

BEAR LAKE GOLD LTD.
(an exploration stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2008 and 2007



Raymond Chabot Grant Thornton

Auditors' Report

**To the shareholders of
Bear Lake Gold Ltd.**

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We have audited the consolidated balance sheets of Bear Lake Gold Ltd. (an exploration stage Company) as at September 30, 2008 and 2007 and the consolidated statements of operations and comprehensive loss, deficit, contributed surplus, cash flows and deferred exploration expenses for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP¹

Chartered Accountants

Montréal, Canada, December 16, 2008

¹ Chartered accountant auditor permit no. 7023

Bear Lake Gold Ltd.
 (an exploration stage Company)
Consolidated Balance Sheets

	September 30, 2008	September 30, 2007
	\$	\$
ASSETS		
Current assets		
Cash	-	277,262
Marketable securities (note 5)	289,895	-
Amounts receivable	286,103	208,610
Prepaid expenses and deposits	57,862	21,518
	633,860	507,390
Asset-backed commercial paper (note 6)	3,434,386	3,834,386
Reclamation bond	10,508	7,468
Plant and equipment (note 7)	1,927,068	4,418
Exploration advance (note 11)	-	57,411
Mineral properties (note 8)	25,200,092	805,992
Deferred exploration expenses (note 8)	11,003,591	6,454,183
	42,209,505	11,671,248
LIABILITIES		
Current liabilities		
Bank overdraft	35,289	-
Bank loan (note 9)	1,702,932	-
Accounts payable and accrued liabilities	2,151,381	352,679
Due to Reunion Gold Corporation (note 11)	83,021	46,708
	3,972,623	399,387
Future income tax liability (note 4)	2,772,715	-
Minority interest (note 4)	11,770	-
	6,757,108	399,387
SHAREHOLDERS' EQUITY		
Capital stock (note 10)	58,857,010	36,770,075
Contributed surplus	5,470,670	2,736,582
Deficit	(28,875,283)	(28,234,796)
	35,452,397	11,271,861
	42,209,505	11,671,248

Subsequent events (note 15)

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,

/s/ François Viens
 François Viens, Director

/s/ Elaine Bennett
 Elaine Bennett, Director

Bear Lake Gold Ltd.

(an exploration stage Company)

Consolidated Operations and Comprehensive Loss

	Year ended September 30, 2008	Year ended September 30, 2007
	\$	\$
Expenses		
Stock-based compensation	751,897	631,997
Other remuneration	322,005	158,699
Management and administration	333,476	122,511
Professional fees	67,374	115,023
Consulting	-	18,500
Office	159,645	57,112
Transfer agent and filing fees	28,225	23,479
Shareholder communications	72,756	25,182
Travel and related costs	26,522	36,441
Depreciation	3,051	884
	1,764,951	1,189,828
Other items		
Interest income	(53,090)	(154,603)
Interest expense	4,016	-
Loss on disposal of marketable securities (note 5)	-	1,385,463
Unrealized loss on marketable securities (note 5)	94,130	-
Non-hedge derivative gain (note 9)	-	(28,424)
Impairment charge on asset-backed commercial paper (note 6)	400,000	950,000
Write-down of deferred exploration expenses and mineral properties (note 8)	-	932,493
	445,056	3,084,929
Loss before income taxes	(2,210,007)	(4,274,757)
Future income tax recovery (note 10)	1,569,520	767,700
Net loss and comprehensive loss	(640,487)	(3,507,057)
Basic and diluted loss per common share	(0.02)	(0.12)
Weighted average number of common shares - basic (note 10)	39,207,658	28,287,954
Weighted average number of common shares - diluted (note 10)	39,654,237	28,887,954

The accompanying notes are an integral part of the consolidated financial statements.

Bear Lake Gold Ltd.

(an exploration stage Company)

Consolidated Deficit and Contributed Surplus

	Year ended September 30, 2008	Year ended September 30, 2007
	\$	\$
DEFICIT		
Balance, beginning of year	(28,234,796)	(26,079,767)
Fair value adjustments	-	1,352,028
Net loss	(640,487)	(3,507,057)
Balance, end of year	(28,875,283)	(28,234,796)

	Year ended September 30, 2008	Year ended September 30, 2007
	\$	\$
CONTRIBUTED SURPLUS		
Balance, beginning of year	2,736,582	1,976,556
Acquisition of NFX Gold Inc. (note 4)	1,261,011	-
Stock-based compensation cost	751,897	631,997
Share purchase warrants (note 10)	901,497	-
Broker warrants (note 10)	77,636	128,029
Exercise of broker warrants	(257,953)	-
Balance, end of year	5,470,670	2,736,582

The accompanying notes are an integral part of the consolidated financial statements.

Bear Lake Gold Ltd.
(an exploration stage Company)
Consolidated Cash Flows

	Year ended September 30, 2008	Year ended September 30, 2007
	\$	\$
OPERATING ACTIVITIES		
Net loss	(640,487)	(3,507,057)
Non-cash items		
Depreciation	3,051	884
Stock-based compensation cost	751,897	631,997
Loss on disposal of marketable securities	-	1,385,463
Unrealized loss on marketable securities	94,130	-
Non-hedge derivative gain	-	(28,424)
Impairment charge on asset-backed commercial paper	400,000	950,000
Write-down of deferred exploration expenses and mineral properties	-	932,493
Future income tax recovery	(1,569,520)	(767,700)
Changes in non-cash working capital items	(585,700)	(62,395)
Cash flows from operating activities	(1,546,629)	(464,739)
INVESTING ACTIVITIES		
Cash acquired in business combination (note 4)	490,740	-
Proceeds from disposal of marketable securities	-	2,264,388
Payment of participation right related to disposal of marketable securities	-	(171,576)
Asset-backed commercial paper	-	(4,784,386)
Reclamation bond	(3,040)	(3,828)
Equipment	(7,701)	(5,302)
Deferred exploration expenses and mineral properties	(4,302,277)	(4,401,724)
Cash flows from investing activities	(3,822,278)	(7,102,428)
FINANCING ACTIVITIES		
Bank loan	1,702,932	-
Private placement, net of costs	2,870,834	4,991,013
Exercise of warrants	482,590	-
Reimbursement of loan from a related party	-	(550,000)
Cash flows from financing activities	5,056,356	4,441,013
Net decrease in cash	(312,551)	(3,126,154)
Cash, beginning of year	277,262	3,403,416
Cash (bank overdraft), end of year	(35,289)	277,262
Interest paid	4,016	-
Changes in other non-cash items		
Shares issued on acquisition (note 4)	20,724,211	-
Accounts payable related to exploration projects	940,243	84,941
Issuance of common shares pursuant to a mineral property agreement (note 8)	300,000	142,500
Issuance of broker warrants (note 10)	77,636	128,029
Extension of exercise period of share purchase warrants (note 10)	51,926	-
Issuance of common shares as finder's fee (note 8)	-	13,184

The accompanying notes are an integral part of the consolidated financial statements.

Bear Lake Gold Ltd.

