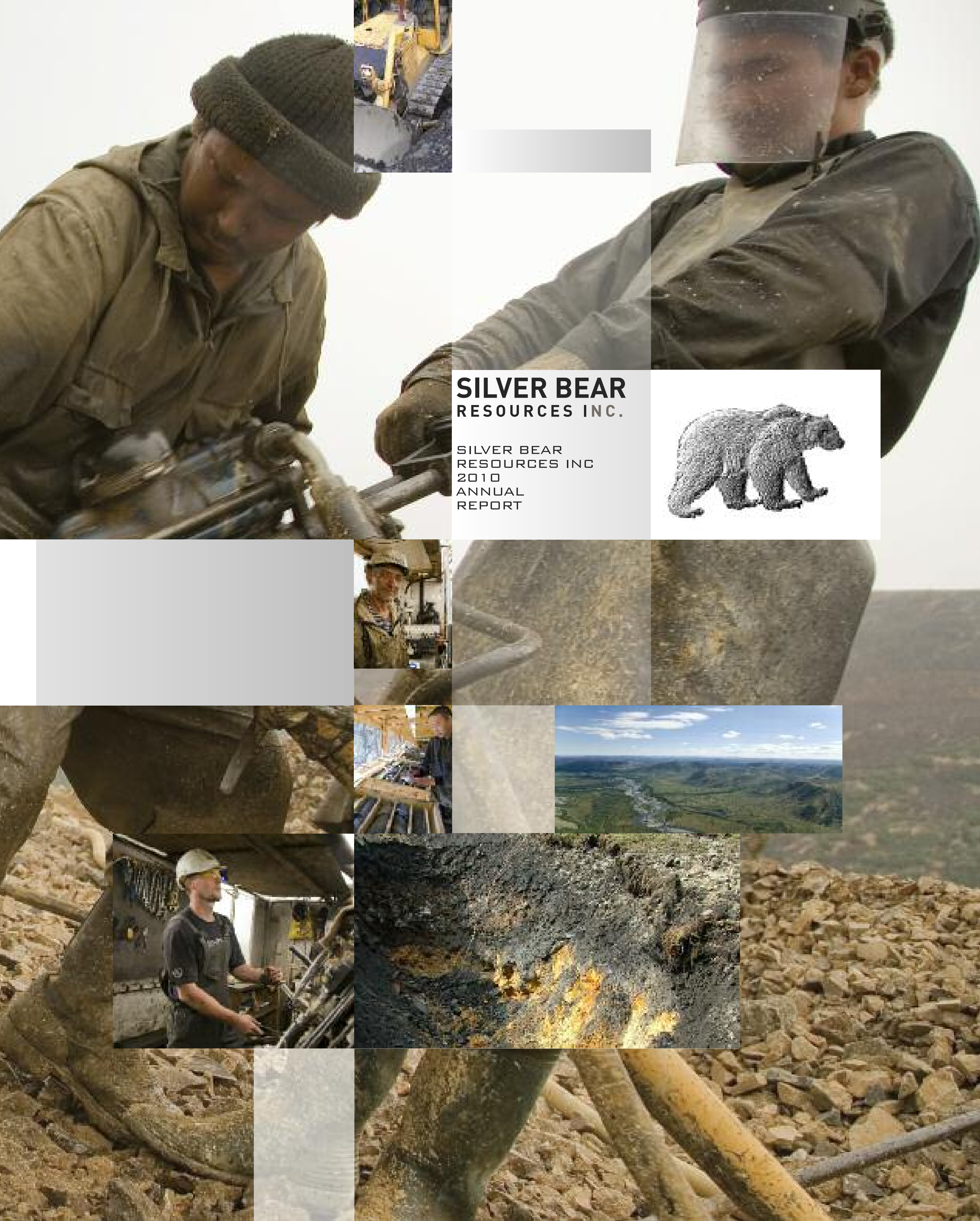

SILVER BEAR
RESOURCES INC.

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2010
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SILVER BEAR RESOURCES

2010 Management's Discussion and Analysis
and Annual Financial Statements
December 31, 2010

The following Management's Discussion and Analysis, which has been prepared as of March 25, 2011, related to the audited consolidated financial results of Silver Bear Resources Inc. (the "Company" or "Silver Bear") for year ended December 31, 2010, should be read in conjunction with the December 31, 2010 audited consolidated financial statements and related notes, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This discussion covers the year ended December 31, 2010. Other pertinent information about 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) 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 information that involves numerous risks and uncertainties. Actual results of the Company could differ materially from those discussed in such forward-looking information as a result of the risks and uncertainties faced by the Company, including those set forth in this MD&A under "Forward-Looking Information" and under "Risk Factors."

OVERVIEW

The primary business of the Company is the evaluation, acquisition, exploration and development of precious metal properties. The Company has not yet earned revenue from operations and is considered to be in the exploration stage. The Company's principal asset is its 100%-owned 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") through December 31, 2011.

OUTLOOK

After Silver Bear delineated a 49 million ounce silver resource at its Mangazeisky Project through its 2008-2010 drilling activities, the Company is currently evaluating strategic alternatives available to it in an effort to maximize the return to shareholders on Silver Bear's remaining cash balance. Silver Bear has many strengths: a property with a significant resource and further exploration potential; a strong Russian partner; an experienced management team; cash on hand; and no debt. Silver Bear believes that the Company's current assets are key in its pursuit of strategic alternatives which may include: continued exploration/development of the Mangazeisky Project; a joint venture for the Mangazeisky Project; sale of the Project; or a business combination or other strategic transaction with another mineral-focused company. Cumulatively, Silver Bear's drilling and trenching programs have fulfilled its Mangazeisky license requirements through the end of 2010. License requirements in 2011 will be met with a trenching program of 5,000 cubic metres at a cost of approximately $1.6 million.

In addition to the trenching Silver Bear will complete a Preliminary Economic Assessment ("PEA") at the Mangazeisky project by the end of the second quarter of 2011. Silver Bear has engaged Wardrop, a Tetra Tech Company ("Wardrop"), to complete a PEA based on the currently defined resource to assess the viability of advancing the project towards production based on its current scale. The PEA is intended to provide the Company with Wardrop's views on the following: geology, mine planning, metallurgy, infrastructure, environmental, capital and operating costs and an overall financial analysis. Wardrop is familiar with the Mangazeisky Project having visited the property and completed the three NI 43-101 compliant resource updates that have been done on the property to date. The company will use the PEA to assist in evaluating the strategic alternatives available. The Company plans to spend $0.2 million to complete the PEA in 2011.

To convert its exploration license, which expires December 31, 2011, to a mining license, Silver Bear will complete a Russian Feasibility Study ("RFS") and register this report, along with a Russian reserve estimate, with the Russian government. Upon registration of the Russian reserve estimate, Silver Bear will apply for a certificate of discovery which will enable the Company to obtain the mining license. Silver Bear expects this process to be completed by year end, but in the event it is not, there is a mechanism available to extend the exploration license for a short period to allow Silver Bear to complete the license conversion. The Company is currently in discussion with various Russian engineering firms to commence the RFS process and currently estimates spending $0.6 million in 2011. Upon successful conversion to a mining license, the company is required to pay a license fee, for which the company has budgeted $0.3 million.

MINERAL RESOURCE ESTIMATE

A mineral resource estimate on Silver Bear's 100% owned Mangazeisky silver project in Russia has been completed by Wardrop and reflects an increase in the silver price assumption and related change in the cut-off grade. The estimate, as of February 25, 2011, is based on a long term silver price of US$16.50 per ounce, a cut-off grade of 160 grams per tonne and anticipates that the mineralized zone would be mined by selective underground methods at a minimum mining width of 1.2 metres.

Mr. P. Gribble, FIMMM C.Eng, of Wardrop, is the independent qualified person who prepared the mineral resource estimates disclosed herein. Wardrop has completed a NI 43-101 Technical Report supporting the mineral resource estimate. The Technical Report has been filed on www.sedar.com.

