



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

BEAR LAKE GOLD LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2010

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Bear Lake Gold Ltd. ("Bear Lake" or the "Company") dated December 16, 2010, covers the years ended September 30, 2010 and 2009 and should be read in conjunction with the audited consolidated financial statements and related notes for the years ended September 30, 2010 and 2009 (the "September 30, 2010 and 2009 consolidated financial statements"). The September 30, 2010 and 2009 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.

BUSINESS OVERVIEW

Bear Lake is engaged in the exploration for gold in North America. Its primary assets are (i) a 100% interest in the Bear Lake, Cheminis, Fernland and Barber Larder gold projects and a 75% interest in the Swansea property, all of which form the Larder Lake project located in the Larder Lake area of eastern Ontario, and (ii) an option from a privately-held company to earn a 60% interest in the Unity gold property located in Idaho, USA.

The Company has not yet determined whether its properties contain mineral resources or mineral reserves. To date, the Company has not generated any revenues from operations.

Following the agreement to settle the class action lawsuit (see *Settlement of Class-Action Suit* section) and the completion of a private placement at the end of June 2010 (see *Private Placement* section), the Company recommenced its exploration activities on July 5, 2010 at the Larder Lake gold project (see *Larder Lake Property, Ontario, Canada* section).

CORPORATE ACTIVITIES

Settlement of Class-Action Suit

In August 2009, a proposed class action lawsuit was filed in the Ontario Superior Court of Justice against the Company and certain of its current and former officers and directors, alleging certain misrepresentations were made during the period from July 18, 2006 to July 28, 2009 regarding Bear Lake's Larder Lake project. The proposed lawsuit claimed general and special damages in the amount of \$20 million and punitive damages in the amount of \$5 million.

In April 2010, a settlement agreement was entered into providing for the settlement, release and dismissal of all claims asserted against the Company and the individual proposed defendants and does not in any way contain or constitute any admission of liability by the Company or its officers, directors or employees. In August 2010, the Ontario Superior Court of Justice approved the plaintiff's motion for certification and settlement of the proposed class action thereby dismissing the proposed lawsuit and all related claims. The opt-out deadline expired on October 29, 2010 and the settlement is now final. The total settlement amounted to \$1.3 million, of which \$1.1 million was funded through insurance coverage.

Private Placement

In June 2010, the Company completed in two tranches a non-brokered private placement for total gross proceeds of \$3,763,122 (the "Financing"). Under the Financing, the Company issued a total of 11,705,600 "flow-through" common shares ("FT Shares") at a price of \$0.20 per FT Share and 7,900,009 units ("Units") at a price of \$0.18 per Unit. Each Unit issued consists of one common share and one common share purchase warrant ("Warrant"), with each Warrant exercisable to acquire one common share of the Company at a price of \$0.30 per share for a period of 24 months from the closing date of the Financing. The Warrants are subject to a right of accelerated expiry at the Company's option where the closing price of the common shares on the TSX Venture Exchange ("TSXV") exceeds \$0.50 for twenty consecutive trading days at any time after four months and one



day from closing of the Financing. As part of the Financing, the Company paid a cash commission of \$142,667 and issued 433,000 Units in lieu of a cash commission, with each such Unit comprised of one common share and one Warrant, with each Warrant entitling the holder to acquire one common share of the Company at \$0.30 per share for a period of 24 months from the closing date of the Financing. The Company also issued finder's warrants entitling the holder to purchase up to 1,146,336 common shares of the Company at a price of \$0.25 per share for a period of 24 months from the closing date of the Financing. The gross proceeds from the sale of the FT Shares, in the amount of \$2,341,120, are being used to incur Canadian Exploration Expenses on the Larder Lake Property. These funds are to be expended by December 31, 2011. At September 30, 2010, an amount of \$495,787 of such funds had been spent and an amount of \$1,845,333 remains available to incur such eligible Canadian Exploration Expenses.

Termination of the Hope Bay Project Option Agreement

Under an option agreement with a subsidiary of Newmont Mining Corporation to earn a 75% interest in a certain group of claims at Hope Bay (the "Hope Bay Project"), the Company was required to spend an additional amount of \$2 million on the Hope Bay Project by October 31, 2010. In completing its June 2010 Private Placement, the Company had decided to prioritize and focus its exploration efforts on the more advanced Larder Lake Property. Following negotiations with the holder of the Hope Bay Project, the Company was not able to obtain an extension to the option agreement, which has, as a result, been terminated. Consequently, the Company charged to operations during the year ended September 30, 2010 an amount of \$5,885,792 as write-down of mineral properties and deferred exploration expenses, including an amount of \$575,000 as mineral properties and \$5,310,792 as deferred exploration expenses. During the year ended September 30, 2010, the Company incurred deferred exploration expenditures of \$114,261 on the Hope Bay Project, consisting mostly of management and administration expenses, compared to \$837,574 in 2009, during which time the Company had completed six drill holes totaling 1,313m in the Twin Peaks/Discovery area located in the northern part of the Hope Bay Project.

