed its initial public offering of 10,000,000 common shares at a price of $3.00 per share for gross proceeds of $30,000,000. Net proceeds after payment of Agent's commission of 6% and related expenses were $27,339,953.

(b) On July 16, 2008 the Company completed a private placement with Alfa Bank Consortium for 1,500,000 common shares for net proceeds to the Company of $4,219,965.

Stock Options

The Company has a stock option plan which is intended to provide an incentive to officers, employees, directors and consultants of the Company. Stock options are granted from time to time and the option price is determined by the Compensation Committee of the Board of Directors at its sole discretion but shall not be less than the closing price of the Company's common stock on The Toronto Stock Exchange two trading days after the date of the grant. The term of each option granted for a period not exceeding ten 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 three months after the date of termination.

In May 2008, the Board of Directors approved an increase of 958,333 options to the stock option plan bringing the total options available to issue to 4,000,000. As at March 31, 2009 the Company had 3,766,568 options outstanding.

	March 31, 2009		December 31, 2008	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Balance – Beginning of year	**3,766,658**	**2.72**	2,841,654	3.76
Granted	**–**	**–**	1,375,002	0.98
Expired	**–**	**–**	(449,998)	4.00
Balance – End of year	**3,766,658**	**2.72**	3,766,658	2.72

As at March 31, 2009, the Company had stock options outstanding and expiring as follows:

	Outstanding		Exercisable	
Expiring during the year	Number	Weighted average exercise price $	Number	Weighted average exercise price $
2012	**1,133,329**	**4.50**	**1,133,329**	**4.50**
2014	**2,438,237**	**1.86**	**1,157,221**	**2.37**
2015	**195,002**	**3.00**	**130,002**	**3.00**
	3,766,568	**2.72**	**2,420,552**	**3.41**

In December 2008, 880,000 stock options were granted to various employees and a director of the Company. The exercise price of the options is $0.28 and the term is seven years. For purposes of valuation, the fair value of the stock options was estimated on the date of the grant using the Black-Scholes stock option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 165.18%; risk-free rate of return of 2.41% and an average expected life of 6 years.

In August, 2008, 300,000 stock options were granted to various directors and an employee of the Company. The exercise price of the options is $1.70 and the term is seven years. For purposes of valuation, the fair value of the stock options was estimated on the date of the grant using the Black-Scholes stock option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 91.7%; risk-free rate of return of 3.13% and an average expected life of 6 years.

In February, 2008, 195,002 stock options were granted to various directors and an employee of the Company. The exercise price of the options is $3.00 and the term is seven years. For purposes of valuation, the fair value of the stock options was estimated on the date of the grant using the Black-Scholes stock option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 65%; risk-free rate of return of 4.37% and an average expected life of 6 years.

In 2008, 449,998 options expired that had been granted at an average exercise of $4.00.

Stock options granted after December 1st 2008 vest as follows: one third on the first anniversary of the grant, one third on the second anniversary of the grant and one third on the third anniversary of the grant. Stock options granted before December 2008 vest as follows: one third immediately, one third on the first anniversary of the grant and one third on the second anniversary of the grant.

Contributed surplus consists of the following:

	March 31, 2009 $	December 31, 2008 $
Balance – Beginning of year	**8,621,876**	6,835,085
Stock option compensation	**191,742**	1,513,216
Value assigned to expired warrants	**–**	273,575
Balance – End of year	**$8,813,618**	$ 8,621,876

Loss per share

As a result of net losses in each of the periods, the potential effect of exercising stock options and warrants has not been included in the calculation of loss per share because to do so would be anti-dilutive.

11. RELATED PARTY TRANSACTIONS

In November 2008, a new cost sharing agreement was reached between Silver Bear and Western Goldfields Inc. (WGI) with an effective date of January 1, 2009. The new agreement amends cost sharing ratios between the two companies to 33% for Silver Bear and 67% to WGI, to reflect current levels of activities. WGI would initially incur the costs and Silver Bear will reimburse WGI based on the revised cost sharing agreement.

We relocated our Toronto head office in June 2008 and share premises with WGI. As a result of WGI entering into a new lease they have charged Silver Bear for our proportional share under the cost sharing agreement. Silver Bear's share of the estimated rental and operating costs is approximately $1.9 million over the ten year term. At March 31, 2009, $9,922 (2008 – $18,269) was receivable from WGI for items invoiced to Silver Bear that were chargeable to WGI.

12. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	March 31, 2009 $	March 31, 2008 $
Receivable from related party	**13,141**	12,783
Non-controlling interest receivable	**–**	(24,630)
Inventories	**(923,205)**	(1,134,115)
Prepaid expenses	**(33,096)**	(288,146)
Miscellaneous receivables	**1,145**	33,956
Accounts payable and accrued liabilities	**(63,087)**	(225,966)
	$(1,005,102)	$ (1,626,118)

13. COMMITMENTS AND CONTINGENCY

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 exploration program concluded in 2008 and the program planned for 2009 more than satisfy the commitments established in the License Agreement.