Summary of Resource Estimate as of February 25, 2011:

- Indicated mineral resource of 1.1 million tonnes averaging 514 grams per tonne of silver totalling 18 million ounces, and an additional
- Inferred mineral resource of 1.7 million tonnes averaging 554 grams per tonne of silver totalling 31 million ounces

RESULTS OF OPERATIONS

Year Ended December 31, 2010, compared to Year Ended December 31, 2009.

Revenues

As at December 31, 2010, the Company was in the exploration stage and therefore did not have revenues from operations. Interest income for the year ended December 31, 2010, was $0.1 million as compared to $0.1 million for the year ended December 31, 2009. The Company has received refunds of Value Added Tax (VAT) in the Russian Federation from prior periods of $1.4 million. These funds were used to fund 2010 operations and will continue to be used to fund the 2011 program.

Interest income for the three-month period ended December 31, 2010 was nil, unchanged from the three-month period ended December 31, 2009. The Company has received an additional VAT refund from prior periods of $0.1 million, and has recoded this amount as Other Income in the quarter. These funds were used to fund 2010 operations and will continue to be used to fund the 2011 program.

Expenses

Exploration

For the year ended December 31, 2010, Silver Bear spent $1.5 million on exploration activities, compared with $8.5 million during the same period in 2009. Costs associated with the Mangazeisky Project for the period ended December 31, 2010 relate to the 2010 program as well as costs related to the Company's Yakutsk administrative office. Exploration expenses decreased when compared to the 2009 period as Silver Bear focused on completing assessment and reconnaissance work in 2010, which requires fewer people and less equipment compared to the prior period in which Silver Bear had completed a program of 12,373 metres of drilling and 15,067 cubic metres of trenching with higher costs associated with this program.

For the three-month period ended December 31, 2010, Silver Bear spent $0.3 million on exploration activities, compared with $0.4 million during the same period in 2009. Exploration expenses decreased when compared to the 2009 period for the same reasons as noted above.

General and Administrative

General and administrative expenses for the year ended December 31, 2010 were $1.6 million, compared with $2.4 million in the 2009 period. General and administrative expenses decreased primarily as a result of a $0.3 million reduction in management salaries and a reduction of $0.5 million in other general and administrative costs for the period ended December 31, 2010. The Company benefited from reduced overhead due to the revised cost sharing agreement with New Gold Inc., as well as a reduction in travel.

General and administrative expenses for the three-month period ended December 31, 2010 were $0.3 million (three-month period ended December 31, 2009 – $0.5 million). Management salaries for the three-month period ended December 31, 2010 were $0.2 million (three-month period ended December 31, 2009 – $0.2 million). Other general and administrative expenses for the three-month period ended December 31, 2010 were $0.1 million (three month period ended December 31, 2009 – $0.3 million).

Non-Cash Items

Non-cash stock option compensation expense for the year ended December 31, 2010 was $0.1 million compared with $0.4 million for the year ended December 31, 2009. Stock option compensation expense has decreased compared to 2009 as options became fully vested or had been surrendered. Amortization expense for the year ended December 31, 2010 was $0.8 million (year ended December 31, 2009 – $0.8 million). The foreign exchange loss for the period ended December 31, 2010 was $0.1 million (year ended December 31, 2009 – $0.7 million) as a result of the translation to Canadian dollars of the financial results of consolidated foreign subsidiaries.

Non-cash stock option compensation expense for the three month period ended December 31, 2010 was $0.1 million (three-month period ended December 31, 2009 – $0.1 million). Amortization expense for the three-month period ended December 31, 2010 was $0.2 million, (three-month period ended December 31, 2009 – $0.2 million). The foreign exchange loss for the three-month period ended December 31, 2010 was $0.1 (three-month period ended December 31, 2009 was $0.1 million) 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 year ended December 31, 2010 of $2.6 million, or $0.07 per share. This compares to a loss of $13.3 million or $0.35 per share for the year ended December 31, 2009. Exploration costs were $1.5 million in the year ended December 31, 2010 compared with $8.5 million in the year ended December 31, 2009, as the Company reduced exploration expenditures to preserve cash. General and administrative expenses for the year ended December 31, 2010 were $1.6 million compared with $2.4 million in the prior year as the Company reduced corporate office and salary related costs. Non-cash items for the year ended December 31, 2010 were $1.0 million compared with $2.5 million in the year ended December 31, 2009, the reduction of $1.5 million is mainly a result of decreased stock based compensation and foreign exchange expenses. Interest income for the year ended December 31, 2010 was $0.1 million compared with $0.1 million in the prior year. The Company has received a refund of Value Added Tax (VAT) in the Russian Federation from prior periods of $1.4 million in 2010.

Silver Bear incurred a net loss for the three-month period ended December 31, 2010 of $0.9 million or $0.03 per share. This compares to a loss of $1.8 million or $0.04 per share for the three-month period ended December 31, 2009. Exploration costs were $0.3 million in the three-month period ended December 31, 2010 compared with $0.4 million in the three-month period ended December 31, 2009. General and administrative expenses for the three-month period ended December 31, 2010 were $0.3 million compared with $0.5 million in the three month-period ended December 31, 2009. Non-cash items for the three-month period ended December 31, 2010 was $0.3 million compared with $0.9 million in the three-month period ended December 31, 2009. During the quarter the Company has received additional VAT refund from prior periods of $0.1 million, and has recoded this amount as Other Income in the quarter.

Liquidity and Capital Resources

At December 31, 2010, Silver Bear had cash and cash equivalents of $11.1 million. The Company has no debt outstanding. Silver Bear anticipates that it has a sufficient amount of cash and cash equivalents to meet its short term objectives. Silver Bear has budgeted for a 5,000 cubic metre trenching program in 2011 at a cost of $1.6 million, completion of a PEA for $0.2 million and a RFS for $0.6 million, a license conversion fee of $0.3 million, with an additional $1.4 million of corporate costs. Additional funding may be required in the longer term.

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 in 2009 more than satisfies the commitments established in the extended license agreement for Mangazeisky for the year 2010. The Company plans to complete 5,000 cubic metres of trenching in 2011 to fulfill the remainder of the license requirements and advance the project.

The Company may be 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. There were no material outstanding legal proceedings as of December 31, 2010.

In assessing loss contingencies related to legal proceedings that are pending against the Company 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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Capital Stock

As at March 23, 2011, the Company had issued and outstanding 37,935,569 Common Shares (December 31, 2010 – 37,935,569).

As at December 31, 2010, the Company had share options outstanding and exercisable as follows:

	Outstanding		Exercisable	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
2011	8,333	0.28	8,333	0.28
2013	650,000	0.28	430,556	0.28
2015	1,245,000	0.59	–	0.00
	1,903,333	0.48	438,888	0.28

In order for Silver Bear to make options available for future grants and for other strategic alternatives, the Company asked holders of out-of-the-money options to voluntarily surrender their options back to Silver Bear. Effective January 22, 2010, option holders voluntarily surrendered 2,861,659 options back to the Company. A total of 2,096,667 options are available for issue in the future under its option plan.

Summary of Quarterly Results ($)

	Dec-10	Sept-10	Jun-10	Mar-10
Net Loss	**(883,461)**	**(28,265)**	**(527,659)**	**(1,174,685)**
Basic and diluted loss per share	**(0.03)**	**0.00**	**(0.01)**	**(0.03)**
Cash and cash equivalents	**11,114,277**	**10,751,003**	**11,034,572**	**11,691,153**
Total assets	**14,708,628**	**15,456,915**	**15,575,266**	**16,084,331**
Total long-term financial liabilities	**646,741**	**637,237**	**627,733**	**618,229**

	Dec-09	Sept-09	Jun-09	Mar-09
Net Loss	(1,847,058)	(3,647,977)	(3,806,528)	(3,985,866)
Basic and diluted loss per share	(0.04)	(0.10)	(0.10)	(0.11)
Cash and cash equivalents	12,320,095	13,179,442	17,076,808	19,347,148
Total assets	17,226,703	19,190,361	24,033,044	26,936,190
Total long-term financial liabilities	608,725	599,225	589,717	580,215

Related Party Transactions

Silver Bear shares premises with New Gold Inc. ("NGD") and as a result a cost sharing agreement exists between Silver Bear and NGD for our proportional share of office costs. The cost sharing agreement resulted in a net billing to Silver Bear from NGD of $141,169 in 2010 ($347,654 – 2009). At December 31, 2010 the net payable to NGD was $12,533 ($42,172 – 2009).

