

BEAR LAKE GOLD LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2008

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Bear Lake Gold Ltd. dated December 16, 2008, covers the years ended September 30, 2008 and 2007 and should be read in conjunction with the audited consolidated financial statements and related notes for the years ended September 30, 2008 and 2007 (the "September 30, 2008 and 2007 consolidated financial statements").

The September 30, 2008 and 2007 consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP").

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

Due to the close of the business combination between NFX Gold Inc. ("NFX", which name was changed to Bear Lake Gold Ltd. - "Bear Lake" or the "Company") and Maximus Ventures Ltd. ("Maximus") on September 16, 2008, the consolidated financial statements of Bear Lake for the years ended September 30, 2008 and 2007 are presented on the basis that Maximus is the acquirer for accounting purposes. Bear Lake subsequently changed its year-end from December 31 to September 30. 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.

BUSINESS OVERVIEW

Bear Lake is engaged in the exploration for gold and silver in North America. Its primary assets are (i) a 100% interest in the Bear Lake, Cheminis, Ferland and Barber Larder projects, all of which form the Larder Lake gold project located in the Larder Lake area of eastern Ontario, (ii) an option to earn a 75% interest from Hope Bay Mining Ltd. (wholly-owned by Newmont Mining Corporation) in two properties on the Hope Bay gold belt located in Nunavut, (iii) an option to acquire a 50% interest in four properties known as the Lemoyne North Project in the James Bay area, in Québec and (iv) an option from a privately-held company to earn a 60% interest in the Unity property located in Idaho, USA. The Company is in the process of exploring its mineral projects and has not yet determined whether these properties contain mineral resources or mineral reserves. To this date, the Company has not generated any revenues from operations.

Plan of Arrangement

On September 16, 2008, NFX and 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. 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 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. Outstanding warrants to purchase Maximus shares became exercisable in accordance with their terms to acquire common shares of NFX. Outstanding Maximus options were exchanged on a one-for-one basis for replacement options exercisable to acquire NFX common shares. 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").

In accordance with the determination that Maximus is the accounting acquirer, the purchase price of \$22.8 million was determined based on 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. 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, which allocation is presented in note 4 to the Company's 2008 and 2007 consolidated financial statements.

The board of directors of Bear Lake consists of five nominees from Maximus and three nominees from NFX. David Fennell, previously Chairman of Maximus, has become Chairman of Bear Lake and Thomas Larsen, previously CEO of NFX, is now Vice Chairman of the Company. François Viens, previously President and CEO of Maximus, is now President and CEO of Bear Lake.

Share consolidation

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 this MD&A have all been adjusted to reflect the impact of this share consolidation.

Taking into account the October 2008 private placement, described under the *Liquidity and Capital Resources* section, the Company has 82.4 million post-consolidation shares outstanding, 25.6 million post-consolidation outstanding warrants and 5.9 million post-consolidation outstanding stock options.

Exploration Activities

During the year ended September 30, 2008, the Company incurred deferred exploration expenditures of \$4,549,408 compared to \$4,473,792 in 2007 (before write-down of deferred exploration expenses of two Nevada projects). A total of \$3,740,687 was incurred on the Larder Lake properties in Ontario (which includes Maximus' share for the whole year and NFX's share for the period from September 16 to September 30, 2008), \$157,283 was spent on the Hope Bay property in Nunavut and \$651,438 was spent on the Unity property in Idaho. Of the total amount in deferred exploration expenditures incurred during the year, \$3,433,415 was spent on drilling and \$434,205 related to management, administration and labor costs.

Larder Lake Project, Ontario, Canada

The 2008 drilling program at Larder Lake is testing both carbonate and flow-type mineralization along the Bear Lake gold zone, laterally, up-plunge and down-plunge to a vertical depth of 1,000 meters, using a 125 meter to 150 meter hole spacing. In fiscal 2008, 32,000 meters of diamond drilling were completed at Larder Lake, compared to the budgeted 43,000 meter drilling program, of which 41 holes totalling 28,000 meters investigated the Bear Lake gold zone exclusively. Fourteen (14) of these holes tested the first mineralized zone but did not reach the second zone due to bad ground conditions. Work is in progress to recover the incomplete holes and to drill through the second mineralized zone. Six holes were abandoned due to technical difficulties. To date, the results from 39 holes drilled at Bear Lake have been released. Three drill rigs were active for most of the year at Bear Lake.