(an exploration stage Company)

Consolidated Deferred Exploration Expenses

Year ended September 30, 2008

	Larder Lake, Ontario	Hope Bay, Nunavut	Unity, Idaho	Total
	\$	\$	\$	\$
Balance, beginning of year	2,224,405	4,201,674	28,104	6,454,183
Assaying	125,494	-	-	125,494
Compilation and reporting	677	16,298	-	16,975
Contractors and consultants	286,185	-	60,851	347,036
Drilling	2,843,534	109,966	479,915	3,433,415
Geological	42,340	1,311	40,345	83,996
Labour	208,700	8,473	27,937	245,110
Management and administration	176,801	7,240	5,054	189,095
Mapping and sampling	-	11,948	-	11,948
Title and claim management	-	2,000	29,205	31,205
Travel and related costs	56,956	47	8,131	65,134
	3,740,687	157,283	651,438	4,549,408
Balance, end of year	5,965,092	4,358,957	679,542	11,003,591

Year ended September 30, 2007

	Larder Lake, Ontario	Hope Bay, Nunavut	Unity, Idaho	Excelsior Springs, Nevada	Keystone, Nevada	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	277,975	2,310,299	-	222,640	-	2,810,914
Assaying	104,528	-	-	59,235	8,857	172,620
Compilation and reporting	-	42,578	-	-	-	42,578
Contractors and consultants	17,693	-	-	-	17,401	35,094
Drilling	1,285,436	1,312,153	-	322,200	36,526	2,956,315
Geological	202,629	189,480	2,537	79,151	-	473,797
Labour	167,113	5,512	2,410	-	-	175,035
Management and administration	133,147	188,173	6,652	11,513	-	339,485
Mapping and sampling	-	103,178	-	-	-	103,178
Title and claim management	-	13,649	6,031	35,051	157	54,888
Travel and related costs	35,884	36,652	10,474	37,640	152	120,802
	1,946,430	1,891,375	28,104	544,790	63,093	4,473,792
	2,224,405	4,201,674	28,104	767,430	63,093	7,284,706
Write-down of expenses	-	-	-	(767,430)	(63,093)	(830,523)
Balance, end of year	2,224,405	4,201,674	28,104	-	-	6,454,183

The accompanying notes are an integral part of the consolidated financial statements.

Bear Lake Gold Ltd.

(an exploration stage Company)

Notes to Consolidated Financial Statements

September 30, 2008 and 2007

1. PLAN OF ARRANGEMENT, SHARE CONSOLIDATION, GOVERNING STATUTES AND NATURE OF OPERATIONS

On September 16, 2008, NFX Gold Inc. (“NFX”) and Maximus Ventures Ltd. (“Maximus”) completed a business combination pursuant to a plan of arrangement (the “Transaction”). On the same day, NFX changed its name to Bear Lake Gold Ltd. (“Bear Lake” or the “Company”). In accordance with the provisions of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1581, *Business Combinations*, Maximus has been identified as the acquirer for accounting purposes. As such, these consolidated financial statements are a continuation of the consolidated financial statements of Maximus, with the comparative information being that of Maximus. Consequently, the consolidated statements of operations and cash flows include results of Maximus for the full years and results of NFX for the period from September 16 to September 30, 2008 and the consolidated balance sheet at September 30, 2008 reflects the balances of the merged entity. As a result of the Transaction, Bear Lake changed its year-end from December 31 to September 30, to ensure consistency with Maximus’ year-end of September 30.

Under the terms of the plan of arrangement, NFX acquired all of the issued and outstanding common shares of Maximus in exchange for common shares of NFX on a one-for-one basis. Upon completion, Maximus became a wholly-owned subsidiary of NFX. Trading in the shares of Maximus was cease traded on September 16, 2008 and the shares were subsequently delisted from the TSX Venture Exchange (“TSXV”).

On September 23, 2008, Bear Lake proceeded with the consolidation of its share capital on a two-for-one basis. The consolidation was approved at the special meeting of the shareholders of NFX held on September 11, 2008 and was subsequently approved by the TSXV. The consolidation resulted in each shareholder of the Company receiving one post-consolidation share for every two pre-consolidation common shares held. The number of shares, warrants and options as well as earnings per share data presented in these consolidated financial statements have all been adjusted to reflect the impact of this share consolidation.

Bear Lake was incorporated under the laws of Ontario, Canada. The Company is primarily engaged in the acquisition and exploration of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and deferred exploration expenses is dependent upon the existence of economically recoverable reserves on these properties, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production from these reserves or sufficient proceeds from their disposal thereof. The Company will periodically have to raise additional funds to continue operations (note 15 – subsequent events), and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Although the Company has taken steps to verify title to the mineral claims in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

All financial results in these financial statements are expressed in Canadian dollars unless otherwise indicated.

Bear Lake Gold Ltd.

(an exploration stage Company)

Notes to Consolidated Financial Statements

September 30, 2008 and 2007

2. ACCOUNTING POLICIES

The accompanying consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Accounting estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates and assumptions are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates. Significant areas where management judgement is applied are the carrying value of asset-backed commercial paper, mineral properties, deferred exploration expenses, asset retirement obligation, stock-based compensation and assets and liabilities acquired in the business combination.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Significant inter-company transactions are eliminated on consolidation. The principal subsidiary of the Company is Maximus Ventures Ltd.

Marketable securities

Marketable securities are designated as held-for-trading and are recorded at their fair value, using the last bid price. Unrealized gains and losses are reported in earnings.

Asset-Backed Commercial Paper

Investments in asset-backed commercial paper ("ABCP") are designated as held-for-trading and are recorded at their fair value. Unrealized gains and losses are reported in earnings. On initial recognition, the Company designated its ABCP as held-for-trading as the financial information generated by this classification is more relevant for decision-making and provides a better means for evaluating the Company's performance.

Plant and Equipment

Plant and equipment relating to mineral properties are recorded at cost and amortization will begin when such equipment is put in use. At that time, mining equipment will be amortized on a rational and systematic manner over its useful life. Amortization of office furniture and equipment is calculated on a straight line basis over their estimated useful lives (3 years).

Bear Lake Gold Ltd.

(an exploration stage Company)

Notes to Consolidated Financial Statements

September 30, 2008 and 2007

2. ACCOUNTING POLICIES (continued)

Exploration projects

Acquisition costs and expenses on mineral exploration programs are deferred until the commercial viability of the property is determined. If commercial production is achieved, the capitalized costs are amortized over the estimated useful life of the mine or on their anticipated useful life, if the useful life of the asset is less than the life of the mine. The Company reviews the carrying values of its exploration projects at least on an annual basis or whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable, by reference to project economics (including the timing of the exploration and / or development work), work programs and exploration results or if a property is abandoned. When it becomes apparent that the carrying value of a property exceeds its estimated net recoverable amount, an impairment charge is recorded.

Asset retirement obligation

The Company recognizes the fair value of an estimated liability for the future closure and reclamation costs with a corresponding increase to the carrying value of the related long-lived asset. The Company defers the amount added to the asset until the commercial viability of the property is determined. If commercial production is achieved, the Company amortizes the amount added on the same basis as the depreciation method established for the related asset. The liability is adjusted at the end of each year to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. As at September 30, 2008 and 2007, the Company had no material asset retirement obligation.

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts and the tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which temporary differences are expected to reverse. The Company establishes a valuation allowance against future tax assets if, based on available information, it is more likely than not that some or all of the future tax assets will not be realized.

The Company renounces to tax deductions relating to qualified resource expenditures that are financed by the issuance of flow-through shares, to the benefit of its shareholders, in accordance with current tax legislation. Future income taxes related to the temporary differences created by this renouncement are recorded at the time that the Company renounces to its right to these deductions with a corresponding reduction to capital stock.