Extension of 2008 warrants

In October 2010, the Company extended by one (1) year the term of 2,991,495 share purchase warrants issued on October 23, 2008 as part of a brokered private placement of its securities. These warrants are now exercisable until October 23, 2011 and the exercise price of \$0.40 remains unchanged.

Grant of stock options

On October 18, 2010, the Company granted an aggregate of 5,250,000 stock options to directors, officers, employees and consultants of the Company. Of this total, 1,630,000 options are subject to the achievement of certain performance objectives and vest only if the 20-day volume weighted average price of the Company's common shares on the TSXV is \$0.90 per share or above; and 700,000 options are subject to the achievement by two employees of certain defined performance objectives. The balance of 2,920,000 options vest over a two-year period. The options have a five-year term and are exercisable at a price of \$0.30, the closing price of the Company's stock on October 15, 2010.

Option agreement on the Swansea property

On October 22, 2010, the Company, Newstrike Resources Ltd. ("Newstrike") and Odyssey Resources Limited ("Odyssey") entered into an option agreement (the "Option") under which Odyssey may acquire a 25% interest in the Swansea property by spending \$1.1 million on the Property by March 31, 2011. Bear Lake and Newstrike respectively own an interest of 75% and 25% in the property. Pursuant to the Option, Odyssey is entitled, subject to the terms and conditions of the Option, to acquire an 18.75% interest from Bear Lake and a 6.25% interest from Newstrike for a total interest of 25%. Given that the Executive Chairman and the Chief Financial Officer of the Company also hold the same positions, respectively with Odyssey and that a director of Odyssey is also the Chief Financial Officer of Newstrike, the Company has sought and obtained approval from the TSXV in relation to this agreement.



LARDER LAKE PROPERTY, ONTARIO, CANADA

2010 exploration activities

The exploration activities at the Larder Lake Property resumed in July 2010 after having been suspended in July 2009 following the discovery of data inconsistencies (see *Data inconsistencies at the Larder Lake Property* section). A drilling program consisting of approximately 15,000 meters of diamond drilling is currently being carried-out and focuses mostly on the Bear Lake zone. One diamond drill was mobilized to start the program in July 2010, with a 2nd drill added in early October 2010 and a 3rd drill which arrived on site in mid-November 2010 to accelerate the pace of the program. Since resuming the operations in July 2010, 9 holes have been drilled or are in progress as of November 30, 2010, totaling 6,708m of drilling. The campaign mainly targets the upper part of the Bear Lake zone, at depths of between 400m and 1,200m from surface, with the objective of defining and expanding the higher grade mineralized lenses, including both the carbonate and flow-type mineralized horizons. The Company plans to complete a National Instrument 43-101 ("NI 43-101") compliant resource estimate as soon as the density of drilling in the Bear Lake zone is sufficient to support resource estimation.

Prior to the resumption of the drilling program in July 2010, the Company undertook to complete a geologic re-interpretation of the Bear Lake zone based on the restated exploration results (as defined in the *Data inconsistencies at the Larder Lake Property* section). The Company continues to believe that the Bear Lake area represents a significant gold discovery. The drilling campaign that is currently underway, aims to test the validity of the revised geologic model and fully investigate the potential extent and grade of mineralization of this discovery. During the year ended September 30, 2010, the Company incurred expenditures of \$610,544 on the Larder Lake Property, including \$403,214 in drilling and assaying costs, compared to \$4,064,882 during the year ended September 30, 2009.

Emergency Order

The Emergency Order issued by the Ontario Ministry of Northern Development, Mines and Forestry ("MNDMF") on December 4, 2009 to five companies, including Bear Lake, was lifted in April 2010. The five companies, which hold claims in the McGarry Township, in the area where the Upper and Lower Kerr Mine Tailings Ponds are located were proponents to the Emergency Order. The MNDMF had found that a dam and spillway located on a claim which is not held by the Company were in need of immediate repair. In light of this situation, the MNDMF undertook to design and construct a temporary spillway, which work had been completed by the end of March 2010. In April 2010, the MNDMF confirmed to each of the five companies that their obligations under the Emergency Order had thus been cancelled but that the costs for the work conducted by the MNDMF constituted a debt due to the Crown by the five companies. The MNDMF is also looking to the five companies for a plan and schedule indicating how and when the mine hazards associated with the Upper and Lower Kerr Mine Tailings Ponds will be rehabilitated. The Company believes that it does not have any liability related to the dam and spillway referred to in the Emergency Order, on the basis that these are located on property owned and controlled by others. The Company has been conducting appropriate preventive work on its claims and has informed the MNDMF of the work done by the Company. At this time, the Company cannot estimate the potential cost for dealing with this issue, but it does not believe that it will be significant. Expenses in the amount of \$89,790 were incurred during the year ended September 30, 2010, regarding this matter. Such expenses include mainly technical consulting fees and some minor repair and maintenance work to the dams and spillways located on its property.