With the two drill rigs currently active at the Larder Lake project in Ontario, the Company plans to use one drill to continue to expand and test the down-plunge extension of the high-grade gold mineralization discovered to date at Bear Lake. The second drill will test other promising gold targets on the Larder Lake Project. These targets are all located within the same rock units that host most of the gold occurrences along the Cadillac-Larder Lake Break, including the former Kerr Addison mine located 5 km to the east.

Hope Bay Project, Nunavut, Canada

Under the terms of an option and joint venture agreement dated September 10, 2004 between the Company and Hope Bay Mining Ltd. ("HB Mining") (a subsidiary of Newmont Mining Corporation), the Company can earn a 75% interest in the Chicago and Twin Peaks areas in the Hope Bay gold belt in Nunavut, by funding

cumulative minimum exploration expenditures of \$3,250,000 by October 31, 2007 (which commitment has been met), \$5,250,000 by October 31, 2009, and \$7,250,000 by October 31, 2010. At September 30, 2008, the Company had incurred a cumulative amount of \$4,358,957 on the Hope Bay Project.

During the option period, exploration work at Hope Bay is performed by HB Mining under work programs and budgets prepared by HB Mining and approved by the Company. A 2,700-metre drilling program was planned for Hope Bay in 2008 to test gold mineralization targets in the Twin Peaks/Discovery area located close to HB Mining's Madrid and Doris deposits. This area hosts numerous gold showings that lie within zones of strong iron-carbonatization and/or silicification and associated with major and subsidiary faults within corridors of high strain or strong foliation. As a result of the unavailability of drills and other necessary equipment and personnel, HB Mining requested that the 2008 program be delayed and on July 8, 2008, HB Mining and Bear Lake agreed to extend the terms of the remaining two years to 2009 and 2010. Management of both companies are currently working on a work program and budget for 2009.

Lemoyne North, Québec, Canada

Under an option agreement dated July 16, 2007 between the Company and Eoro Resources Ltd. (a related party by virtue of a common director), the Company can acquire a 50% interest in the Lemoyne North, Horseshoe, Taiga and Taiga West properties located in the James Bay district in Québec. Under the terms of the option agreement, the Company is required to expend \$3,000,000 to earn its 50% interest, including \$500,000 by July 15, 2008 (which commitment was met), an additional \$750,000 by July 15, 2009, an additional \$750,000 by July 15, 2010 and a final amount of \$1,000,000 by July 15, 2011.

The Company has completed a 5-hole, 1,975 meter surface drilling program in 2008 to test the sulphide zone associated with alumina and magnesium bearing alteration, typical of the Doyon-Bousquet-La Ronde Camp. Results from the drilling campaign have confirmed the presence of a wide alteration system without intersecting any significant gold values. A decision on the follow-up work to be carried out will be made once a new compilation and report is completed (expected during the first quarter of 2009).

Unity Project, Idaho, USA

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 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. At September 30, 2008, the Company had incurred a cumulative amount of \$679,542 on the Unity Project.

In 2008, the Company completed a 1,000 meter drilling program on the Unity project. The work was focused on testing the lateral and down-dip extensions of two of the richest gold veins, namely the Little Giant and Rescue veins. The Company is currently evaluating the results obtained from the holes drilled to date and a decision will then be made to see if additional drilling from surface is required. Due to the weather conditions, the project is and will remain inaccessible until the spring of 2009. Once all the necessary drilling is completed, and if successful, a pre-feasibility study to justify the rehabilitation of old workings and additional underground development would then be commissioned. Other veins on the property will also be tested by drilling.

Qualified Person

The above technical information was reviewed by Mr. Bernard Boily, Vice President Exploration for the Company, a qualified person under the NI 43-101 regulation.