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, are responsible for the design and effectiveness 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 the accounting principles generally accepted in Canada. Based on an assessment by management, with participation of its Chief Executive Officer and Chief Financial Officer, of its internal control procedures, as at the end of the period covered by this MD&A, the Company's Chief Executive Office and Chief Financial Officer have 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.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's system of disclosure controls and procedures includes, but is not limited to, our Code of Ethics, Disclosure and Trading policies, our Whistle Blower policy, our Information Technology policy, our Delegation of Authority policy, the effective functioning of our Audit Committee and procedures in place to systematically identify matters warranting consideration of disclosure by the Audit Committee.

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Office and Chief Financial Officer have concluded that, as at the end of the period covered by this MD&A, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods.

CHANGES TO INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no significant changes to the Company's internal controls over financial reporting that occurred during the most recent period ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

CHANGES TO DISCLOSURE CONTROLS AND PROCEDURES

There have been no significant changes to the Company's disclosure controls and procedures that occurred during the most recent period ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect the Company's disclosure controls and procedures.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the CICA Accounting Standards Board confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there may be significant differences in recognition, measurement and disclosure that may materially impact the Company's financial statements.

The Company will transition to IFRS effective January 1, 2011 and intends to issue its first interim financial statements under IFRS for the three-month period ending March 31, 2011 and a complete set of financial statements under IFRS for the year ending December 31, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the financial year ended December 31, 2010.

The Company expects the transition to IFRS will impact accounting, financial reporting, internal controls over financial reporting, taxes, information systems, and processes.

The Company has formalized the project team and required resources, outlined the governance structure including definition of reporting requirements to, among others, the Audit Committee, and defined an IFRS conversion plan in three separate and distinct phases: Diagnostic, Design, and Implementation. Below is a summary of the work completed and preliminary impact on the Company's financial statements.

Implementation phase – involves implementing all of the required changes to business and accounting processes that are necessary for IFRS compliance. The Company has commenced the implementation and expects to have everything in place by the end of the first quarter of 2011.

The Company will continue to monitor its progress and results from the existing conversion plan, as well as ongoing changes to IFRS, and adjust its transition and implementation plans accordingly.

Diagnostic phase – consisted of preliminary scoping and high-level assessment of key areas of Canadian GAAP-IFRS differences that are most likely to impact the Company. This assessment was completed in the first quarter of 2010. Key areas of impact for the Company are, among others: IFRS 1 – first time adoption, foreign currency, property, plant and equipment, asset retirement obligations, impairment of assets, presentation of financial statements and share-based payment transactions. Other areas were classified into areas with medium to low importance/impact on the Company's financials or those that will probably have no impact at all. Due to the ongoing changes to IFRS, the final impact of the new accounting standards on the Company's consolidated financial statements can only be measured once all the reporting and accounting standards at the conversion day are known.

Design phase – commenced at the end of the first quarter of 2010, and continued through the fourth quarter of 2010, involved the detailed analysis and assessment from the accounting, reporting, and business perspective of the changes that will be caused by the conversion to IFRS. Deliverables on this stage were technical papers that detail differences between Canadian GAAP and IFRS in the areas identified in the Diagnostic phase, financial and non-financial reporting impacts, and disclosure and IFRS 1 transitional election considerations. This provided rationale for accounting policy choices and support for the implementation phase that follows.

Preliminary IFRS Opening Balance Sheet

The Company completed its preliminary IFRS opening balance sheet at January 1, 2010. The balance sheet reflects accounting policy differences that have been identified to date, as well as the IFRS 1 elections expected to be applied on the transition to IFRS. The balance sheet is preliminary and the final opening balance sheet may reflect adjustments relating to any new IFRS pronouncements or other items identified through the first quarter of 2011.

			January 1, 2010	
	Canadian GAAP		Effect of transition to IFRS	Unaudited IFRS
ASSETS				
Current assets				
Cash and cash equivalents	12,320,095		–	12,320,095
Receivable	355,438		–	355,438
Inventories	1,226,195		–	1,226,195
Prepaid expenses	90,677		–	90,677
	13,992,405		–	13,992,405
Capital assets				
Mineral property	1,265,117	A	29,136	1,294,253
Property, plant and equipment	1,969,181		–	1,969,181
	17,226,703		29,136	17,255,839
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	352,298		–	352,298
Long-term liabilities				
Asset retirement obligation	608,725	A	6,076	614,801
Shareholders' equity				
Capital Stock	73,771,289		–	73,771,289
Contributed surplus	8,975,687	B	114,157	9,089,844
Deficit	(66,481,296)	A	23,060	(66,572,393)
		B	(114,157)	
	16,265,680		23,060	16,288,740
	17,266,703		29,136	17,255,839

A. Reclamation and Closure Cost Obligation

Unlike Canadian GAAP, IFRS does not have a specific standard with guidance on accounting for site restoration and rehabilitation liabilities. The IFRS guidance on restoration provisions exists in the general provisions standard IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. Under IFRS, not only legal obligations are recognized, as it is in Canadian GAAP, but also constructive obligations that derive from an entity's actions where: (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and (b) as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Canadian GAAP requires the use of a current credit-adjusted risk-free discount rate for upward adjustments to asset retirement obligations and the original credit-adjusted risk-free rate for downward revisions. IFRS requires discounting the cash flows associated with the settlement of the obligation using a pre-tax discount rate which reflects current assessments of the time value of money and the risks specific to the liability.

Unlike Canadian GAAP, IFRS requires re-measurement of liability at each reporting date. The Company will need to implement procedures to allow for the re-measurement of liability at each balance sheet date. Under IFRS, the unwinding of the discount in subsequent periods is presented as an interest expense, while under Canadian GAAP it is considered an operating expense.

The impact on the opening balance sheet was an increase in reclamation and closure cost obligations of $6,076 and an increase in the value of the associated asset of $29,136 with an offset to the accumulated Deficit balance.

B. Share Based Payments

IFRS and Canadian GAAP largely converge on the accounting treatment for share based transactions with only a few differences. Canadian GAAP allows both an accelerated method of amortization for the fair value of stock options under graded vesting as well as a straight line method, while IFRS allows only the accelerated method. Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occurred.

The impact on the opening balance was $114,157 to contributed surplus with the offset to the accumulated Deficit balance. The impact on the open balance sheet is affected by the applied forfeiture rate and the changeover to graded amortization from straight line amortization.

Other IFRS Considerations

Property, plant and equipment ("PP&E")

Under IFRS, PP&E can be measured at fair value or at cost, while under Canadian GAAP, the Company has to carry PP&E on a cost basis and revaluation is not allowed. Upon adoption of IFRS the Company will elect a cost model as its accounting policy choice. According to IAS 16 – Property, plant and equipment, when an item of property, plant and equipment comprises individual components for which different depreciation method or rates are appropriate, each component is accounted for separately (component accounting). The Company has conducted inventory review of property plant and equipment to determine which assets should be accounted as separate items and what their estimated life and residual values are. The Company does not have any assets that will require a separate accounting for their components. The annual revision of residual value will result in adjustments to fully depreciated assets that are still in use.

There was no impact on the Company's opening balance sheet as a result of PP&E.