Foreign currency translation

Monetary assets and liabilities of the Company and of its integrated subsidiaries are translated into Canadian dollars at the exchange rate in effect at the balance sheet date, whereas non-monetary assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenues and expenses are translated at the average rate in effect during the year with the exception of depreciation that is translated at the historical rate. Gains and losses on exchange arising from translation are recorded in earnings for the year.

Bear Lake Gold Ltd.

(an exploration stage Company)

Notes to Consolidated Financial Statements

September 30, 2008 and 2007

2. ACCOUNTING POLICIES (continued)

Derivate instruments

The Company, on occasion, uses derivative financial instruments, which are recognized at their fair value on the balance sheet. Gains or losses arising from the use of derivative instruments, both realized and unrealized, are charged to earnings.

Loss per share

Loss per share is the result of the net loss divided by the weighted average number of shares outstanding during the year. The treasury-stock method is used to determine the dilutive effect of warrants and stock options. The diluted loss per share is the same as the basic loss per share due to the anti-dilutive effect of the outstanding warrants and options described in note 10.

Stock option plan

The Company measures the cost of stock options issued under employee and non-employee compensation plans using a fair value-based method. Compensation costs are measured at the grant date based on the fair value of the award using the Black-Scholes option-pricing model with assumptions for risk-free interest rates, volatility, dividend yields and an expected life of the options. Stock-based compensation costs are recognized over the related vesting period as an expense with a corresponding increase to contributed surplus.

Share issue expenses

Share issue expenses are recorded as a reduction of capital stock when incurred.

Changes in accounting policies

Effective October 1, 2007, the Company adopted the new recommendations of the CICA Handbook **Section 1535, Capital Disclosures**. This new Handbook Section applies to fiscal years beginning on or after October 1, 2007. Under Section 1535, companies are required to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. This new accounting standard addresses disclosure requirements only and had no impact on the Company's financial results.

Effective October 1, 2007, the Company adopted the new recommendations of the CICA Handbook **Section 3862, Financial Instruments – Disclosure, and Section 3863, Financial Instruments – Presentation**. These new Handbook Sections apply to fiscal years beginning on or after October 1, 2007 and replace Section 3861, *Financial Instruments – Disclosure and Presentation*. The objective of Section 3862 is to provide financial statement disclosure to enable users to evaluate the significance of financial instruments to the Company's financial position and performance and the nature and extent of risks arising from financial instruments to which the Company is exposed to during the reporting period and at the balance sheet date and how the Company is managing those risks. The purpose of Section 3863 is to enhance the financial statement user's understanding of the significance of financial instruments to the Company's financial position, performance and cash flows. These new standards address disclosure and presentation requirements only and had no impact on the Company's financial results.

Bear Lake Gold Ltd.

(an exploration stage Company)

Notes to Consolidated Financial Statements

September 30, 2008 and 2007

2. ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

On October 1, 2007, in accordance with the applicable transitional provisions, the Company applied the recommendations of **Section 1506, Accounting Changes**, of the CICA Handbook. This new section, effective for years beginning on or after January 1, 2007, prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, the new standard requires the communication of the new primary sources of GAAP that are issued but not yet effective or not yet adopted by the Company. The new standard had no impact on the Company's financial results.

Effective October 1, 2006, the Company adopted the new recommendations of the CICA Handbook **Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation and Section 3865, Hedges**. Adoption of these recommendations resulted in the following classification and measurement of the Company's financial instruments which were previously recorded at cost. Cash and marketable securities are classified as held-for-trading. They are measured at fair value and changes in fair value are recognized in earnings. Amounts receivable and exploration advance are classified as loans and receivables and accounts payable and accrued liabilities are classified as other liabilities. They are measured at amortized cost.

Recently issued accounting pronouncements

In June 2007, the CICA modified **Section 1400, General Standards of Financial Statement Presentation**, in order to require that management make an assessment of the Company's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. These new requirements are effective for fiscal years beginning on or after January 1, 2008 and the Company will implement them as of October 1, 2008. The new requirements only address disclosures and will have no impact on the Company's financial results.

In February 2008, the CICA published **Section 3064, Goodwill and Intangible Assets**, to replace Section 3062, Goodwill and Other Intangible Assets. Publication of this new Section also resulted in the withdrawal of Section 3450, *Research and Development Costs* and consequential amendments to certain recommendations in the CICA Handbook. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. This section is effective for fiscal years beginning on or after October 1, 2008 and the Company will implement it as of that date. The Company's management does not expect that the application of this new section will have a significant impact on its financial statements.

The Accounting Standard Board (AcSB) of the CICA has adopted a new strategy for convergence with **International financial reporting standards ("IFRS")** for public companies. As confirmed by the AcSB on February 13, 2008, the conversion requires publicly accountable enterprises to fully adopt IFRS in 2011. The changeover date to IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The intention is presently to adopt IFRS, as published by the International Accounting Standards Board (IASB), without modification. The Company's management has not yet assessed the impact that the adoption of IFRS will have on its financial statements.

Bear Lake Gold Ltd.

(an exploration stage Company)

Notes to Consolidated Financial Statements

September 30, 2008 and 2007

3. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

Financial instruments

The Company's financial instruments at September 30, 2008 consist of marketable securities, amounts receivable, deposit, ABCP, bank overdraft and bank loan, accounts payable and accrued liabilities and amount due to Reunion Gold Corporation. Other than marketable securities and ABCP, the fair value of these financial instruments approximates their carrying value given that they will mature shortly. Other than ABCP and bank loan, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company's exposure to interest and credit risks arising from its ABCP is fully described in note 6 to these consolidated financial statements. The Company's exposure to interest rate risk attributable to its bank loan is described below under *Interest rate risk*. A plus or minus 10% change in the value of the marketable securities would affect earnings by approximately \$29,000.

Risk management

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instrument fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash, accounts receivable and ABCP. To mitigate exposure to credit risk, the Company has revised its policy to limit the concentration of credit risk, to ensure counterparties demonstrate minimum acceptable worthiness, and to ensure liquidity of available funds.

The Company's cash is held in large Canadian financial institutions.

The Company's investment in ABCP is exposed to credit risk as fully described in note 6 to these financial statements.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day projection, 180-day and 360-day lookout periods. The Company's working capital deficit totals \$3,338,763 at September 30, 2008, including accounts payable and accrued liabilities and due to a related party, totalling \$2,234,402, due within the next 12 months. The Company has available a credit facility of up to \$3,250,000 through a temporary line of credit secured by the Company's ABCP. At September 30, 2008, the unused portion of this credit facility totalled \$1,547,068. Subsequent to September 30, 2008, the Company completed a private placement for gross proceeds of \$4,905,980 (note 15 – subsequent events). The Company's ability to continue funding its exploration programs and to meet its corporate and administrative obligations is dependent on the Company's ability to obtain additional financing, through various means including but not limited to equity financing. The amount and timing of additional funding will be impacted by, among others, the strength of the capital markets.

Bear Lake Gold Ltd.