Selected Consolidated Financial Information

| Balance Sheet | September 30, | September 30, |
|--|---------------|---------------|
| | 2008 | 2007 |
| | \$ | \$ |
| Cash | - | 277,262 |
| Asset-backed commercial paper ("ABCP") | 3,434,386 | 3,834,386 |
| Bank loan | (1,702,932) | - |
| Mineral properties and deferred exploration expenses | 36,203,683 | 7,260,175 |
| Total assets | 42,209,505 | 11,671,248 |
| Shareholders' equity | 35,452,397 | 11,271,861 |

| | Year ended September 30, | | |
|---|--------------------------|--------------------|---------------|
| | 2008 | 2007 | 2006 |
| | \$ | \$ | \$ |
| Administration expenses | 1,764,951 | 1,189,828 | 317,384 |
| Interest income | (53,090) | (154,603) | (77,203) |
| Interest expense | 4,016 | - | - |
| Loss (gain) on disposal of marketable securities | - | 1,385,463 | (496,445) |
| Unrealized loss on marketable securities | 94,130 | - | - |
| Impairment charge on ABCP | 400,000 | 950,000 | - |
| Finance fee | - | - | 170,000 |
| Non-hedge derivative gain | - | (28,424) | - |
| Write-down of deferred exploration expenses | - | 932,493 | - |
| Future income tax recovery | (1,569,520) | (767,700) | - |
| Net earnings (loss) | (640,487) | (3,507,057) | 86,264 |
| Basic and diluted earnings (loss), per share | (0.02) | (0.12) | 0.01 |

| Cash flows | | | |
|----------------------|-------------|-------------|-------------|
| Operating activities | (1,546,629) | (464,739) | (225,093) |
| Investing activities | (3,822,278) | (7,102,428) | (2,788,890) |
| Financing activities | 5,056,356 | 4,441,013 | 4,878,584 |

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its exploration programs and any other factor that the board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

Results of Operations

During the year ended September 30, 2008, the Company reported a net loss of \$640,487 (\$0.02 per share) compared to a net loss of \$3,507,057 (\$0.12 per share) in 2007 and net earnings of \$86,264 in 2006 (\$0.01 per share). The significant changes in the year compared to 2007 are as follows:

- Administrative expenses totaled \$1,764,951 in 2008 compared to \$1,189,828 in 2007; the increase in expenses is attributable to higher stock-based compensation and higher management and administration, other remuneration and office costs following the hiring of a new president and CEO in December 2006, a new CFO in May 2007 and the providing of administrative services to the Company through a management service agreement with Reunion Gold Corporation starting in December 2007.
- Interest income which totaled \$53,090 in 2008 compared to \$154,603 in 2007 reflects a lower cash balance during year and the fact that the Company has not been accruing for interest due from asset-backed commercial paper ("ABCP") held since August 2007.
- Following the sale of the remaining 5,500,000 shares held in NFX at an average price of \$0.41 per share, the Company recorded in 2007 a loss on marketable securities of \$1,385,463 in 2007.
- As discussed in Business Overview – Asset-Backed Commercial Paper ("ABCP") section, the Company recorded an impairment charge against the value of its ABCP in an amount of \$400,000 (\$950,000 in 2007).
- In 2007, the Company recorded a write-down of its accumulated expenditures of \$932,493 incurred on the Excelsior and Keystone properties, located in Nevada. On reviewing the results of its exploration programs, the Company decided not to pursue further work on these properties. In 2008, the Company did not record any write-down of its exploration properties.
- Following the renouncement to flow-through share subscribers of eligible exploration expenditures in the amount of \$4,600,000 in 2008, the Company recorded, in accordance with applicable accounting policies, a future income tax recovery of \$1,569,520 (\$767,700 in 2007 on the renouncement to flow-through share subscribers of \$2,250,000 in eligible exploration expenditures) with a corresponding decrease to capital stock.