Data inconsistencies

On July 21, 2009, the Company announced that it had become aware of material inconsistencies regarding the Company's exploration data that appeared to compromise the Company's prior reporting of exploration results in respect of the Larder Lake Property. Upon learning of these matters, the Company immediately commenced an investigation. Scott Wilson Roscoe Postle Associates ("Scott Wilson RPA") led the technical investigation and Stikeman Elliott LLP led the legal aspects of the investigation. The Company's Board of Directors established a Technical Committee to supervise the investigation, review internal technical procedures and make recommendations to the Board of Directors.



On November 3, 2009, the Company announced that Scott Wilson RPA had substantially completed its technical investigation into the Larder Lake exploration data. Scott Wilson RPA issued a report to the Company and its Board of Directors dated November 2, 2009 (the "Report") which confirmed certain data inconsistencies disclosed during the period from November 27, 2008 to July 14, 2009 as well as three additional inconsistencies initially disclosed on December 20, 2007, June 4, 2008 and September 4, 2008, as identified in the Report.

The Company determined that its former Vice President Exploration and the "qualified person" (as such term is defined in NI 43-101) who prepared and supervised the preparation of all relevant data and technical disclosure, had altered certain assay certificates by manually changing the assay results prior to entering such results in the Company's exploration database in respect of the Bear Lake area of the Larder Lake Property (the "Database"). The Company has further determined that, in certain instances, he had used certain assay results selectively at his discretion, when calculating the drill hole intercept averages resulting in a bias toward higher grades being disclosed in the press releases than were supported by all of the data in the original laboratory assay certificates. Based upon the investigation completed, the Company has determined that there was no evidence of tampering with core or samples sent to the assay labs, other than potentially one hole which remains unresolved, and that the only evidence was of data tampering with assay certificates and the Database. The Company has also determined that its former Vice President Exploration had acted alone and there was no evidence of anyone else having been involved, based on the completed investigation.

As part of the November 3, 2009 press release, the Company included a table showing the restated intercepts for the Bear Lake area of the Company's Larder Lake Property (the "Restated Exploration Results"), which included a comparison to the intercepts as originally released. The Restated Exploration Results included a total of 58 intercepts within the Bear Lake area of the Larder Lake property. Of the 58 intercepts, 24 intercepts (41%) were affected by the unsupported assays while 34 intercepts (59%) were unaffected or had only minor changes and corrections. Of the 24 intercepts affected by unsupported assays, 7 still represent a significant intercept after using verified data.

UNITY PROJECT, IDAHO, USA

On July 31, 2007, the Company entered into an option agreement (with amendment dated April 2009) 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 (an amount of US \$975,284 has been spent as at September 30, 2010) and complete a positive feasibility study by February 16, 2012. Of the total amount spent to date, \$55,795 was incurred during the year ended September 30, 2010 compared to \$294,144 during the year ended September 30, 2009. Although the program completed to date has confirmed the presence of gold-bearing veins, the results were not conclusive and a follow-up drilling program targeting the gold-rich veins at depth may be executed in the summer of 2011. The Company plans to raise sufficient funds in 2011 to complete the required drilling at the Unity Project and, if required to complete the feasibility study. There is no assurance that the Company will have the funds available to execute the drilling program and that it will be able to complete a feasibility study and exercise the option.

2009 WRITE-DOWN OF MINERAL PROPERTIES

In accordance with relevant accounting pronouncements, including Emerging Issues Committee Abstract EIC-174, *Mining Exploration Costs*, the Company charged to operations during the year ended September 30, 2009 an amount of \$15,200,000 as write-down of mineral properties, due to share-based payments made in prior years for certain mineral properties, at a time when the Company's share price was trading at a significantly higher level. Of the total write-down of mineral properties, an amount of \$14,700,000 was attributable to the Larder Lake Property and an amount of \$500,000 was attributable to the Hope Bay Project. Also, in September 2009, the Company abandoned its 100% interest in the Kirkland-Wright claims, which were part of the Larder Lake Property, as these claims did not fit into the Company's strategy for Larder Lake and consequently, charged an additional amount of \$66,700 to operations as write-down of mineral properties.



Qualified Person

The technical information disclosed in this MD&A of all technical information has been prepared by or under the supervision of Mr. François Viens, Eng., President and Chief Executive Officer for the Company, a qualified person under NI 43-101.