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Notes to Consolidated Financial Statements

September 30, 2008 and 2007

3. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT (continued)

Currency risk

The Company has limited exposure to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates, as the amount of expenditures in foreign currency is not significant (approximately US \$657,000 during the year ended September 30, 2008). The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As at September 30, 2008, financial assets include cash of US \$12,526 and deposits of US \$25,500 and financial liabilities include accounts payable and accrued liabilities of US \$77,780.

Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate changes on its ABCP investments that are expected to pay interest. The credit facility bears interest at a floating rate and therefore, the Company is exposed to the cash flow risks resulting from interest rate fluctuations. The Company has not entered into any derivative contracts to manage this risk. The Company's exposure to interest rate risks arising from its ABCP is fully described in note 6 to these consolidated financial statements. Based on the amount outstanding under the credit facility at September 30, 2008, a plus or minus 1% change in the prime lending rate would affect earnings by approximately \$17,000 over a 12-month period.

Commodity price risk

The Company currently has no direct exposure to price risk for fluctuation in the market price of gold.

Capital management

The Company manages its capital to ensure its ability to continue as a going concern and to provide an adequate return to its shareholders.

In the management of capital, the Company includes the components of shareholders' equity, borrowings, as well as the cash and cash equivalents, short-term investments and ABCP. As long as the Company is in the exploration and development stages of its mining properties, it is not the intention of the Company to contract debt obligations to finance its work programs, except in exceptional circumstances, as has occurred in the case of contracting a credit facility secured by the Company's investment in ABCP. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt or acquire or dispose of assets.

Bear Lake Gold Ltd.

(an exploration stage Company)

Notes to Consolidated Financial Statements

September 30, 2008 and 2007

3. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT (continued)

Capital management (continued)

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company's current investment policy is to invest its cash in highly liquid, low-risk, short-term interest-bearing investments (such as banker's acceptances, term deposits, guaranteed investment certificates or treasury bills) with maturities of 180 days or less from the original date of acquisition. Under this policy, the Company is no longer permitted to invest in ABCP or mutual fund-type securities. At September 30, 2008, the Company has certain investments in marketable securities, through its acquisition of NFX (note 4). It is not the intention of the Company to maintain its investments in marketable securities or to further invest in marketable securities, other than for strategic purposes.

Assuming that the terms of the current credit facility are extended (note 9) and that the Company's ABCP situation is restructured in accordance with the Plan described in note 6, the Company expects that its current capital resources (taking into account the proceeds from the private placement described in note 15 – subsequent events) will be sufficient to carry its exploration program and administrative costs well into 2009.

4. BUSINESS COMBINATION

As more fully described in note 1, NFX and Maximus concluded a combination agreement on September 16, 2008. In accounting for this business combination, the Company has applied and is in compliance with the requirements of pronouncement 10 issued by the CICA Emerging Issues Committee.

As part of the business combination, shareholders of Maximus received one (1) NFX common share for each one (1) common share of Maximus. As at September 15, 2008, immediately preceding the closing of the transaction, there were 37,413,556 post-consolidation outstanding common shares of Maximus.

Holders of warrants and options of Maximus ("Maximus equity instruments") exchanged such equity instruments for similar securities of NFX at the exchange ratio of one (1) and at a price equivalent to the original price of the Maximus equity instruments. On September 15, 2008, there were 8,930,233 post-consolidation outstanding Maximus equity instruments providing the holders the right to acquire common shares of Maximus.

In accordance with the determination that Maximus is the accounting acquirer in this transaction, the deemed consideration is the market value of the outstanding common shares of NFX and the fair value of the outstanding warrants and options of NFX. As at September 15, 2008 there were 26,569,501 post-consolidation outstanding common shares of NFX and a total of 3,251,400 post-consolidation outstanding warrants and options of NFX. The value per common share of NFX was determined with reference to the share price of Maximus for the two days prior to, the day of, and the two days subsequent to June 13, 2008, being the date of the announcement of the business combination. The value of the NFX warrants and options was determined based on the Black-Scholes option pricing model.

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4. BUSINESS COMBINATION (continued)

This transaction has been accounted for as a purchase transaction by which Maximus acquired assets and assumed liabilities of NFX. The allocation of the purchase price has been based upon management's estimates and certain assumptions with respect to the fair value associated with the assets acquired and the liabilities assumed.

	\$
Purchase of NFX shares (26,569,501 common shares)	20,724,211
Fair value of issued options and warrants	1,261,011
Transaction costs	812,559
Purchase consideration	22,797,781
Net assets acquired	
Cash	490,740
Marketable securities	384,025
Other working capital items	(1,256,430)
Mining equipment	1,918,000
Mineral properties	24,035,931
Other assets	10,000
Future income tax liability	(2,772,715)
Minority interest	(11,770)
	22,797,781

5. MARKETABLE SECURITIES

	September 30, 2008		September 30, 2007	
	Cost	Unrealized losses	Fair value	Fair value
	\$	\$	\$	\$
2,041,500 common shares of Eoro Resources Ltd.	306,225	(40,830)	265,395	-
Shares held in other public companies	77,800	(53,300)	24,500	-
	384,025	(94,130)	289,895	-

Shares in Eoro Resources Ltd. ("Eoro") and other public companies were acquired as part of the business combination with NFX (note 4 – business combination). The Company and Eoro, a publicly-held company listed on the TSXV, are related by virtue of a common director.

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September 30, 2008 and 2007

5. MARKETABLE SECURITIES (continued)

NFX shares acquired by Maximus in 2006

During the year ended September 30, 2006, Maximus had acquired 8,000,000 common shares of NFX upon the exercise of warrants granted to Maximus under the terms of an option agreement with NFX on the Larder Lake properties. The cost of the shares of \$3,051,378 consisted of cash paid of \$2,000,000 (note 9 – 2006 loan from a related party) and the fair value of the warrants, which amount of \$1,051,378 was determined based on the Black-Scholes option pricing model using a risk-free interest rate of 3.69%, a 2-year life period, a volatility rate of 130% and a dividend rate of 0%.

In 2006, Maximus had also completed an option agreement with Kodiak International Inc. (“Kodiak”) (with amendments), which gave Kodiak an option to purchase from Maximus in whole or in part in multiples of 500,000 shares, the 8,000,000 shares of NFX, at specified prices. During the year ended September 30, 2006, Kodiak had acquired 2,500,000 of the NFX shares for proceeds of \$1,450,000. In January 2007, Kodiak acquired an additional 4,500,000 of the NFX shares for proceeds of \$1,935,000. At that date, the option agreement with Kodiak expired partially unexercised. In August 2007, Maximus sold the remaining 1,000,000 shares of NFX for proceeds of \$329,388.

6. ASSET-BACKED COMMERCIAL PAPER

As at September 30, 2008, the Company held \$4,784,400 of non-bank sponsored ABCP (before accounting for an impairment charge), of which \$1,993,100 is invested in Rocket Trust Class A, \$1,992,600 in Apsley Trust Class A, and \$798,700 in Ironstone Trust Class A.