Foreign Currency

IFRS utilizes the functional currency concept and requires that the functional currency of each entity in the consolidated group be determined separately in accordance with the guidance detailed in IAS 21 and the entity's financial results, and the foreign currency position should be measured using the currency of the primary economic environment in which the entity operates. Currently, the functional currency of the consolidated Company is the Canadian dollar (CAD) which is also the reporting currency of the Company's financial statements. The Company has reviewed the primary and secondary indicators as outlined in IAS 21 to determine the functional currency for each of its entities under IFRS. The functional currency for Silver Bear Resources and its 100% owned subsidiary Silver Bear Holdings Limited (a Barbados corporation) was determined to be the Canadian dollar. The functional currently for the Company's 100% owned subsidiary, ZAO Prognoz (a Russian Federation corporation) was determined to be the Russian Ruble. The Company elected the IFRS 1 exemption applicable to cumulative translation adjustments, therefore upon transition the cumulative translation will be nil.

There was no impact on the Company's opening balance sheet as a result of foreign currency.

Related Party Disclosures

IFRS and Canadian GAAP disclosure requirements are similar but not identical. They treat differently some of the aspects of the related party transactions, e.g. the definition of significant influence and circumstances that trigger related party disclosures. IFRS unlike Canadian GAAP does not provide any guidance on the measurement of related party transactions. IFRS has broader disclosure requirements and includes compensation of key management personnel.

The Company has reviewed and updated its list of related parties, and noted no significant changes.

IFRS Areas that will not impact the Company's financials

To date the company has identified areas that will have no impact on company's financials as they do not apply to the Company, they include but are not limited to: Government Grants (IAS 20, 41), Leases (IAS 17, IFRIC 14), Insurance contracts (IFRS 4), Hedge accounting (IAS 29, IFRIC 16), Investments in associates IAS (28) and Interest in Joint Ventures (IAS 31).

IFRS 1 – First time adoption of International Financial Reporting Standards

IFRS provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirements for full retrospective application of IFRS.

The Company expects to apply the following exemptions to its opening IFRS balance sheet dated January 1, 2010:

Decommissioning Liabilities (Reclamation and closure cost obligations).
IFRS 1 allows the Company not to retrospectively recalculate the decommissioning liability and the impact on the cost of related asset and accumulated depreciation.

The Company intends to elect this exemption and by doing this will be required to: measure the Asset Retirement Obligation (ARO) liability at the date of transition to IFRS in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets; estimate the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using the best estimate of the historical risk adjusted discount rates that would have applied for the liability over the intervening period; and calculate the accumulated depreciation on the amount at the date of transition to IFRS, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted under IFRS. The effect of any resulting changes from Canadian GAAP will be recognized in the opening IFRS statement of financial position in assets and retained earnings.

Deemed cost.
IFRS 1 allows an entity to initially measure an item of property, plant and equipment upon transition to IFRS at fair value on the date of transition. It will be difficult and costly for the Company to measure reliably the fair value of some of its equipment. The Company does not intend to use this exemption.

Cumulative Translation Differences.
IFRS 1 allows the Company to set balances of all cumulative translation differences for all foreign operations to zero and avoid any adjustments to the balance which would be required as a result of the IFRS transition adjustments of foreign operations. The Company does not have any cumulate translation differences at transition to IFRS that could be reset and therefore does not intend to utilize this exemption.

IFRS and Financial Information Systems

Management will not be making any significant changes to its Financial Information Systems as a result of IFRS, but will continue to monitor and assess these systems.

Internal Controls and Disclosure Controls and Procedures under IFRS

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosure required. Disclosure under IFRS generally requires more breadth and depth than currently required under Canadian GAAP and as a result more extensive note references are required. The Company will continue to review the level of presentation and disclosure required as well as review internal controls required for financial reporting.

Financial Reporting Expertise

The personnel involved in the conversion process and those with ongoing financial reporting responsibilities continue to attend educational training sessions.

Next Steps

Having completed its assessment of the effects of IFRS to its opening balance sheet on the transition date, the Company is now in the process of ensuring the accurate restatement of its interim and annual financial statements as at and for the year ended December 31, 2010. The Company is also actively engaged in the determination of disclosures appropriate under IFRS.

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 below 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 following 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.

Silver Bear may not Realize its Strategy

While Silver Bear continues to believe that the Mangazeisky Project has the potential to host an attractive silver deposit with significant potential, Silver Bear is currently evaluating strategic alternatives available to the Company in an effort to maximize shareholder value. This may involve disposing of the Mangazeisky Project, acquiring other mineral properties or taking part to one or more other strategic transaction(s). There is no assurance the Company will be able to secure and complete any such transaction. A number of risks and uncertainties are also associated with these transactions and Silver Bear may not realize benefits anticipated. The failure of Silver Bear to successfully secure and complete a value enhancing transaction or the failure for Silver Bear to realize benefits if such a transaction is completed, may have a material adverse effect on the financial position and results of operations of the Company.

Additional Financing

Silver Bear will require additional capital in the future and no assurance can be given that such capital will be available at all or available on terms acceptable to Silver Bear. The success and the pricing of any future capital raising and/or debt financing will be dependent upon the prevailing market conditions at that time and the outcomes of any relevant feasibility studies and exploration programs. If additional capital is raised by an issue of securities, this may have the effect of diluting shareholders' interests in Silver Bear. Any debt financing, if available, may involve financial covenants which may limit Silver Bear's operations. If Silver Bear cannot obtain such additional capital, Silver Bear may not be able to continue exploration and the eventual development of the Mangazeisky Project which would adversely affect its business, operating results and financial condition.

Fluctuations in Metal Prices

The price of silver, gold and other metals fluctuates widely and is affected by numerous factors beyond the control of Silver Bear such as industrial and retail supply and demand, foreign exchange rates, inflation rates, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events. The supply of metals consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers. Future production from Silver Bear's Mangazeisky Project, is dependent upon the price of silver, gold and other metals being adequate to make these properties economically viable. Future serious price declines in the market value of silver, gold and other metals could cause continued development of, and eventually commercial production from, the Mangazeisky Project to be rendered uneconomic. Depending on the price of silver, gold and other metals Silver Bear could be forced to discontinue exploration or development activities and may lose its interest in, or may be forced to sell, its property. There is no assurance that, even as commercial quantities of silver and other base metals are produced, a profitable market will exist for them.

Mining is inherently dangerous and subject to conditions or events beyond the control of Silver Bear, and any operating hazards could have a material adverse effect on its business.

Silver Bear's business operations are subject to risks and hazards inherent in the mining industry. The exploration for and the development of mineral deposits involves significant risks, including: environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structure cave-in or slides, flooding, fires and interruption due to inclement or hazardous weather conditions. These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability.

Whether income will result from projects undergoing exploration and development programs depends on the successful establishment of mining operations. Factors including costs, actual mineralization, consistency and reliability of ore grades and commodity prices affect successful project development. In addition, few properties that are explored are ultimately developed into producing mines.

Nature of Mining, Mineral Exploration and Development Projects

Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including quality of management, Silver Bear's level of geological and technical expertise, the quality of land available for exploration, and other factors. Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of resources or reserves.

Foreign Operations Risks

The operations of Silver Bear are currently conducted in the Russian Federation and, as such, the operations of Silver Bear are exposed to various levels of political, legal, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to; terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; abuse of legal presses; uncertainty of the rule of law; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in mining or investment policies or shifts in political attitude in the Russian Federation may adversely affect the operations or profitability of Silver Bear. Operations may be affected in varying degrees by unpredictable government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company.