Mineral property and exploration expenses are detailed as follows:

	September 30,	
	2010	2009
	\$	\$
Mineral properties (1)		
Larder Lake, Ontario, Canada	9,303,421	9,303,421
Hope Bay, Nunavut, Canada	-	575,000
Unity, Idaho, USA	126,598	98,129
	9,430,019	9,976,550
Exploration expenses (2)	Year ended September 30,	
	2010	2009
	\$	\$
Larder Lake, Ontario, Canada		
Contractors and consultants	40,617	96,971
Drilling and assaying	403,214	3,446,397
Geology	480	69,900
Labour	84,104	204,308
Management and administration	76,455	218,077
Title and claim management	5,674	29,229
	610,544	4,064,882
Hope Bay, Nunavut, Canada		
Contractors and consultants	4,511	53,024
Drilling and assaying	-	673,114
Geology	2,179	2,123
Management and administration	107,571	109,313
	114,261	837,574
Unity, Idaho, USA		
Contractors and consultants	1,429	19,851
Drilling and assaying	-	232,564
Geology	1,134	14,569
Labour	4,098	5,635
Management and administration	25,870	9,997
Title and claim management	23,264	11,528
	55,795	294,144
Grand total	780,600	5,196,600

(1) Amounts presented are net of a write-down of mineral properties of \$575,000 charged to operations during the year ended September 30, 2010 (\$15,266,700 in 2009). The total write-down of mineral properties in 2010 was attributable to the Hope Bay Project (\$500,000 and \$14,766,700 were respectively attributable to the Hope Bay Project and to the Larder Lake Property in 2009).

(2) Amounts presented are net of a write-down of deferred exploration expenses of \$5,310,792 attributable to the Hope Bay Project and charged to operations during the year ended September 30, 2010 (nil in 2009).



Selected Consolidated Financial Information

	September 30, 2010	September 30, 2009	
	\$	\$	
Balance Sheets			
Cash and cash equivalents	3,406,876	1,224,989	
Investments (1)	3,163,640	2,846,797	
Credit facilities	3,434,217	3,225,131	
Mineral properties and deferred exploration expenses	21,100,018	26,176,741	
Total assets	29,704,249	32,639,182	
Shareholders' equity	25,772,946	28,858,116	
Operations			
	September 30, 2010	September 30, 2009	September 30, 2008
	\$	\$	\$
Administration and other expenses	953,507	1,402,659	1,764,951
Interest income	(12,504)	(40,679)	(53,090)
Interest expense	46,558	46,174	4,016
Part XII.6 tax on flow-through financing	-	23,997	-
Settlement of class-action and other related costs	284,295	346,191	-
Gain on sale of marketable securities	(1,383)	-	-
Unrealized loss on marketable securities	16,250	75,660	94,130
Fair value adjustment of investments	(401,860)	236,155	400,000
Write-down of mineral properties and deferred exploration expenses	5,885,792	15,266,700	-
Future income tax recovery	-	(3,836,454)	(1,569,520)
Net loss	(6,770,655)	(13,520,403)	(640,487)
Basic and diluted loss per share	(0.07)	(0.16)	(0.02)
Cash flows			
Operating activities	(1,498,765)	(924,588)	(1,546,629)
Investing activities	(130,841)	(6,369,717)	(3,822,278)
Financing activities	3,811,493	8,554,583	5,056,356

(1) Notes held in Master Asset Vehicles II and III ("MAV II and III") replaced the Company's investment in asset-backed commercial paper ("ABCP") following the implementation on January 21, 2009 of the restructuring plan related to the Canadian third-party ABCP (see more detailed discussion under the *MAV II and III Notes and ABCP* section).

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.



The Company's consolidated financial statements were prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company is at an early stage of exploration and as is common with many exploration companies, it raises funds for its exploration activities through equity financing. The Company has incurred a loss in the current and prior periods and has an accumulated deficit of \$49,166,341 at September 30, 2010.

At September 30, 2010, the Company had cash and cash equivalents of \$3,406,876 and believes this amount is sufficient to meet its planned exploration expenditures on the Larder Lake Property and to meet its corporate administrative expenses for the next 12 months. Longer term, the Company may pursue opportunities to raise additional funds and while the Company has been successful in raising funds in the past, there can be no assurance that adequate funding will be available in the future, or available under terms favorable to the Company. The Company's exploration activities at the Larder Lake Property have considerable scope for flexibility in terms of the amount and timing of exploration expenditures.

Results of Operations

	Year ended		
	September 30,	September 30,	September 30,
	2010	2009	2008
	\$	\$	\$
Administration and other expenses			
Remuneration	409,635	861,665	1,073,902
Management and administration	173,467	253,842	333,476
Office	138,089	136,194	159,645
Professional fees	92,910	78,261	67,374
Other property costs	89,790	-	-
Transfer agent and filing fees	32,917	32,689	28,225
Shareholder communications and travel	13,248	35,674	99,278
Depreciation	3,451	4,334	3,051
	953,507	1,402,659	1,764,951

During the year ended September 30, 2010, the Company reported a net loss of \$6,770,655 (\$0.07 per share) compared to a net loss of \$13,520,403 (\$0.16 per share) in 2009 and a net loss of \$640,487 (\$0.02 per share) in 2008. The significant changes in 2010 compared to 2009 are as follows:

- Expenses totaled \$953,507 during the year ended year September 30, 2010 compared to \$1,402,654 during the year ended September 30, 2009; lower remuneration, management and administration and shareholder communications and travel expenses were partially offset by other property costs of \$89,790 related to the matter described under the *Emergency Order* section and higher professional fees; lower stock-based compensation of \$83,078, charged to operations during the year ended September 30, 2010, and presented as part of remuneration, compared to \$529,977 in 2009 is due to the grant of 2,272,500 stock options in January 2009, of which 1,617,500 vested at that time, 360,000 having been cancelled and the remainder having vested until April 2010. Management and administration expenses are lower in 2010 compared to 2009 following steps taken by the Company during 2008 and 2009 to significantly reduce its corporate administration costs, including lowering its management and administration expenses paid to Reunion Gold Corporation.
- Interest income totaled \$12,504 during the year ended September 30, 2010 compared to \$40,679 during the year ended September 30, 2009; the lower income in 2010 results from lower cash balances and lower returns on liquidities held.



- Interest expense on the Company's bank loans totaled \$46,558 during the year ended September 30, 2010 compared to \$46,174 during the year ended September 30, 2009; the average bank loan during the year ended September 30, 2010 totaled \$3.3 million at a cost of capital of 1.4% compared to an average bank loan of \$3.3 million during the year ended September 30, 2009, during which time the cost of capital was also 1.4%.
- In April 2010, the Company reached an agreement in principle to settle the class-action suit, as described under *Settlement of class-action suit* section. As part of the settlement, the Company paid a net amount of \$200,000. Other related costs of \$84,795 (\$346,191 in 2009) include mostly legal and technical consulting fees.
- As discussed in *MAV II and III Notes and ABCP* section, the Company recorded during the year ended September 30, 2010 a fair value recovery adjustment of \$401,860 on investments held compared to an impairment charge of \$236,155 during the year ended September 30, 2009.
- During the year ended September 30, 2010, the Company charged to operations an amount of \$5,885,792 as write-down of mineral properties and deferred exploration expenses, compared to an amount of \$15,266,700 as write-down of mineral properties during the year ended September 30, 2009. Following the termination of the option agreement on the Hope Bay Project on October 31, 2010 (see *Termination of the Hope Bay Project Option Agreement* section), the Company wrote-down an amount of \$575,000 as mineral properties and \$5,310,792 as deferred exploration expenses. During the year ended September 30, 2009, the Company charged to operations an amount of \$15,200,000 as write-down of mineral properties, due to share-based payments made in prior years at a time when the Company's share price was trading at a significantly higher level, of which an amount of \$14,700,000 was attributable to the Larder Lake Property and an amount of \$500,000 was attributable to the Hope Bay Project. Also, in September 2009, the Company abandoned its 100% interest in the Kirkland-Wright claims and consequently, charged an additional amount of \$66,700 to operations as write-down of mineral properties.
- During the year ended September 30, 2009, the Company recorded a future income tax recovery of \$3,836,454, compared to nil during the year ended September 30, 2010.

The significant changes in 2009 compared to 2008 are as follows:

- Administrative expenses totaled \$1,402,659 in 2009 compared to \$1,764,951 in 2008; the decrease in expenses is attributable to a) lower management and administration, office, travel and shareholder communication expenses following steps taken by the Company during the 4th quarter of 2008 to significantly reduce its corporate administration costs, including lowering its management and administration expenses paid to Reunion Gold Corporation; and b) to lower stock-based compensation costs.
- Stock-based compensation costs were lower during the year ended September 30, 2009 compared to the year ended September 30, 2008 as 1,918,306 stock options vested in 2009 at an average fair value of \$0.28 per option compared to the vesting of 1,674,583 stock options in 2008 at an average fair value of \$0.45 per option. The number of stock options which vested in 2008 includes the vesting acceleration of 544,375 stock options following the change in control in the shares of Maximus on September 15, 2008, for a related expense of \$103,385 charged to operations in 2008.
- Interest income totaled \$40,679 in 2009 compared to \$53,090 in 2008; the lower income results from lower returns on liquidities held.
- Interest expense on the Company's bank loans totaled \$46,174 during the year ended September 30, 2009 compared to \$4,016 during the corresponding period in 2008; the average bank loan during 2009 totaled \$3.3 million at a cost of capital of 1.4% compared to an average bank loan of \$0.1 million during 2008, during which time the cost of capital was 3.9%.