In mid-August 2007, the Canadian third-party ABCP market was hit by a liquidity disruption. Since that time, no transactions within an active market have been entered into involving the ABCP securities held by the Company. On August 16, 2007, a group representing banks, asset providers and major investors agreed, pursuant to the Montreal Accord, to a standstill period in respect of ABCP sold by 23 conduit issuers. A Pan-Canadian Investors Committee (the “Committee”) was subsequently established to oversee the proposed restructuring process. On March 20, 2008, the Committee released its proposed restructuring plan through an Information Statement in respect of a Plan of Compromise and Arrangement (the “Plan”), pursuant to the Companies Creditors Arrangement Act (“CCAA”). A meeting of the noteholders to vote on the Plan was held on April 25, 2008 and noteholders approved the Plan. Justice Campbell, presiding over the restructuring under the CCAA, approved the Plan on June 5, 2008. Following various appeals to Justice Campbell’s decision, the appeals court of Ontario confirmed on August 18, 2008, that the Plan was fair and reasonable in all circumstances and on September 19, 2008, the Supreme Court of Canada released a decision denying leave to appeal from the decision of the Ontario Court of Appeal.

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6. ASSET-BACKED COMMERCIAL PAPER (continued)

As part of the Plan, noteholders of all ABCP would receive floating rate notes ("FRN") with maturities based upon the maturity of the underlying assets. The existing ABCP would be distinguished based upon the specific type of assets which support the ABCP with distinct solutions for i) ABCP supported solely by traditional securitized assets; ii) ABCP supported partially or completely by synthetic assets; and iii) ABCP supported primarily by so-called ineligible assets. Investors that hold ABCP supported by traditional securitized assets would receive asset tracking notes and most investors that hold ABCP supported by synthetic assets would receive a senior note (A1 and/or A2 notes) and subordinated notes (B and C notes) in exchange for their existing ABCP, with senior notes expected to be AA rated and subordinated notes not expected to be rated. Those ABCP supported primarily by so-called ineligible assets would be restructured on a series-by-series basis, by the issue of tracking notes, with each series maintaining its separate exposure to its own underlying assets. These notes would amortize and be repaid in part, from time to time, as assets mature or value can be realized through asset sales. A margin facility of approximately \$14 billion would be established to enhance the stability of the ABCP supported by synthetic assets. The proposal also includes a restructuring of substantially all triggers with the objective that they become more remote and transparent spread loss triggers.

The Company has 39% of its ABCP supported by traditional securitized assets, 29% supported by synthetic assets and 32% with exposure to so-called ineligible assets. At September 30, 2008 the Company established the fair value of the ABCP it holds by estimating discounted future cash flows for each category of FRN (using discount rates of between 5.8% and 15.7%), by estimating that the A1 and A2 notes will pay interest at a rate of 0.5% less than the bankers' acceptance rate and by considering the best available market data. The Company established a combined weighted-average loss factor of 28.1% on its investments and assumed that margin facility and restructuring costs would offset accrued interest to September 30, 2008. This estimation of fair value results in a total impairment charge of \$1,350,000 related to ABCP held, including an amount of \$950,000 which had been recorded during the year ended September 30, 2007.

There are currently no market quotations available for the non-bank sponsored ABCP and there is no certainty regarding the outcome of the Plan. Therefore, there is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. Since the fair value of the ABCP held are determined based on the Company's assessment of market conditions as at September 30, 2008, the fair value reported may change materially in subsequent periods. In addition, the fair value estimates are dependent upon the likelihood, nature and timing of the proposed restructuring.

7. PLANT AND EQUIPMENT

	Cost	Accumulated depreciation	September 30, 2008 Net	September 30, 2007 Net
	\$	\$	\$	\$
Mining equipment (note 4)	1,918,000	-	1,918,000	-
Office furniture and equipment	13,002	(3,934)	9,068	4,418
	1,931,002	(3,934)	1,927,068	4,418

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8. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENSES

	September 30, 2008		September 30, 2007	
	Mineral properties	Deferred exploration expenses	Mineral properties	Deferred Exploration Expenses
	\$	\$	\$	\$
Larder Lake, Ontario	24,063,667	5,965,092	-	2,224,405
Hope Bay, Nunavut	1,075,000	4,358,957	775,000	4,201,674
Unity, Idaho	61,425	679,542	30,992	28,104
	25,200,092	11,003,591	805,992	6,454,183

Larder Lake, Ontario

At September 30, 2008, the Larder Lake properties owned by the Company consist of the following:

- a 100% interest in the Bear Lake, Cheminis, Cheminis North and Fernland properties which consists of 55 patented claims, 1 claim for surface rights and 2 licenses of occupation in McGarry and McVittie Townships near Kirkland Lake, Ontario;
- a 100% interest in the Barber Larder property which consists of 7 patented claims and 2 licenses of occupation in McGarry Township, Ontario;
- a 75% interest in the Swansea property which consists of 5 mining leases covering 28 claims in McVittie Township, Ontario;
- a 100% interest in the McVittie McGarry properties which consists of 10 mining claims in McVittie Township, Ontario, 2 mining claims in McGarry Township, Ontario and 1 mining claim in Gauthier Township near Kirkland Lake, Ontario;
- a 100% interest in the Kirkland Wright properties which consists of 16 mining claims in McGarry, Hearst and McFadden Townships, Ontario; and
- a 100% interest in the McVittie property which consists of 2 mining claims in McVittie Township, Ontario.

Royalty commitments on the Larder Lake properties are as follows:

- The McVittie McGarry properties are encumbered with a 1% net smelter return royalty, of which, Eloro has the option to purchase 0.5% for an amount of \$500,000. Eloro also owns directly a net smelter return royalty of 0.5%.
- The Kirkland Wright property is encumbered with a 1% net smelter royalty of which the Company has the option to purchase 0.5% for an amount of \$500,000.
- The McVittie property is encumbered with a 0.5% net smelter royalty of which the Company has the option to purchase 0.25% for an amount of \$250,000.

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Notes to Consolidated Financial Statements

September 30, 2008 and 2007

8. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENSES (continued)

Hope Bay, Nunavut

Pursuant to an agreement dated September 10, 2004 and as amended on February 20, 2006, Hope Bay Mining Ltd. ("HB Mining") (a subsidiary of Newmont Mining Corporation) and the Company, entered into an option agreement whereby the Company can earn a 75% interest in the Chicago Claim Group and Twin Peaks areas, located in Hope Bay, Nunavut. To earn its interest, the Company is required to:

- a) Issue to HB Mining 2,500,000 of its post-consolidation common shares; all such shares have been issued at September 30, 2008 for a total value of \$1,075,000, including 500,000 common shares issued on October 5, 2007 at a value of \$300,000.
- b) Incur \$7,250,000 in expenditures over six years, with scheduled minimum cumulative expenditures of \$3,250,000 by October 31, 2007 (which has been incurred), \$5,250,000 by October 31, 2009 and \$7,250,000 by October 31, 2010, as amended on February 19, 2007 to extend the terms on the exploration expenditures from April 30th to October 31st of each year and as further amended on July 8, 2008 to extend the terms of the remaining two (2) years to 2009 and 2010, respectively.

Additionally, the Company will be required to issue up to 8,250,000 post-consolidation common shares as follows:

- a) 750,000 shares following the reporting of the first 500,000 of gold equivalent ounces in measured, indicated or inferred resources;
- b) 3,750,000 shares over three tranches upon the first, second and third million gold equivalent ounces reported as measured and/or indicated resources;
- c) 1,250,000 shares on delivery of a positive feasibility study; and
- d) 2,500,000 shares upon reaching commercial production.

HB Mining will have a one-time right to buy back up to a 50% interest and become operator by paying the Company 150% of the Company's proportionate exploration costs for the percentage being acquired.