The significant changes in 2007 compared to 2006 are as follows:

- Administrative expenses totaled \$1,189,828 in 2007 compared to \$317,384 in 2006 due to higher stock-based compensation cost (\$631,997 in 2007 compared to \$31,780 in 2006) and following the hiring of a new full-time President and CEO in December 2006, the hiring of a part-time CFO in May 2007 and higher office expenses and travel costs.
- Interest income of \$154,603 in 2007 compared to \$77,203 in 2006 reflect the higher cash balance held by the Company in 2007 following the private placement of March 2007 for proceeds of \$4,600,000.
- In 2006, the Company had sold 2,500,000 shares in NFX at a price of \$0.58 per share resulting in a gain of \$496,445, compared to a loss of \$1,385,463 in 2007 on the sale of 5,500,000 NFX shares.
- The Company recorded an impairment charge against the value of its ABCP in an amount of \$950,000 in 2007, compared to nil in 2006.
- The Company did not record any write-down of exploration properties in 2006, compared to \$932,493 in 2007.
- No renouncement of exploration expenditures had been made in 2006, compared to \$2,250,000 in 2007, resulting in a future income tax recovery of \$767,700.

Selected Quarterly Financial Information

| Period ended | Revenues (\$000) | Net earnings (loss) (\$000) | Net earnings (loss) per share (\$) |
|--------------------|---------------------|-----------------------------------|---|
| September 2008 | 0.9 | (696.5) ⁽¹⁾ | (0.02) |
| June 30, 2008 | 6.4 | (321.2) | (0.01) |
| March 31, 2008 | 21.2 | (765.2) ⁽²⁾ | (0.02) |
| December 31, 2007 | 24.6 | 1,142.4 ⁽³⁾ | 0.03 |
| September 30, 2007 | 19.5 | (1,835.5) ⁽⁴⁾ | (0.07) |
| June 30, 2007 | 63.6 | (169.6) ⁽⁵⁾ | |
| March 31, 2007 | 43.1 | (57.1) ⁽⁶⁾ | - |
| December 31, 2006 | 28.4 | (1,444.8) ⁽⁷⁾ | (0.06) |

- (1) Includes stock-based compensation cost of \$206,228, an impairment charge on ABCP of \$100,000 and an unrealized loss on marketable securities of \$94,130.
- (2) Includes an impairment charge on ABCP of \$200,000.
- (3) Includes an impairment charge on ABCP of \$100,000 and a future income tax recovery of \$1,569,520.
- (4) Includes a write-down of deferred exploration expenses and mineral properties of \$855,228 and an impairment charge on ABCP of \$950,000.
- (5) Includes a loss on marketable securities of \$40,000 and a write-down of deferred exploration expenses and mineral properties of \$77,265. The previously reported net loss of \$229,600 was adjusted to reflect a decrease in loss from marketable securities.
- (6) Includes a gain related to marketable securities of \$170,150. The previously reported net loss of \$265,800 was adjusted to reflect an increase in gain related to marketable securities.
- (7) Includes a loss on disposal of marketable securities of \$1,595,000 and a stock-based compensation cost of \$559,741, offset by a future income tax recovery of \$767,700. The previously reported net loss of \$2,597,500 was adjusted to reflect a decrease in the loss on marketable securities of \$385,000 and a future income tax recovery of \$767,700.

During the fourth quarter ended September 30, 2008, the Company incurred a net loss of \$696,500 (\$0.02 per share), compared to a net loss of \$1,835,500 (\$0.07 per share) during the corresponding period ended September 30, 2007. The reduced loss is attributable to a lower impairment charge on ABCP (\$100,000 in 2008 compared to \$950,000 in 2007) and no write-down of deferred exploration expenses and mineral properties compared to \$855,228 in 2007.

Asset-backed Commercial Paper

At September 30, 2008, the Company held \$4,784,400 of non-bank sponsored ABCP (before accounting for an impairment charge).

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 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.

At September 30, 2008, the Company estimated the fair value of the ABCP it holds and applied a total impairment charge of \$1,350,000, including an amount of \$950,000 which had been recorded in 2007. Additional information on the terms of the Plan and the Company's estimation of fair value are included in note 6 to the September 30, 2008 and 2007 consolidated financial statements.

Liquidity and Capital Resources

The Company had a negative working capital of \$3,338,763 at September 30, 2008 compared to a working capital of \$108,003 at September 30, 2007. In 2008, the Company had a negative operating cash flow of \$1,546,629 and it invested a total of \$4,302,277 on its mineral properties.

On October 23, 2008, subsequent to year-end, 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.

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-transferable share purchase warrant entitling the holder to acquire one common share at \$0.40 per share until October 23, 2010.