Risk of Operating in Russia

Silver Bear is subject to the considerations and risks of operating in the Russian Federation. The economy of the Russian Federation continues to display characteristics of an emerging market, which includes certain currency conversion risks. The prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments. Russian Federation laws, licenses and permits have been in a state of change and new laws may be given retroactive effect. Such licenses and permits, including the obtainment from the Russian Federation authorities of a mining license to replace the exploration license in respect to the Mangazeisky Project, may not be obtained on a basis consistent with our current expectations. Further, ambiguity exists with regard to the interpretation of licenses and permits and the application of rules and regulations with regard to exploration activities in the Russian Federation. The suspension, limitation in scope or revocation of an exploration or mining license or the levying of substantial fines or penalties could have a material adverse effect on our exploration or development activities in the Russian Federation and Silver Bear's financial results. In such circumstances the exploration and development activities may be significantly and adversely affected. It is also not unusual in the context of dispute resolution in the Russian Federation for parties to use the uncertainty in the Russian Federation legal environment as leverage in business negotiations. In addition, Russian Federation tax legislation is subject to varying interpretations and constant change. Furthermore, Silver Bear's interpretation of tax legislation may not coincide with that of Russian Federation tax authorities. As a result, transactions may be challenged by tax authorities and Silver Bear's Russian operations may be assessed, which could result in significant additional taxes, penalties and interest. The periods remain open to review by the tax authorities for three years (although the statute of limitations in certain circumstances may not time bar the tax claims). In addition, Russian Federation authorities and court systems have shown to be unpredictable. Challenges to the Company's assets and operations in the Russian Federation may be brought by authorities for reasons that the Company is unable to predict and which may result in material adverse changes to the Company.

Insurance and Uninsured Risks

The business of Silver Bear is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of Silver Bear or others, delays in mining, monetary losses and possible legal liability. Although Silver Bear maintains insurance to protect against certain risks in such amounts it considers being reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and Silver Bear may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and development is not generally available to Silver Bear or to other companies in the mining industry on acceptable terms. Losses from these events may cause Silver Bear to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Environmental Risks and Regulations

All phases of Silver Bear's operations are or will be subject to environmental regulation in the Russian Federation in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set the limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Silver Bear's operations. Environmental hazards may exist on the properties in which Silver Bear holds interests which are unknown to Silver Bear at present and which have been caused by previous or existing owners or operators of the properties. Government approvals and permits are currently and may in the future be required in connection with the operations of Silver Bear. To the extent such approvals are required and not obtained, Silver Bear may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on Silver Bear and cause increases in exploration expenses, capital expenditures or production costs, or reduction in levels of production at producing properties, or require abandonment or delays in development of new mining properties.

Government Regulation

The mining, processing, development and mineral exploration activities of Silver Bear are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, and other matters. Although the exploration and development activities of Silver Bear are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a substantial adverse impact on Silver Bear.

Licenses and Permits

Silver Bear's mining exploration activities are dependent upon the grant, or as the case may be, the maintenance of appropriate licenses, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. The maintaining of tenements, obtaining renewals, or getting tenements granted, often depends on the Company being successful in obtaining required statutory approvals for its proposed activities and that the licenses, concessions, leases, permits or consents it holds will be renewed as and when required. There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith. There is no assurance that the Company will continue to keep its existing licenses in good standing as the requirements for doing so may become impractical, impossible, or uneconomic. Under law in the Russian Federation, the voluntary surrender of a license will be subject to various requirements, including compliance with the license terms, liquidation, conservation, reclamation and other measures to be carried out prior to the abandonment of the license. These measures may expose Silver Bear to additional expenditures and obligations which may be onerous to the Company.

Title to Properties

There can be no assurances that the interest in the Company's properties is free from defects or that the material contracts between the Company and the relevant governmental agencies will not be unilaterally altered or revoked. There can be no assurances that the Company's rights and interests will not be challenged or impugned by third parties.

Generally, as the Russian Federation is an uncertain legal environment, Silver Bear's interest in its licenses may be challenged for various reasons or in connection with the conduct of an auction process related thereto. Such challenges, if any, may have a material adverse effect on the business and operations of the Company.

Competition

Silver Bear competes with other companies, some which have greater financial and other resources than it has and, as a result, may be in a better position to compete for future business opportunities. Silver Bear competes with other mining companies for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. Many of Silver Bear's competitors not only explore for and produce minerals, but also carry out downstream operations on these and other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

Dependence on Key Personnel and Shortage of Labour Force

Silver Bear is reliant on key personnel employed or contracted by the Company. Loss of such personnel may have a material adverse impact on the performance of Silver Bear. In addition, the recruiting of qualified personnel is critical to Silver Bear's success. As Silver Bear's business grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff for operations. In addition, given the remote location of Silver Bear's properties, the lack of infrastructure in the nearby surrounding areas, and the shortage of a readily available labour force in the mining industry, Silver Bear may experience difficulties finding the skilled employees to conduct its operations in the Russian Federation in the event it develops any of its properties. While Silver Bear believes that it will be successful in attracting and retaining qualified personnel and employees, there can be no assurance of such success.

Currency

Silver Bear's functional currency is the Canadian dollar and any possible future revenues will likely be in U.S. dollars, while most of its expenditures are in Russian Rubles. As a result of the use of these different currencies, Silver Bear's operations are subject to foreign currency fluctuations. Silver Bear has not hedged against fluctuations in exchange rates. Foreign currencies are affected by a number of factors that are beyond the control of Silver Bear. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors. Foreign currency fluctuations may materially affect Silver Bear's financial position and operating results.

Repatriation of Earnings

General rules of investment and repatriation of funds in the Russian Federation, as well as currency regulation are stated by the Law On Currency Regulation and Currency Control. Currency operations between residents and non-residents can generally be carried out without any restrictions except that in the Russian Federation, parties must buy and sell foreign currency only in specially licensed and empowered banks.

Special requirements on repatriation of funds are applied to the residents of the Russian Federation performing foreign-trade activity, business activity in the field of the international trade of goods, works, services, information, and the results of the intellectual activity, including the exclusive rights to such results intellectual property.

To control the currency operations (particularly when a Russian entity is a part of a multinational loan/investment agreement) residents of the Russian Federation need to provide to the operating bank a deal passport supported by documents with the following exceptions:

i) total amount of credit agreement does not exceed US$5,000;

ii) resident is a lending agency;

iii) resident is a physical body and is not an individual entrepreneur; and

iv) resident is a federal executive organ specially empowered by the state government.

Silver Bear Does Not Have Any Production Revenues

To date, Silver Bear has not recorded any revenues from its mining operations nor has the Company commenced commercial production on its property. There can be no assurance that significant additional losses will not occur in the near future or that Silver Bear will be profitable in the future. Silver Bear's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, Silver Bear's acquisition of additional properties and other factors, many of which are beyond our control. Silver Bear expects to continue to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of Silver Bear's properties will require the commitment of substantial resources to conduct the time-consuming exploration and development of properties. There can be no assurance that Silver Bear will generate any revenues or achieve profitability. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate.

Stock Exchange Prices

The market price of a publicly traded stock is affected by many variables not all of which are directly related to the success of Silver Bear. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values of such companies. There can be no assurance that such fluctuations will not affect the price of Silver Bear's securities.

Conflicts of Interest

Certain directors and officers of Silver Bear are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnership or joint ventures which are potential competitors of Silver Bear. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of Silver Bear. Directors and officers of Silver Bear with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

Resource Estimates and Lack of Mineral Reserves

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly upon new information becoming available. In addition, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should Silver Bear encounter mineralization or formations different from those predicted by past sampling and drilling, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could have a negative effect on Silver Bear's operations. Silver Bear does not have any mineral reserves and there is no assurance that mineral reserves will be established. A mineral resource is not the equivalent of a commercially mineable ore body or a mineral reserve.

Effecting Service of Process

Some of Silver Bear's directors reside outside of Canada. Substantially all of the assets of these persons are located outside of Canada. It may not be possible for investors to affect service of process within Canada upon the directors, officers and experts. It may also not be possible to enforce against certain of Silver Bear's directors and officers, and certain experts named herein, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

Inclement Weather and Climate Conditions

Silver Bear's mineral properties are situated in remote parts of the Russian Federation, where access is limited and often only available by winter road or air, increasing the risk that Silver Bear may be unable to explore, develop or operate efficiently due to periods of extreme cold (or by warm weather, or the long-term effects of global warming, in the case of the winter roads on which Silver Bear may be highly dependent). Climate change or prolonged periods of inclement weather may severely limit the length of time per year in which exploration programs and eventually development activities can be carried out.