- The Company accrued an amount of \$23,997 during the year ended September 30, 2009 (nil in 2008) as Part XII.6 tax on flow-through financing; this tax is determined on a monthly basis by considering the unspent portion of the flow-through financing starting in February of the year following the completion of the financing; given that the Company had not fully spent the amount of the October 2008 flow-through financing by February 1, 2009, the Company is liable for this amount.
- The Company incurred investigation-related expenses of \$346,191 during the year (nil in 2008) following the uncovering of certain data inconsistencies at the Larder Lake Project in July 2009 as more fully detailed in the *Larder Lake Property* section. These expenses include mostly legal and technical consulting fees and wages.
- An unrealized loss on marketable securities of \$75,660 (representing the difference in fair value of marketable securities held between September 30, 2008 and September 30, 2009) was recorded during the year ended September 30, 2009 compared to an unrealized loss of \$94,130 during the comparative period in 2008.
- As discussed in *MAV II and III and ABCP section*, the Company recorded an impairment charge on investments in an amount of \$236,155 during the year ended September 30, 2009 compared to \$400,000 in 2008.
- In accordance with relevant accounting pronouncements, including Emerging Issues Committee Abstract EIC-174, *Mining Exploration Costs*, the Company has charged to operations during the year ended September 30, 2009 an amount of \$15,200,000 as write-down of mineral properties (nil during the year ended September 30, 2008), due to share-based payments made in prior years for certain mineral properties, at a time when the Company's share price was trading at a significantly higher level. Of the total write-down of mineral properties, an amount of \$14,700,000 is attributable to the Larder Lake Property and an amount of \$500,000 is attributable to the Hope Bay Project. Also, in September 2009, the Company abandoned its 100% interest in the Kirkland-Wright claims, which are part of the Larder Lake Property, as these claims did not fit into the Company's strategy for Larder Lake and consequently, charged an additional amount of \$66,700 to operations as write-down of mineral properties.
- The Company recorded a future income tax recovery of \$3,836,454 in 2009 based on the estimated loss for tax purposes, compared to a future income tax recovery of \$1,569,520 in 2008 which related to the renouncement to flow-through share subscribers of \$4,600,000 in eligible exploration expenditures with a corresponding decrease to capital stock. In 2009, the Company renounced exploration expenditures of \$4,005,000, which resulted in a charge against capital stock of \$1,237,545 and a corresponding increase to future income tax liability.



Selected Quarterly Financial Information

Period ended	Revenues	Net loss		
				per share
	\$000	\$000		\$
September 30, 2010	7.2	5,994.6	(1)	0.05
June 30, 2010	1.5	354.2	(2)	0.01
March 31, 2010	1.5	212.1	(3)	0.01
December 31, 2009	2.3	209.8	(4)	0.00
September 30, 2009	8.9	11,914.5	(5)	0.14
June 30, 2009	5.6	132.1		0.00
March 31, 2009	8.5	603.3	(6)	0.01
December 2008	17.7	870.5	(7)	0.01

- (1) Includes a fair value recovery adjustment on investments of \$401,860 and a write-down of mineral properties and deferred exploration costs of \$5,885,792.
- (2) Includes a recovery of settlement and other related costs of \$11,460 and a fair value adjustment on investments of \$50,000.
- (3) Includes settlement and other related expenses of \$169,353 and a valuation recovery of \$260,000 on investments held.
- (4) Includes investigation-related expenses of \$128,902 and a valuation recovery of \$150,000 on investments held.
- (5) Includes a write-down of mineral properties of \$15,266,700, income tax recovery of \$3,836,454 and investigation-related expenses of \$346,191.
- (6) Includes stock-based compensation cost of \$447,719.
- (7) Includes an impairment charge on ABCP of \$443,000 and an unrealized loss on marketable securities of \$177,820.

MAV II and III Notes and ABCP

On September 30, 2010, the Company held investments in Master Asset Vehicles II and III ("MAV II and III"), which had initially been invested in Canadian third-party asset-backed commercial paper ("ABCP"). At September 30, 2010, the Company estimated the fair value of the MAV II and III notes held to be \$3,163,640. The fair value of these notes was established by estimating discounted future cash flows for each category of notes held, using discount rates of between 5.0% and 16.6% (discount rates of between 3.0% and 17.4% at September 30, 2009), by taking into account that the Company has the option to transfer to its lender on or after May 12, 2011 the ownership of the ineligible notes in payment of the principal amount then owing under the Second Credit Facility (see *Credit Facilities* section), by estimating that certain notes will pay interest at a rate of 0.5% less than the bankers' acceptance rate and by considering the best available market data. This estimation of fair value resulted in a recovery adjustment of \$401,860 during the year ended September 30, 2010 compared to an impairment charge of \$236,155 during the year ended September 30, 2009. A variation of 1% in discount rates would impact the fair value of investments by approximately \$125,500.

The fair value of the ineligible notes at September 30, 2010 was established based on the discounted value of the Second Credit Facility as the Company was granted an option to transfer to its lender on or after May 12, 2011 the ownership of the ineligible notes in full payment of the principal amount then owing under the Second Credit Facility. Given that the Company has not made a request to extend for an additional one-year period the original maturity date of the Second Credit Facility and intends to exercise, on or after the maturity date, its option to transfer to its lender the ownership of those ineligible notes held, in payment of the principal amount then owing under the Second Credit Facility, the amount of ineligible notes held was presented at September 30, 2010 as short-term portion of investments on the consolidated balance sheet.