Silver Bear has entered into a drilling to complete a minimum of 10,000 metres of diamond drilling at the Mangazeisky Project for 2009. Performance of work is expected to commence on May 25, 2009 and is expected to be completed on October 1, 2009. The Company expects the cost to be $2.7 million for the contractor's portion of the 10,000 metre program. Silver Bear has also agreed to pay demobilization charges of $26,000 per month at the end of the 2009 drilling program until the equipment is returned to the contractor in Khabarovsk, Russia. Should the Company choose to sign a contract for drilling services in 2010 before November 15, 2009 these charges would not apply. Should the Company terminate the contract, charges of $44 per uncompleted metre would apply.

The Company is involved in legal proceedings from time to time, arising in the ordinary course of its business. Typically, 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.

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

14. SEGMENTED INFORMATION

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

The following is segmented information as at March 31, 2009:

						As at March 31, 2009
Country / Property	Cash and cash equivalents	Inventories	Prepaid expenses	Other current assets	Mineral properties	Property, plant and equipment
Russia – Mangazeisky	**478,063**	**2,065,615**	**584,066**	**24,949**	**1,265,117**	**2,446,965**
Canada – corporate	**18,869,085**	**–**	**115,426**	**36,303**	**–**	**1,050,601**
	$19,347,148	**$ 2,065,615**	**$ 699,492**	**$ 61,252**	**$ 1,265,117**	**$ 3,497,566**

The following is segmented information as at December 31, 2008:

						As at December 31, 2008
Country / Property	Cash and cash equivalents	Inventories	Prepaid expenses	Other current assets	Mineral properties	Property, plant and equipment
Russia – Mangazeisky	2,739,256	1,142,408	531,483	47,579	1,265,117	2,464,300
Canada – corporate	21,430,767	–	134,913	27,959	–	1,000,115
	$24,170,023	$ 1,142,408	$ 666,396	$ 75,538	$ 1,265,117	$ 3,464,415

15. ASSET RETIREMENT OBLIGATION

Asset retirement obligation consists of the following:

	March 31, 2009 $	December 31, 2008 $
Balance at the beginning of the period	**570,711**	245,360
Increase in liability	**–**	305,446
Accretion	**9,504**	19,905
Balance, end of year	**$ 580,215**	$ 570,711

The asset retirement obligation relates to the Mangaziesky project located in the Republic of Sakha, Yakutia in the Russian Federation. The Company estimated the cost of rehabilitating the site at $580,215 in the next three years. Such estimated costs have been discounted using a credit adjusted risk-free rate of 5.8%. Gross payments are expected to be $602,292 in 2012 and management has used an inflation factor of 12.6% to determine future gross payments.

16. ASSETS HELD FOR SALE

Assets held for sale consist of two Zinex drill rigs and all ancillary equipment. The Company is in the process of identifying potential purchasers of the equipment and accordingly the assets are being held for sale.

Corporate Information

DIRECTORS

The Honourable J. Trevor Eyton, O.C. [1, 5, 6]
Non-executive Chairman of the Board of Directors
Member of the Senate of Canada

William Biggar [2, 4]
President and CEO
North American Palladium Ltd.

Dzhulustan Borisov
President, National Republic Bank

Dominic Gualtieri [5]
Corporate Director

Alexey Mikhaylovskiy [6]
CEO, United Gold Company

Cameron Mingay [6]
Partner, Cassels Brock & Blackwell, LLP

Randall Oliphant
President and CEO, Silver Bear Resources Inc.
Chairman, Western Goldfields Inc.

Christopher Westdal [3, 4, 5]
Consultant in International Affairs

1. *Chairman, Compensation Committee*
2. *Chairman, Audit Committee*
3. *Chairman, Governance and Environmental Committee*
4. *Member, Compensation Committee*
5. *Member, Audit Committee*
6. *Member, Governance and Environmental Committee*

OFFICERS

Randall Oliphant
President and Chief Executive Officer

Raymond Threlkeld
Chief Operating Officer

Brian Penny
Chief Financial Officer and Corporate Secretary

Wesley Hanson
Vice President Exploration

TORONTO OFFICE

Royal Bank Plaza, South Tower
200 Bay Street, Suite 3120, PO Box 167
Toronto, Ontario, Canada M5J 2J4
T. 416 324 6000

TRANSFER AGENT

Computershare
100 University Avenue, 8th Floor
Toronto, Ontario, Canada M5J 2Y1
www.computershare.com

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange (TSX:SBR)

INVESTOR RELATIONS

Hannes Portmann
hportmann@silverbearresources.com
T. 416 324 6014

AUDITORS

PricewaterhouseCoopers LLP
Toronto, Ontario, Canada

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SILVER BEAR
RESOURCES INC.

SILVER BEAR RESOURCES INC.

200 Bay Street, South Tower
Royal Bank Plaza, Suite 3120
Toronto, ON M5J 2J4

www.silverbearresources.com

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