Additional Information

Additional information relating to Silver Bear, including Silver Bear's annual information form for the year ended December 31, 2010 is available on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information 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 costs and timing estimates related to the 2011 exploration program, anticipated timing related to IFRS conversion, costs of capital projects and timing of commencement of operations, and is based on current expectations that are inherently subject to a number of business and economic risks and uncertainties and contingencies. Forward-looking information involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any forward-looking information. These risks, uncertainties and other factors include, but are not limited to: failure to receive additional financing; dangers associated in mining; exploration results do not prove to be economical; operating in a foreign jurisdiction: operating in the Russian Federation; potential shortfall of insurance coverage and/or losing insurance coverage; competition from larger, better funded companies; repatriation of earnings; lack of production revenue; conflicts of interest faced by directors and officers; effecting service of process; inclement weather and climate changes; 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; stock price; delays in the development of projects: challenges from governmental authorities of Silver Bear's validity of the title to its Russian assets; and other risk factors as disclosed herein and in other documentation filed by the Company on SEDAR. All forward-looking information in this MD&A is qualified by these cautionary statements.

Potential shareholders and prospective investors should be aware that this information is subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking information. 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.

Management's Responsibility for Financial Reporting

The consolidated financial statements of Silver Bear Resources Inc. have been prepared by, and are the responsibility of the Company's management.

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgments on information currently available. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the consolidated financial statements fairly reflect the financial position and results of operations of the Company within reasonable limits of materiality.

Management has developed and is maintaining a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized, and financial information is reliable. All internal control systems have inherent limitations, including the possibility of circumvention and overriding controls, and, therefore, can provide only reasonable assurance as to financial statement preparation and safeguarding of assets.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee meets with the Company's management and external auditors to discuss the results of the audit and to review the annual consolidated financial statements prior to the Audit Committee's submission to the Board of Directors for approval. The Audit Committee also reviews the quarterly financial statements and recommends them for approval to the Board of Directors, reviews with management the systems of internal control and security, approves the scope of the external auditors audit and non-audit work. The Audit Committee is composed entirely of directors not involved in the daily operations of the Company and thus is considered to be free from any relationship that could interfere with the exercise of independent judgment as a Committee member.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

March 25, 2011

Randall Oliphant
Director, President
and Chief Executive Officer

Brian Penny
Chief Financial Officer

To the Shareholders of
Silver Bear Resources Inc.

We have audited the accompanying consolidated financial statements of Silver Bear Resources Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations and comprehensive loss, deficit and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Silver Bear Resources Inc. as at December 31, 2010 and 2009 and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Consolidated Statements of Operations and Comprehensive Loss and Deficit

(Canadian dollars)

	Year Ended December 31, 2010	December 31, 2009
Income		
Interest income	**$ 70,799**	$ 99,759
Other income (note 15)	**1,405,273**	–
	$ 1,476,072	$ 99,759
Expenses		
Exploration costs	**1,484,517**	8,545,160
General and administrative	**1,566,869**	2,390,332
Stock based compensation	**108,742**	353,811
Amortization	**794,903**	765,067
Accretion expense	**38,016**	38,014
Loss on disposal of property, plant and equipment	**2,882**	610,203
Foreign exchange loss	**94,213**	684,601
Expenses from operations	**4,090,142**	13,387,188
Loss and Comprehensive Loss for the year	**(2,614,070)**	(13,287,429)
Deficit – Beginning of the year	**(66,481,296)**	(53,193,867)
	$ (69,095,366)	$ (66,481,296)
Weighted average number of common shares outstanding	**37,935,569**	37,935,569
Loss per share	**$ (0.07)**	$ (0.35)

Going concern (note 1)

See accompanying notes to consolidated financial statements

Consolidated Balance Sheets

(Canadian dollars)

	December 31, 2010	December 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	**$ 11,114,277**	$ 12,320,095
Receivable	**24,117**	355,438
Inventories (note 4)	**1,097,946**	1,226,195
Prepaid expenses (note 5)	**37,697**	90,677
	12,274,037	13,992,405
Capital assets		
Mineral property (note 6)	**1,265,117**	1,265,117
Property, plant and equipment (note 7)	**1,169,474**	1,969,181
	$ 14,708,628	$ 17,226,703
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	**$ 301,535**	$ 352,298
Long-term liabilities		
Asset retirement obligation (note 14)	**646,741**	608,725
Shareholders' equity		
Capital Stock (note 9)	**73,771,289**	73,771,289
Contributed surplus (note 9)	**9,084,429**	8,975,687
Deficit	**(69,095,366)**	(66,481,296)
	13,760,352	16,265,680
	$ 14,708,628	$ 17,226,703

Going concern (note 1)

Commitments and contingency (note 12)

See accompanying notes to consolidated financial statements

Approved by the Board of Directors

Randall Oliphant
Director

Bill Biggar
Director

Consolidated Statements of Cash Flows

(Canadian dollars)

	Year Ended	
	December 31, 2010	December 31, 2009
Cash provided by (used in)		
Operating activities		
Net Loss from operations	**$ (2,614,070)**	$ (13,287,429)
Items not affecting cash:		
Amortization	**794,903**	765,067
Accretion expense	**38,016**	38,014
Stock based compensation	**108,742**	353,811
Loss on disposal of property, plant and equipment	**2,882**	610,203
Net change in non-cash working capital (note 11)	**461,787**	(414,500)
Net cash used in operations	**(1,207,740)**	(11,934,834)
Investing activities		
Acquisition of property, plant and equipment	**–**	(260,672)
Proceeds from sale of property, plant and equipment	**1,922**	345,578
	1,922	84,906
Decrease in cash and cash equivalents during the year	**(1,205,818)**	(11,849,928)
Cash and cash equivalents – beginning of the year	**12,320,095**	24,170,023
Cash and cash equivalents – end of the year	**$ 11,114,277**	$ 12,320,095

See accompanying notes to consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Silver Bear Resources Inc. (the "Company" or "Silver Bear") was incorporated under the Business Corporations Act of the Province of Ontario, Canada, on April 8, 2004 and continued under Articles of Continuance dated August 30, 2004 under the Business Corporations Act (Yukon) and February 1, 2005 under the Business Corporations Act (Ontario). The primary business of the Company is the evaluation, acquisition, exploration and development of precious metal properties. The 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 precious metal deposits. To date, Silver Bear has not earned revenue from operations and is considered to be in the exploration stage.

As at December 31, 2010, 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 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 for the foreseeable future. As at December 31, 2010, the Company had no source of operating cash flows and reported a loss for the year then ended of $2,614,070 and an accumulated deficit of $69,095,366. In order to fund future operations, maintain rights under licenses and agreements and to advance the project, the Company must secure sufficient future funding. In these circumstances, there exists significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, as to the appropriateness of the use of accounting principles applicable to a going concern. The Company secured funding through an initial public offering of its common shares in December 2007, and an over-allotment option that was completed on January 18, 2008 for aggregate gross proceeds of $32,091,239. On July 16, 2008, the Company also completed a private placement of 1,500,000 common shares for aggregate gross proceeds of $4,500,000; the funds were used to meet the Company's exploration requirements and contractual obligations and to continue as a going concern. While the Company has been successful in raising financing to date, there can be no assurance that it will be able to do so in the future.

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

These 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 consolidated financial statements include the assets and liabilities of the Company as at December 31, 2010 and its results of operations and its cash flows for the ended December 31, 2010. All significant inter-company accounts and transactions have been eliminated on consolidation.

Significant Accounting Policies

Translation of foreign currencies

The Company's functional currency is the Canadian dollar. The accounts of subsidiaries, which are integrated operations, are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities resulting from foreign currency transactions are translated into Canadian dollars at year-end exchange rates and non-monetary assets and liabilities are translated at historical rates. Expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings except for amortization of mineral properties, plant and equipment which are translated at the same rates as the assets to which they relate. Gains and losses on translation of monetary assets and monetary liabilities are included in results from operations for the year.