Unity, Idaho

On July 31, 2007, the Company entered into an option agreement with Unity GoldSilver Mines Inc. (a privately-held company) ("Unity") to earn a 60% interest in the Unity mineral property located in Idaho, USA. To earn its interest, the Company must incur US\$1,000,000 in exploration and development work and complete a positive feasibility study, by November 2010. During the earn-in period, the Company will manage all exploration-related activities. In the event that a positive feasibility study is completed and that a favourable Board decision is obtained to begin construction, the Company and Unity would fund such construction expenditures in accordance with their respective participation in the project. In the event that Unity decides not to participate in the funding of the construction costs, the Company will finance all construction costs and receive an additional 5% participation in the project from Unity. As a result of this agreement, the Company issued in 2007 to an unrelated third party, as a finder's fee, 39,950 of its common shares which value on the date of grant represented an amount of \$13,184 (US \$12,500).

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Notes to Consolidated Financial Statements

September 30, 2008 and 2007

8. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENSES (continued)

Lemoyne North, Québec

On July 16, 2007, Eloro granted NFX an option to acquire a 50% interest in the Lemoyne North, Horseshoe, Taïga and Taïga West properties (the "Lemoyne Properties") by expending \$3,000,000 as follows: \$500,000 by July 15, 2008 (which has been expended); an additional amount of \$750,000 by July 15, 2009; an additional amount of \$750,000 by July 15, 2010; and an additional amount of \$1,000,000 by July 15, 2011. The properties are encumbered with a 1% net smelter return royalty.

Excelsior Springs Project, Esmeralda County, Nevada

In 2005, the Company entered into separate option agreements to acquire certain mining claims located in Esmeralda County. In 2007, the Company reviewed the results from its exploration program and decided not to pursue further work on this project. Consequently, the Company wrote-down the carrying value of the property to nil in 2007, by recording a charge under the caption "Write-down of deferred exploration expenses and mineral properties" in the amount of \$855,228.

Keystone, Pershing County, Nevada

During the year ended September 30, 2006, the Company staked certain mining claims located in Pershing County. In 2007, the Company reviewed the results from its exploration program and decided not to pursue further work on this property. Consequently, the Company wrote-down the carrying value of the property to nil in 2007, by recording a charge under the caption "Write-down of deferred exploration expenses and mineral properties" in the amount of \$77,265.

9. LOANS

Temporary credit facility

On August 30, 2007 (with various subsequent amendments), the Company entered into a temporary operating credit facility of up to an amount not exceeding \$3,250,000, secured by the Company's investments in ABCP, to fund working capital requirements. As at September 30, 2008, an amount of \$1,702,932 has been drawn on the facility, which bears interest at prime less 1.50% (3.25% as at September 30, 2008) and matures on December 31, 2008. The Company is required to reduce the amount of the outstanding credit facility with any proceeds received from the sale of the ABCP. Discussions are currently being held between the Company and its lender to further extend the temporary credit facility.

2006 loan from a related party

In 2006, Maximus had borrowed \$2,000,000 from a company controlled by the chairman of the Company, to finance the purchase of 8,000,000 shares of NFX, upon the exercise of warrants granted to Maximus under the terms of an option agreement with NFX on the Larder Lake properties (note 5 – NFX shares acquired by Maximus in 2006), of which \$1,450,000 had been repaid as at September 30, 2006. The balance of the loan was repaid in January 2007. Under the terms of the loan agreement, a total of 500,000 common shares of Maximus was issued to the lender (shares issued in 2006) and the lender was paid an amount of \$171,576 in 2007, which consisted in a right to a 10% participation of the proceeds exceeding \$2,000,000 from the sale of the NFX shares, up to a maximum of \$200,000. As the participation right was determined to be an embedded derivative to the sale of the marketable securities, its fair value on October 1, 2006 was presented as an opening adjustment to deficit.

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10. CAPITAL STOCK

a) Issued and fully paid

On September 23, 2008, the Company proceeded with the consolidation of its common shares. The consolidation was approved at the special meeting of the shareholders of the Company held on September 11, 2008 and was subsequently approved by the TSXV. The consolidation results in each shareholder of the Company receiving one post-consolidation share for every two pre-consolidation common shares held. The number of shares, warrants and options and earnings per share data presented in these financial statements, have all been adjusted to reflect the impact of this share consolidation.

	Year ended September 30, 2008		Year ended September 30, 2007	
	Number of shares	Amount	Number of shares	Amount
	\$		\$	
Authorized				
Unlimited number of common shares without par value				
Balance, beginning of year	31,049,473	36,770,075	24,121,165	32,519,107
Issued				
Acquisition of NFX (note 4)	26,569,501	20,724,211	-	-
Private placement	5,333,333	2,350,429	5,000,000	4,600,000
Exercise of warrants	530,750	740,543	1,658,333	663,333
Hope Bay property (note 8)	500,000	300,000	250,000	142,500
Finder's fee – Unity property (note 8)	-	-	19,975	13,184
Fraction of shares cancelled on consolidation	(18)	-	-	-
Extension of exercise period of May 2006 share purchase warrants	-	(51,926)	-	-
Share issue costs				
Commissions and other costs	-	(329,166)	-	(272,320)
Value of broker warrants	-	(77,636)	-	(128,029)
Income tax deductions renounced	-	(1,569,520)	-	(767,700)
Balance, end of year	63,983,039	58,857,010	31,049,473	36,770,075

Bear Lake Gold Ltd.

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Notes to Consolidated Financial Statements

September 30, 2008 and 2007

10. CAPITAL STOCK (continued)

a) Issued and fully paid (continued)

On October 24, 2007 the Company completed a private placement of 5,333,333 Units at a price of \$0.60 per Unit for gross proceeds of \$3,200,000, of which 4,865,000 Units were brokered and 468,333 Units were non-brokered. Each Unit issued consists of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire an additional common share of the Company at a price of \$0.80 per share until April 24, 2009, subject to the right of the Company to accelerate, on or after February 25, 2008, the expiry date of the warrants where the closing price of the Company's common shares is \$0.80 or greater for a period of 30 consecutive trading days. Proceeds of the private placement were allocated between common shares and share purchase warrants based on their relative fair values. The fair value of the common shares was calculated by using the TSX Venture Exchange share price on the date of the issuance and the value of the common share purchase warrants was measured based on the Black-Scholes option pricing model using a risk-free interest rate of 4.02%, an expected life of the warrants of 1.5 years, an annualized volatility of 92% and a dividend rate of 0%. An amount of \$849,571 was allocated to such share purchase warrants and was presented as part of contributed surplus. As part of the financing, the Agents received a cash commission of 6% of the gross proceeds of the brokered portion of the financing and non-transferable agent's warrants to purchase up to 291,900 common shares of the Company at a price of \$0.60 per share until April 24, 2009. These broker warrants have been recorded at a fair value of \$77,636 based on the Black-Scholes option pricing model using a risk-free interest rate of 4.02%, an expected life of the warrants of 1.5 years, an annualized volatility of 92% and a dividend rate of 0%.

On October 5, 2007, the Company issued to Miramar 500,000 common shares due and owing to Miramar, valued at \$300,000, pursuant to its Option Agreement (note 8).