In 2008, the Company received total cash proceeds of \$482,590 following the exercise of 1,061,500 broker warrants.

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. Each Unit issued consisted 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 if the closing price of the Company's common shares is \$0.80 or greater for a period of 30 consecutive trading days. The Agents received a cash commission of 6% of the gross proceeds of the brokered portion of the financing and broker warrants to purchase up to 291,900 common shares of the Company at a price of \$0.60 per share until April 24, 2009.

On August 30, 2007 (with subsequent amendments), as a result of the ABCP situation described above, the Company entered into a temporary credit facility of \$3,250,000 to fund working capital requirements. The facility is secured by the Company's investments in ABCP. As at September 30, 2008, the Company had drawn an amount of \$1,702,932 from the facility, which bears interest at prime less 1.50% and matures on December 31, 2008. Discussions are currently being held between the Company and its lender to further extend the temporary credit facility.

On March 6, 2007, the Company had completed a brokered private placement comprised of 5,000,000 flow-through common shares for gross proceeds of \$4,600,000, which funds were used to incur eligible Canadian exploration expenditures. Effective March 2008, the total amount of \$4,600,000 had been fully expended on such eligible Canadian exploration expenditures.

At December 16, 2008, the Company has approximately \$4.5 million of available liquidity, including the unused portion of the ABCP-related credit facility. The Company's treasury is invested in highly liquid, low risk, short-

term interest-bearing investments with maturities of 30 days or less. Assuming that the terms of the current credit facility are extended and that the Company's ABCP is restructured in accordance with the Plan, the Company expects that its capital resources will be sufficient to carry its exploration program and administrative costs well into 2009.

The Company has no cash flow generating operation and 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 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 may be impacted by, among others, the strength of the capital markets and the outcome of the Plan to restructure the ABCP. In addition, the current economic environment has made access to capital increasingly difficult. Although the Company has been successful in the past in obtaining required financing, there can be no assurance that the Company will be able to access such financing or that it will be available on acceptable terms. In the event that the Company is not successful in raising sufficient funds, it may need to substantially reduce its activities.

The Company's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to its shareholders. 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 to partially offset the impact of the ABCP situation, as described above. In the past, the Company has relied mostly on equity financing to meet its cash requirements and it will continue to rely on equity financing to fund its exploration activities. The Company's long-term financial success is highly dependent on management's ability to discover economically viable deposits and to obtain additional financing to fund the development of such deposits.

Off-Balance Sheet Arrangements

As of September 30, 2008, the Company has no off-balance sheet arrangements.

Related Party Transactions

Related party transactions entered into in 2008 are as follows:

- a) Paid or accrued administration expenses of \$260,967 in 2008 (\$59,525 in 2007) to Reunion Gold Corporation, 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 in 2008 (\$65,743 in 2007) to a company controlled by a former director of the Company;
- d) Paid or accrued consulting fees of nil in 2008 (\$18,500 in 2007) 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 the Company in NFX, at that time.

As at September 30, 2008, accounts payable and accrued liabilities included an amount due to Reunion Gold Corporation of \$83,021 (\$46,708 at September 30, 2007).

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.

Book value of Mining Properties

At the end of each period, management reviews the carrying value of its resource properties to determine whether any write-down is necessary. Following this analysis, no write-down was deemed necessary as at September 30, 2008.

Changes in Accounting Policies

On October 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1506, *Accounting Changes*, Section 1535, *Capital Disclosures*, Section 3862, *Financial Instruments - Disclosure*, and Section 3863, *Financial Instruments - Presentation*.

Section 1506 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. Also, 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. This new standard had no impact on the Company's financial results for the year.

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.

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 that the Company is exposed to during the reporting period and 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. The adoption of Sections 1535, 3862 and 3863 had no significant effect on the Company's consolidated financial statements.

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*. 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.

International Financial Reporting Standards ("IFRS")

The Accounting Standard Board (AcSB) of the CICA has adopted a new strategy for convergence with 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 is presently assessing the full impact that the adoption of IFRS will have on its financial statements. In light of existing IFRS applicable to companies in the exploration stage, the Company does not anticipate significant changes to its existing accounting policies.