An amount of \$33,270 was received in November 2009, representing the final tranche of interest earned on the ABCP. This amount was accounted for as a reduction of the Company's investments. During the year ended September 30, 2010, the Company also received amounts of \$51,747 as partial redemption of some of the notes held. These amounts were applied as a reduction of the related notes.

There are limited market quotations available for the MAV II and III notes. Therefore, there is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with these notes. Since the



fair value of the MAV II and III notes held is determined based on the Company's assessment of market conditions as at September 30, 2010, the fair value reported may change materially in subsequent periods.

Credit Facilities

On May 12, 2009, the Company, through its wholly-owned subsidiary Maximus Ventures Ltd. ("Maximus"), entered into two credit facility agreements with its lender, for a total loan amount of \$3,576,810, in replacement of the temporary bank loan that had been entered into in August 2007 to fund working capital requirements following the liquidity disruption that affected the Canadian third-party ABCP market. The term facilities, which bear interest at prime less 1%, subject to the respect of certain conditions, are available initially for 2 and 3-year periods, respectively and under certain conditions can each be further extended to a total period of 7 years.

The first Credit Facility (initially available for a 3-year period) was made available in two tranches. The tranche A facility is secured by the Company's investments in those eligible notes held and the tranche B facility is secured by those eligible notes held as well as a general security interest in the universality of all of Maximus' assets. The second Credit Facility (initially available for a 2-year period) is secured by the Company's investments in those ineligible notes held. In respect of the Second Credit Facility, the Company has not made a request to extend for an additional one-year period the original maturity date as provided for in the credit facility agreement and intends to exercise, on or after the maturity date, its option to transfer to its lender the ownership of those ineligible notes held, in payment of the principal amount then owing under the Second Credit Facility. Consequently, the amount owed under the Second Credit Facility at September 30, 2010 was presented under current liabilities on the consolidate balance sheets.

During the year ended September 30, 2010, the Company borrowed the final amount available under its credit facilities of \$260,833. Cash proceeds from the sale of the MAV II and III notes are automatically applied, at that time, to the amount of the outstanding related borrowings. During the year ended September 30, 2010, the Company received total amounts of \$51,747 as partial redemption of some of the notes held. These amounts were applied as a reduction of the related borrowings.

Liquidity and Capital Resources

The Company had a working capital of \$2,995,527 at September 30, 2010 compared to a working capital of \$1,121,583 at September 30, 2009. In June 2010, the Company completed a private placement for total gross proceeds of \$3,763,122 (see *Private Placement* section). During the year ended September 30, 2010, the Company had a negative operating cash flow of \$1,498,765, it received proceeds of \$185,118 from the sale of the shares that it held in Eloro Resources Ltd., it received an amount of \$85,017 related to its investments, of which \$33,270 represent the Company's final tranche of net interest earned on the ABCP and \$51,747 consist of proceeds from the partial redemption of some of the notes held, and it disbursed a total of \$458,368 related to its mineral properties. The Company also borrowed the final amount available under its credit facilities of \$260,833 and it reimbursed an amount of \$51,747 from the amounts due under the credit facilities from the proceeds received from the partial redemption of some of the notes held under its investments in MAV II and III.

At September 30, 2010, the Company had cash and cash equivalents of \$3,406,876 and believes this amount is sufficient to meet its planned exploration expenditures on the Larder Lake Property and to meet its corporate administrative expenses for the next 12 months. Longer term, the Company may pursue opportunities to raise additional funds and while the Company has been successful in raising funds in the past, there can be no assurance that adequate funding will be available in the future, or available under terms favorable to the Company. The Company's exploration activities at the Larder Lake Property have considerable scope for flexibility in terms of the amount and timing of exploration expenditures.

In June 2010, the Company completed in two tranches a non-brokered private placement for total gross proceeds of \$3,763,122 (the "Financing"). Under the Financing, the Company issued a total of 11,705,600 "flow-through" common shares ("FT Shares") at a price of \$0.20 per FT Share and 7,900,009 units ("Units") at a price of \$0.18 per Unit. Each Unit issued consists of one common share and one common share purchase warrant ("Warrant"), with each Warrant exercisable to acquire one common share of the Company at a price of \$0.30 per share for a period of 24 months from the closing date of the Financing. The Warrants are subject to a right of



accelerated expiry at the Company's option where the closing price of the common shares on the TSXV exceeds \$0.50 for twenty consecutive trading days at any time after four months and one day from closing of the Financing. As part of the Financing, the Company paid a cash commission of \$142,667 and issued 433,000 Units in lieu of a cash commission, with each such Unit comprised of one common share and one Warrant, with each Warrant entitling the holder to acquire one common share of the Company at \$0.30 per share for a period of 24 months from the closing date of the Financing. The Company also issued finder's warrants entitling the holder to purchase up to 1,146,336 common shares of the Company at a price of \$0.25 per share for a period of 24 months from the closing date of the Financing.