On March 6, 2007, the Company completed a brokered private placement for gross proceeds of \$4,600,000. The private placement was comprised of 5,000,000 flow-through common shares at a price of \$0.92 per share. The Company paid commissions and other costs totalling \$272,320 and issued agents' warrants to purchase up to 245,750 common shares at a price of \$0.92. These broker warrants, which were fully exercised during the year, have been recorded at a fair value of \$128,029 based on the Black-Scholes option pricing model using a risk-free interest rate of 4.07%, an expected life of the warrants of 1.5 years, an annualized volatility of 124% and a dividend rate of 0%. The proceeds of the flow-through financing were used to incur Canadian exploration expenditures and had all been expended by the end of March 2008. The Company thus renounced in December 2007 the related tax deductions in an amount of \$1,569,520 with a corresponding increase to future income tax recovery.

On May 23, 2006, the Company completed a brokered private placement for gross proceeds of \$4,250,000. The private placement was comprised of 2,500,000 units at a price of \$0.80 per unit and 2,250,000 flow-through common shares at a price of \$1.00 per share. In accordance with the flow-through share agreement in the amount of \$2,250,000, the Company renounced in 2007 the related tax deductions in an amount of \$767,700 with a corresponding increase to future income tax recovery.

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September 30, 2008 and 2007

10. CAPITAL STOCK (continued)

b) Warrants

	Year ended September 30, 2008	Year ended September 30, 2007
Number of warrants		
Balance, beginning of year	1,780,750	3,193,333
Warrants assumed on acquisition of NFX (note 4)	726,400	-
Issued	5,625,233	245,750
Exercised	(530,750)	(1,658,333)
Expired	(1,250,000)	-
Balance, end of year	6,351,633	1,780,750

At September 30, 2008, the outstanding number of warrants exercisable into common shares is as follows:

	Number of Warrants Sep 30, 2007	Issued / Assumed	Exercised / Expired	Number of warrants Sept 30, 2008	Price per share	Expiry date
					\$	
Private placement offering - May 2006	1,250,000	-	(1,250,000)	-	-	-
Broker warrants - May 2006	285,000	-	(285,000)	-	-	-
Broker warrants - March 2007	245,750	-	(245,750)	-	-	-
Private placement – October 2007	-	5,333,333	-	5,333,333	0.80	2009-04-24
Broker warrants – October 2007	-	291,900	-	291,900	0.60	2009-04-24
Acquisition of NFX – January 2007	-	287,500	-	287,500	0.80	2009-01-12
Acquisition of NFX – January 2007	-	438,900	-	438,900	0.80	2009-02-17
	1,780,750	6,351,633	(1,780,750)	6,351,633		

In November 2007, the Company extended by six months the term of the outstanding share purchase warrants exercisable for 1,250,000 of its shares and issued pursuant to the May 23, 2006 private placement, which value of \$51,926, based on the Black-Scholes option pricing model, was presented as part of contributed surplus. There was no amendment to the exercise price. The 1,250,000 outstanding warrants exercisable at \$1.20 per share expired on May 23, 2008, unexercised.

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10. CAPITAL STOCK (continued)

c) Stock options

Following the approval of the business combination between NFX and Maximus (note 4 – business combination), the Company has the following three (3) stock option plans: a) a new “rolling” stock plan, which governs the grant of all options starting from the date of the business combination (the “2008 Stock Option Plan”); b) the stock option plan of NFX which existed prior to the business combination (the “NFX stock Option Plan”); this plan governs all outstanding NFX stock options as at September 15, 2008; and c) the stock option plan of Maximus which existed prior to the business combination (the “Maximus Stock Option Plan”); this plan governs all outstanding Maximus stock options as at September 15, 2008. No further options will be granted pursuant to the NFX Stock Option Plan and the Maximus Stock Option Plan. The number of shares of Bear Lake reserved for issuance at any time pursuant to all three plans shall not exceed 10% of the then issued and outstanding shares of the Company.

2008 Stock Option Plan

On September 11, 2008, the shareholders of the Company approved a new rolling stock option plan for certain directors, officers, employees and consultants of the Company, and of its subsidiaries and affiliates. The 2008 Stock Option Plan became effective on September 16, 2008. The 2008 Stock Option Plan is administered either directly by the Board of Directors or through one of its committees. The exercise price of an option granted under the 2008 Option Plan shall not be lower than the price permitted by the TSXV. The options shall be granted for such periods as the Board determines up to a maximum of ten (10) years. The Board may, at its discretion, determine the time during which any options may vest.

NFX Stock Option Plan

The NFX Stock Option Plan is a fixed plan, which provided that the exercise price of each option would not be less than the closing price of NFX’s common shares on the TSXV on the last trading day immediately preceding the date of grant of the stock option, less the applicable discount permitted by the TSXV. In accordance with the NFX Stock Option Plan, the exercise period for all outstanding options on the date of the business combination was reduced to 90 days, with the exception of certain stock options granted to certain former directors, officers and consultants of NFX for which a resolution extending the exercise period for a period of up to two (2) years has been approved at the special shareholders’ meeting of NFX held on September 11, 2008.

Maximus Stock Option Plan

The Maximus Stock Option Plan authorized the grant of options to directors, senior officers, employees and consultants to acquire up to 20% of the then issued and outstanding common shares of Maximus. Under the plan, the exercise price of each option could not be less than the market price of the Company’s stock as calculated on the date of grant less the applicable discount. The options could be granted for a maximum of 5 years. Vesting periods was at the discretion of the Board of Directors. Following the business combination, all unvested stock options under the Maximus Stock Option Plan became vested on September 16, 2008, with the exception of the 232,500 stock options granted on March 4, 2008 to two executive officers of Maximus, which remain contractually subject to specific vesting conditions and will not be exercisable prior to a 2008 year-end performance review to be completed by the Compensation Committee of the Board by January 31, 2009.

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10. CAPITAL STOCK (continued)

c) Stock options (continued)

In September 2008, the Company granted 100,000 stock options, under the 2008 Stock Option Plan, valued at \$59,792. The fair value of the options granted was estimated at \$0.30 per option using an expected time-period of 5 years, a semi-annual risk-free interest rate of 3.1%, a volatility rate of 126.4% and a 0% dividend factor. Pursuant to the 2008 Stock Option Plan, these options will vest over 24 months until September 2010.

During the year, Maximus had granted 1,355,000 stock options (1,250,000 in 2007), under the Maximus Stock Option Plan, valued at \$732,526 (\$709,500 in 2007). The weighted-average fair value of the options granted during the year was estimated at \$0.54 per option (\$0.56 in 2007) using an expected time-period of 5 years (5 years in 2007), a semi-annual weighted-average risk-free interest rate of 3.7% (4.0% in 2007), a volatility rate of 91% (110% in 2007) and a 0% dividend factor (0% in 2007). Pursuant to the Maximus Stock Option Plan, these options became fully vested on September 16, 2008, following the business combination with NFX, with the exception of the 232,500 stock options granted on March 4, 2008, which are subject to specific vesting conditions to be determined by the Compensation Committee of the Board, and will not be exercisable prior to a 2008 year-end performance review.