Mineral properties

Mineral properties include the costs of acquiring exploration and mining licenses. Licenses are valued at their fair value at the date of acquisition. Any resulting write-down of the excess of carrying value over the fair value is charged to the consolidated statement of operations.

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated amortization. All property, plant and equipment, with the exception of leasehold improvements, are amortized on a straight line basis over three years. Leasehold improvements are amortized over the remaining life of the lease.

Exploration costs

Field exploration, supervisory costs and costs associated with maintaining a mineral property are expensed until the Company has a reasonable expectation that the property is capable of commercial production, supported by a positive economic analysis and approved by the Board of Directors.

Asset impairment – long-lived assets

The Company reviews and evaluates the carrying value of its mineral properties, property, plant and equipment when events or changes in circumstances indicate that the carrying amounts of related assets or groups of assets might not be recoverable. In assessing impairment for these assets, if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is measured and recorded based on discounted cash flows. Future cash flows are based on estimated future recoverable mine production, expected sales prices (considering current and historical prices), production levels and costs, and further expenditures. All long-lived assets at a particular operation or project are combined for purpose of performing the recoverability test and estimating future cash flows.

Asset retirement obligations

Under the terms of the exploration licenses held by ZAO Prognoz, the Company has an asset retirement obligation. The Company will record its asset retirement obligation at fair value at the time the legal liability exists and can be measured. The associated asset retirement obligations will be capitalized to mineral properties as part of the carrying amount of the long-lived asset and amortized over the estimated remaining useful life of the asset. The Company will make periodic assessments as to the reasonableness of its asset retirement obligations and will revise those estimates accordingly. The respective asset and liability balances will be adjusted, which will correspondingly increase or decrease the amounts expensed in future years.

Financial instruments and commodity contracts

Financial instruments are initially recorded at cost. The fair values of cash and cash equivalents, receivable from related party, miscellaneous receivables and, accounts payable and accrued liabilities approximate their recorded amounts because of their short-term nature.

Income taxes

The Company uses the asset and liability method of accounting for income taxes, under which future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates or laws is recognized as part of the provision for income tax in the year the changes are considered substantively enacted.

Future tax benefits attributable to these differences, if any, are recognized to the extent that the realization of such benefits is more likely than not.

Loss per share

Basic loss per share is computed by dividing loss for the period by the weighted average number of common shares outstanding for the year. In the event of the Company reporting net profit, the diluted loss per share will be similar to basic earnings per share, except that the denominator will be increased to include the number of additional shares that would have been outstanding if the dilutive potential common shares had been issued using the treasury stock method.

Stock-based compensation

The fair value of any stock options granted to directors, officers, consultants and employees is recorded as an expense over the vesting period with a corresponding increase recorded to contributed surplus. The fair value of stock-based compensation is determined using the Black-Scholes option pricing model and management's assumptions as disclosed in Note 9. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

Prepaid expenses

Represent payments made or obligations incurred in advance of the receipt of goods or rendering of services. Prepaid expenses are typically included in other current assets on the consolidated balance sheet.

Cash and cash equivalents

Cash represents cash on hand and demand deposits. Cash equivalents represent short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. Such short-term investments would include treasury bills with original maturities of less than 90 days. Treasury bills with original maturities in excess of 90 days are classified under short-term investments. Equity investments are excluded from cash equivalents.

Inventories

Accounting Standards Section 3031 "Inventories" provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. This section also requires additional disclosure regarding the expensing of inventory. Inventories consist of fuel, supplies and spare parts to be consumed in exploration activities and are stated at the lower of average cost or net realizable value.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and as adjustments become necessary, they are made in the period in which they become known. Actual results could differ from these estimates.

3. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of precious metal properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the business.

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

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

There were no changes in the Company's approach to capital management during the period ended December 31, 2010 compared to the year ended December 31, 2009. 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 Canadian chartered banks and management believes the risk of loss to be remote. Miscellaneous receivables consist of taxes due from the Federal Government of Canada and Russian Value Added Tax refunds from the Russian tax authorities. Management believes that the credit risk concentration with respect to accounts receivable is low.

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 December 31, 2010, the Company had a cash balance of $11,114,277 (December 31, 2009 – $12,320,095) to settle current liabilities of $301,535 (December 31, 2009 – $352,298), as well as its commitments outlined in Note 12.

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in interest-earning bank accounts with Canadian and Russian financial institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Foreign currency risk

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

Sensitivity analysis

The Company's cash and cash equivalents are measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Sensitivity to a plus 1% change in interest rates would have affected the net loss for the year by a reduction of $21,288; a minus 1% change in interest rates would have increased the net loss for the year by $70,272 as most deposits currently earn less than 1%.

The carrying amount of accounts receivable equals fair market value.

Sensitivity to a plus or minus 1% change in the foreign exchange rate would affect net loss by $21,865 with all other variables held constant. Price risk is remote since the Company is not a producing entity.

NEW ACCOUNTING STANDARDS

Business Combinations and Related Sections

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests," which replace Section 1600 "Consolidated Financial Statements." Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations".

4. INVENTORIES

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

Inventories consist of the following:

	December 31, 2010	December 31, 2009
Fuel and lubricants	**$ 480,164**	$ 546,610
Parts and Supplies	**617,782**	679,585
	$ 1,097,946	$ 1,226,195

5. PREPAID EXPENSES

Prepaid expenses consist of the following:

	December 31, 2010	December 31, 2009
Insurance	**$ 30,284**	$ 38,378
Exploration Services	**1,922**	49,111
Other	**5,491**	3,188
	$ 37,697	$ 90,677

6. MINERAL PROPERTY

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

Mineral property consists of the following:

	December 31, 2010	December 31, 2009
Mangazeisky – exploration license	**$ 1,265,117**	$ 1,265,117

The Company acquired the exploration licence in respect of the Mangazeisky property when it acquired all the shares of ZAO Prognoz on October 21, 2004. On February 18, 2009, the Mangazeisky License was extended by the Federal Subsoil Use Agency in the Russian Federation ("Rosnedra") through December 31, 2011.

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

	December 31, 2010	December 31, 2009
Mangazeisky	**$ 33,738,142**	$ 33,658,898
Russian management costs	**1,563,283**	1,563,283
Corporate costs related to exploration activities	**477,411**	477,411
	$ 35,778,836	$ 35,699,592

7. PROPERTY, PLANT AND EQUIPMENT

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

Property, plant and equipment consist of the following;

	December 31, 2010			December 31, 2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Property plant and equipment						
Mangazeisky site	**$ 5,282,704**	**$ 4,163,556**	**$ 1,119,148**	$ 5,282,704	$ 3,434,782	$ 1,847,922
Yakutsk office	**161,562**	**138,013**	**23,549**	165,614	111,748	53,866
Other office furniture, equipment and leasehold improvements	**267,583**	**240,806**	**26,777**	455,073	387,680	67,393
	$ 5,711,849	**$ 4,542,375**	**$ 1,169,474**	$ 5,903,391	$ 3,934,210	$ 1,969,181

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	December 31, 2010	December 31, 2009
Exploration costs – Mangazeisky project	**$ 130,186**	$ 70,219
Corporate – accounts payable and accrued liabilities	**171,349**	282,079
	$ 301,535	$ 352,298

9. SHAREHOLDERS' EQUITY

Common shares

Authorized:

Unlimited number of common shares and preferred shares issued:

	December 31, 2010		December 31, 2009	
	Number of Common Shares	$	Number of Common Shares	$
Balance – Beginning of year	**37,935,569**	**73,771,289**	35,935,569	73,771,289
Balance – End of year	**37,935,569**	**73,771,289**	37,935,569	73,771,289

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 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.

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 September 30, 2010 the Company had 683,333 options outstanding.

In order for Silver Bear to make options available for future grants and for other strategic alternatives, the Company asked option holders of out-of-the-money options to voluntarily surrender their options back to Silver Bear. On January 22, 2010, option holders voluntarily surrendered 2,861,659 options back to the Company. A total of 3,316,667 options were available for future issue.