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 a related party. Other than marketable securities and ABCP, the fair value of these financial instruments approximates their carrying value. 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. A plus or minus 10% change in the value of the marketable securities would affect earnings by approximately \$29,000.

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 in 2008). The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Outstanding Share Data

As at December 16, 2008, the Company has:

- a) 82,369,302 common shares issued and outstanding;
- b) 25,555,559 share purchase warrants outstanding with exercise prices ranging from \$0.30 to \$0.80 per share, expiring by October 2010; and
- c) 5,930,000 stock options outstanding with exercise prices ranging from \$0.20 to \$1.60 and expiring between November 2009 and September 2013.

Risks and Uncertainties

Exploration and mining risks

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Unprofitable efforts may result from the failure to discover mineral deposits or if mineral deposits are found, such deposits may be insufficient in quantity and quality to return a profit from production. There are currently no known bodies of commercial ore on the Company's projects and it is impossible to ensure that the exploration programs planned by the Company will result in a profitable commercial mining operation. Substantial expenses will be required to establish mineral resources through drilling, to develop metallurgical processes, to construct mining and processing facilities and to extract the metal from the mineral resources.

Financial risk

The Company has no history of earnings. The Company's projects are in the exploration stage only. The Company does not expect to receive revenues from operations in the foreseeable future, if at all. The Company expects to incur losses until such time as its prospect or any other properties the Company may acquire enter into commercial production and generate sufficient revenues to fund its continuing operations. Given the nature of capital market demand for speculative investment opportunities, there is no assurance that additional financing will be available at all or available on terms acceptable to the Company. In addition, the current economic downturn and global credit crisis has made access to capital even more difficult.

Risk on uncertainty of title

Although the Company has taken steps to verify title to the mineral properties 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.

Environmental risk

The Company is subject to various environmental incidents that can occur during exploration work. The Company maintains an environmental management system including operational plans and practices.

Gold Price Volatility

The market price of the Company's common shares, its financial results and its exploration, development and mining activities may in the future be significantly and adversely affected by declines in the price of gold and silver. Gold and silver prices are volatile, can fluctuate widely and are affected by numerous factors beyond the control of the Company such as industrial and jewellery demand, forward sales by producers, the sale or purchase of gold by central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and other foreign currencies, and global or regional political and economic conditions. The price of gold and silver has fluctuated widely in the past and future price declines in the market value of gold and silver could cause continued exploration, development of and commercial production from the Company's properties to be impracticable.

Permits and licences

Although the Company is entitled to carry out its current drilling programs, the Company cannot be certain that it will receive the necessary permits on acceptable terms to conduct further exploration and to develop its projects. The failure to obtain such permits, or delays in obtaining such permits, could increase the Company's costs and delay its activities, and could adversely affect the operations of the Company.

Competition and Agreements with Other Parties

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition in the precious metals mining industry is primarily for mineral rich properties which can be developed and can produce economically. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

Conflicts of Interest

Certain directors of the Company are also directors, officers or shareholders of other natural resource companies. Situations may arise where the directors of the Company may be in competition with the Company. Any conflicts of interest will be subject to and governed by the law applicable to directors' conflicts of interest. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Forward Looking Statements

This MD&A may contain forward-looking statements or information, within the meaning of Canadian securities laws. Forward-looking information does not relate to historical facts; it reflects the Company's views as of the date of this MD & A and is subject to a number of known and unknown risks and uncertainties beyond the Company's control. These include, without limitation, uncertainties related to: the effects on the Company of the current equity and credit market disruption; the Company's ability to raise sufficient financing to fund its planned work in a timely manner and on acceptable terms; the ABCP market conditions, additional defaults under ABCP and the ability of ABCP funds to obtain funding from liquidity facilities supporting the ABCP; the possibility that required permits may not be obtained in a timely manner or at all; changes in planned work resulting from weather, logistical, technical or other factors; potential resources, exploration results, costs and supply of material relevant to the mining industry, and future plans and objectives of the Company. Many factors, both known and unknown, may cause the actual results, levels of activity, performance or achievement of the Company to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward looking statements and information.

Additional Information and Continuous Disclosure

This MD & A has been prepared as at December 16, 2008. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR (www.sedar.com) and on the Company's web site (www.bearlakegold.com).