The following table sets out the activity in stock options:

	Year ended September 30, 2008	Year ended September 30, 2007
Number of Options		
Balance, beginning of year	1,950,000	700,000
Granted	1,455,000	1,250,000
Options assumed on acquisition of NFX (note 4)	2,525,000	-
Number of options outstanding, end of year	<u>5,930,000</u>	<u>1,950,000</u>

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c) Stock options (continued)

Stock option transactions are detailed as follows:

Grant date	Exercise price	Balance, Sept 30, 2007	Granted / Assumed	Balance, Sept 30, 2008	Number of options exercisable	Residual exercise Period
	\$					
2008 Stock Option Plan						
Sep 20, 2008	0.70	-	100,000	100,000	33,333	5.0 years
NFX Stock Option Plan						
Dec 16, 2005	0.60	-	112,500	112,500	112,500	2.0 years
Jan 30, 2006	1.10	-	350,000	350,000	350,000	1.0 year
Aug 17, 2007	0.70	-	1,225,000	1,225,000	1,225,000	1.4 years
Sept 19, 2007	0.82	-	137,500	137,500	137,500	1.5 years
Nov 9, 2007	1.60	-	700,000	700,000	700,000	1.3 years
Maximus Stock Option Plan						
Nov 12, 2004	0.24	250,000	-	250,000	250,000	1.1 years
Aug 31, 2005	0.20	350,000	-	350,000	350,000	1.9 years
Mar 28, 2006	0.60	100,000	-	100,000	100,000	2.5 years
Nov 14, 2006	0.64	450,000	-	450,000	450,000	3.1 years
Dec 27, 2006	0.80	500,000	-	500,000	500,000	3.3 years
Feb 22, 2007	0.70	200,000	-	200,000	200,000	3.4 years
May 23, 2007	0.58	100,000	-	100,000	100,000	3.6 years
Dec 14, 2007	0.84	-	310,000	310,000	310,000	4.2 years
Jan 4, 2008	0.80	-	400,000	400,000	400,000	4.3 years
Jan 25, 2008	0.76	-	212,500	212,500	212,500	4.3 years
Mar 4, 2008 (1)	0.68	-	432,500	432,500	200,000	4.6 years
		<u>1,950,000</u>	<u>3,980,000</u>	<u>5,930,000</u>	<u>5,630,833</u>	

(1) includes 232,500 stock options granted to two senior executives of the Company which are subject to specific vesting conditions to be reviewed by the Compensation Committee of the Board, and will not be exercisable prior to a 2008 year-end performance review; these options will be exercisable for a period of five years at \$0.68 per share, the market closing price on the day preceding the grant.

d) Diluted earnings per share

Excluded from the calculation of the diluted earnings per share for the year ended September 30, 2008 are 6,059,733 warrants (1,780,750 in 2007) and 4,567,500 stock options (1,350,000 in 2007) because to include them would be anti-dilutive.

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11. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these consolidated financial statements are as follows:

- a) Paid or accrued administration expenses of \$260,967 to Reunion Gold Corporation (2007 - \$59,525), a company with a common director and management, providing administrative services.
- b) Advanced and received reimbursement in 2008 of an amount of \$170,860 made to a company controlled by the Chairman of the Company.
- c) Paid or accrued management fees of nil (2007 - \$65,743) to a company controlled by a former director of the Company.
- d) Paid or accrued consulting fees of nil (2007 - \$18,500) to the Chairman of the Company.
- e) Reimbursed a loan of \$550,000 in 2007, borrowed from a company controlled by the Chairman of the Company and paid the lender an amount of \$171,576 in 2007 as a right to a 10% participation of the proceeds from the sale of shares held by Maximus in NFX, at that time (note 9 – 2006 loan from a related party).

The amount due to Reunion Gold Corporation of \$83,021 at September 30, 2008 (\$46,708 at September 30, 2007) is non-interest bearing and has no specific repayment terms. At September 30, 2007, an exploration advance of \$57,411 was paid to a company that, at that time, had a common director.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year ended September 30, 2008	Year ended September 30, 2007
	\$	\$
Loss before income taxes	(2,210,007)	(4,274,757)
Expected income tax recovery	(689,301)	(1,458,547)
Non-deductible expenses	312,116	1,355,772
Unrecognized tax benefit	(1,192,335)	(664,925)
Total income tax recovery	<u>(1,569,520)</u>	<u>(767,700)</u>
Represented by:		
Future income tax recovery	(1,569,520)	(767,700)

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12. INCOME TAXES (continued)

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

	September 30, 2008	September 30, 2007
	\$	\$
Future income tax assets		
Non-capital loss carryforwards	2,124,619	576,280
Financing costs	260,421	222,580
Mineral properties	-	951,660
Capital loss carryforwards	13,178	2,318,760
	<u>2,398,218</u>	<u>4,069,280</u>
Future income tax liabilities		
Mineral properties	(4,270,108)	-
Valuation allowance	<u>(900,825)</u>	<u>(4,069,280)</u>
Total future income tax liability	<u><u>(2,772,715)</u></u>	<u><u>-</u></u>

Following the business combination (note 4) and the resulting change in control of the shares of Maximus, capital loss carryforwards which existed in Maximus at September 30, 2007 are no longer available. During the year ended September 30, 2008, the Company renounced exploration expenditures of \$4,600,000 (\$2,250,000 in 2007) which resulted in a \$1,569,520 (\$767,700 in 2007) charge against capital stock and a corresponding future income tax recovery to earnings.

The Company has non-capital tax losses, which are available to reduce income taxes in future years. They total \$7,411,873 and expire as follows:

	\$
2009	601,008
2013	1,181,611
2014	587,539
2025	778,962
2026	1,409,574
2027	2,735,926
2028	117,253
Total	<u><u>7,411,873</u></u>

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13. SEGMENTED INFORMATION

The Company has one reportable operating segment being the acquisition and exploration of mineral properties. Mineral properties and deferred exploration expenses are located in the following geographic locations:

	September 30, 2008	September 30, 2007
	\$	\$
Canada	35,462,716	7,201,079
United States of America	740,967	59,096
	36,203,683	7,260,175

14. COMPARATIVE FIGURES

Certain comparative figures provided for the year ended September 30, 2007 have been reclassified to conform to the presentation adopted for the year ended September 30, 2008.

15. SUBSEQUENT EVENTS

Private placement

On October 23, 2008, the Company completed a brokered private placement for total gross proceeds of \$4,905,980. A total of 13,350,000 flow through common shares (the "FT Shares") at \$0.30 per FT Share and 3,003,267 units (the "Units") at \$0.30 per Unit have been issued. Each Unit issued consists of one common share of Bear Lake and one non transferrable common share purchase warrant, with each warrant exercisable to acquire one common share at \$0.40 per share until October 23, 2010. The Agents elected to receive their 5% commission in a combination of \$60,400 in cash and 616,330 Units. The Agents also received a total of 817,663 non-transferrable warrants to purchase up to 817,663 common shares of the Company at a price of \$0.30 per share until October 23, 2010. Proceeds from sale of the FT Shares will be used to advance the exploration of the Larder Lake properties and the net proceeds from the sale of the Units will be used for general working capital purposes.

Debt settlement

On October 22, 2008, the Company entered into an agreement with each of its financial advisors to settle amounts owed to them for fees charged to the Company in connection with the business combination completed on September 16, 2008. In settlement of the amounts owed, totalling \$425,000, the Company issued an aggregate of 1,416,666 units of the Company at a price of \$0.30 per unit, with each such unit comprised of one common share of the Company and one non-transferrable share purchase warrant entitling the holder to acquire one common share at \$0.40 per share until October 23, 2010.