On December 7, 2010, 1,245,000 stock options were granted to various directors, officers and employees of the Company. The exercise price of the options is $0.59 and the term is five years. For the purpose of valuation, the fair value of the stock options was estimated on the date of the grant using the Black-Scholes stock option pricing model with the following assumptions; Dividend yield of 0%; expected volatility of 123.82%; risk free rate of return of 2.39% and an average expected life of five years. Fair market value of these options at the time of grant was $619,580. Stock options granted vest as follows: one third on the first anniversary of the grant, one third on the second anniversary of the grant and the final one third vests on the third anniversary of the grant.

	Year ended December 31, 2010		Year ended December 31, 2009	
	Number	Exercise price $	Number	Exercise price $
Balance – Beginning of the period	**3,561,659**	**2.86**	3,766,659	2.72
Granted	**1,245,000**	**0.59**	–	0.00
Surrendered	**(2,861,659)**	**(3.16)**	–	–
Expired / Cancelled / Forfeited	**(41,667)**	**(0.28)**	(205,000)	0.28
Balance – End of the period	**1,903,333**	**0.48**	3,561,659	2.86

As at December 31, 2010, the Company had share options outstanding and exercisable as follows:

	Outstanding		Exercisable	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
2011	**8,333**	**0.28**	**8,333**	**0.28**
2013	**650,000**	**0.28**	**430,556**	**0.28**
2015	**1,245,000**	**0.59**	**–**	**0.00**
	1,903,333	**0.48**	**438,888**	**0.28**

Contributed surplus consists of the following:

	December 31, 2010	December 31, 2009
Balance – Beginning of year	**$ 8,975,687**	$ 8,621,876
Stock option compensation	**108,742**	353,811
Balance – End of year	**$ 9,084,429**	$ 8,975,687

Loss per share

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

10. RELATED PARTY TRANSACTION

Silver Bear shares premises with New Gold Inc. (NGD) and as a result a cost sharing agreement exists between Silver Bear and NGD for our proportional share of office costs. The cost sharing agreement resulted in a net billing to Silver Bear from NGD of $141,169 in 2010 ($347,654 – 2009). At December 31, 2010 the net payable to NGD was $12,533 ($42,172 – 2009).

11. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	December 31, 2010	December 31, 2009
Inventories	**$ 128,249**	$ (83,787)
Prepaid expenses	**52,980**	575,719
Receivables	**331,321**	(279,901)
Accounts payable and accrued liabilities	**(50,763)**	(661,590)
Donated asset	**–**	35,059
	$ 461,787	$ (414,500)

12. 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 exploration program concluded in 2009 more than satisfies the commitments established in the License Agreement for the 2010 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 December 31, 2010.

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.

Cumulatively, Silver Bear's drilling and trenching programs have fulfilled its Mangazeisky license requirements through the end of 2010. License requirements in 2011 will be met with a trenching program of 5,000 cubic metres at a cost of approximately $1.6 million. In addition to the trenching Silver Bear will complete a Preliminary Economic Assessment (PEA) at the Mangazeisky project by second quarter of 2011. To convert its exploration license, which expires December 31, 2011, to a mining license, Silver Bear will complete a Russian Feasibility Study ("RFS") and register this report, along with a Russian reserve estimate, with the Russian government. Upon registration of the Russian reserve estimate, Silver Bear will apply for a certificate of discovery which will enable the Company to obtain the mining license. Silver Bear expects this process to be completed by year end, but in the event it is not, there is a mechanism available to extend the exploration license for a short period to allow Silver Bear to complete the license conversion. The Company is currently in discussion with various Russian engineering firms to commence the RFS process and currently estimates spending $0.6 million in 2011. Upon successful conversion to a mining license, the company is required to pay a license fee, for which the company has budgeted $0.3 million.

13. SEGMENTED INFORMATION

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

							As at December 31, 2010
Country/Property	Cash and cash equivalents	Inventories	Prepaid expenses	Other Current Assets	Mineral Properties	Property, plant and equipment	December 31, Net Loss
Russia – Mangazeisky	**$ 1,208,168**	**$ 1,097,946**	**$ 7,413**	**$ 12,123**	**$ 1,265,117**	**$ 1,142,697**	**$ 969,452**
Canada – corporate	**9,906,109**	**–**	**30,284**	**11,994**	**–**	**26,777**	**1,644,618**
	$11,114,277	**$ 1,097,946**	**$ 37,697**	**$ 24,117**	**$ 1,265,117**	**$ 1,169,474**	**$ 2,614,070**

							As at December 31, 2009
Country/Property	Cash and cash equivalents	Inventories	Prepaid expenses	Other Current Assets	Mineral Properties	Property, plant and equipment	December 31, Net Loss
Russia – Mangazeisky	$ 116,233	$ 1,226,195	$ 18,184	$ 345,906	$ 1,265,117	$ 1,901,788	$ 8,892,507
Canada – corporate	12,203,862	–	72,493	9,532	–	67,393	4,394,922
	$ 12,320,095	$ 1,226,195	$ 90,677	$ 355,438	$ 1,265,117	$ 1,969,181	$ 13,287,429

14. ASSET RETIREMENT OBLIGATION

Asset retirement obligation consists of the following:

	December 31, 2010	December 31, 2009
Balance at the beginning of the period	**$ 608,725**	$ 570,711
Accretion	**38,016**	38,014
Balance at the end of the period	**$ 646,741**	$ 608,725

The asset retirement obligation relates to the Mangazeisky project located in the Republic of Sakha, Yakutia in the Russian Federation. The Company initially estimated the fair value of the obligation to rehabilitate the site to be $550,805 by discounting future cash flows at a credit adjusted risk free rate of 5.8%. Present value of gross payments that are due in 2012 is $646,741. Management has used an inflation factor of 12.6% to determine future gross payments.

15. OTHER INCOME

The Company has applied for and received $1,405,273 (RUB 42,106,706) Russian Value Added Tax (VAT) refunds from prior periods.

16. INCOME TAXES

	%	2010 $	%	2009 $
Loss and comprehensive loss for the year		**2,614,070**		13,287,429
Expected Recovery	**31.00**	**(810,362)**	33.00	(4,384,852)
Foreign Tax Differential	**(2.04)**	**53,303**	(8.74)	1,160,673
Permanent differences	**(7.32)**	**191,336**	(3.48)	462,908
Current year losses not recognized	**(21.64)**	**565,723**	(20.78)	2,761,271
Provision for Income taxes		**–**		–

The components of the Company's future income tax assets are as follows:

	2010 $	2009 $
Property, plant and equipment	**1,160,366**	998,681
Non-Capital losses carried forward	**9,654,158**	9,108,098
Cumulative foreign exchange loss	**69,249**	34,322
Asset Retirement Obligation	**129,348**	121,745
Share issue costs	**238,711**	522,805
Future income tax	**11,251,832**	10,785,651
Valuation allowance	**(10,998,809)**	(10,517,483)
Subtotal	**253,023**	268,168
Mineral properties	**(253,023)**	(268,168)
Total	**–**	–

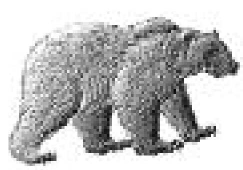
As at December 31, 2010, the Company has Canadian non-capital losses that expire as follows:

Year of Expiry		
2014	78,000	78,000
2015	2,261,000	2,261,000
2026	2,104,000	2,104,000
2027	2,934,000	2,934,000
2028	3,241,000	3,241,000
2029	3,527,000	3,521,000
2030	2,403,000	
	16,548,000	14,139,000

In addition, ZAO Prognoz has approximately $9,654,158 (2009 – $9,108,098) of non-capital losses for Russian income tax purposes that expire at the end of the years 2014 through 2020 (2009 – 2014 through 2019).

Comparative figures

Certain comparative figures have been reclassified to conform with the current periods presentation.



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