The gross proceeds from the sale of the FT Shares are being used to incur Canadian Exploration Expenses on the Larder Lake Property, which funds are to be expended by December 31, 2011. At September 30, 2010, an amount of \$1,845,333 remains available to incur such eligible Canadian Exploration Expenses.

Capital Management

The Company defines capital that it manages as debt facilities and shareholders' equity. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. 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 credit facilities secured by the Company's investments. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. As at September 30, 2010, total loans and shareholders' equity [managed capital] was \$29,207,163 (September 30, 2009 - \$32,083,247).

The Company's properties are currently in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by minimizing discretionary disbursements and reducing or eliminating exploration expenditures that are of limited strategic value.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the year ended September 30, 2010. The Company is not subject to any externally imposed capital requirements at September 30, 2010. The Company expects that its current capital resources will be sufficient to discharge its current liabilities as at September 30, 2010.

Off-Balance Sheet Arrangements

As of September 30, 2010, the Company has no off-balance sheet arrangements.

Related Party Transactions

During the year ended September 30, 2010, the Company paid or accrued administration expenses of \$147,633 to Reunion Gold Corporation (\$264,595 in 2009), a company with a common director and management, providing administrative services.

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.



Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, investments, exploration advance, accounts payable and accrued liabilities and credit facilities. Other than marketable securities, investments and credit facilities, the fair value of these financial instruments approximates their carrying value given that they will mature shortly. The fair value of investments was determined by using the discounted cash flow method, as fully described in the *MAV II and III Notes and ABCP* section. The fair value of credit facilities is estimated to be equal to book value due to the variable nature of the interest rate on the loans. A plus or minus 10% change in the value of the marketable securities would affect earnings by \$1,425 (\$21,400 at September 30, 2009).

Changes in Accounting Policies

In June 2009, the CICA amended **Section 3862, *Financial Instruments – Disclosures*** to introduce new financial disclosure requirements, particularly with respect to fair value measurement of financial instruments and entity exposure to liquidity risk. The amendments require all financial instruments measured at fair value to be classified within one of three levels that distinguish fair value measurement by the significance of the inputs used for valuation. In addition, the amendments require enhanced disclosure regarding the nature and extent of liquidity risk arising from financial instruments to which the Company is exposed. On October 1, 2009, the Company adopted the amendments to this section, which had no impact on the Company's results of operations.

Conversion to International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises. The Company must report its consolidated financial statements in accordance with IFRS no later than for the first quarter of 2011 (which in the case of the Company is for the period ended December 31, 2011), with restatement of the 2010 comparative information presented. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are some differences in recognition, measurement, and disclosure. The Company has developed and implemented a project plan to ensure full compliance with this requirement by October 1, 2011. The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required.	Completed.
Detailed analysis of all relevant IFRS requirements, including assessment of first-time adoption requirements (IFRS 1).	Completion expected by June 30, 2011.
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives.	Completion expected by September 30, 2011.
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements.	Completion expected by September 30, 2011.
Quantification of the financial statement impact of changes in accounting policies.	Throughout the year ended September 30, 2011.
Management and employee education and training.	Throughout the transition process.



Progress to Date

The Company is at the stage of completing its detailed analysis of the standards and has identified a number of accounting differences and policy alternatives, including one-time accounting alternatives under IFRS. As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and processes. The Company believes that the changes identified to date are minimal and the current systems and processes will be able to accommodate the necessary changes. The Company's staff which is involved in the preparation of financial statements is being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. The Board of Directors and the audit committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting the Company.

The following areas have been identified as having the highest potential impact on the Company's financial reporting: accounting for exploration costs, accounting for stock-based compensation, impairment of long-lived assets, accounting for flow-through financings and the related income tax impact, accounting for tax credits, disclosure and presentation, and the provisions related to the initial adoption of IFRS under IFRS 1, First Time Adoption of IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the elements discussed below.

Accounting for Exploration Costs

Both Canadian GAAP and IFRS allow the choice of capitalizing or expensing exploration costs. The Company's policy under Canadian GAAP has been to capitalize all exploration costs. Management initially planned to continue to follow the same accounting policy under IFRS, however it is now considering the option of expensing exploration costs incurred, with a final determination to be made prior to September 30, 2011. The impact of such a change would be that greater amounts will be expensed through the Consolidated Statement of Operations. As this change must be applied on a retroactive basis, if adopted, amounts previously capitalized under Canadian GAAP will be written off and charged to deficit as at October 1, 2010. The Company is in the process of identifying and quantifying any such costs capitalized.

Accounting for Stock-Based Compensation

The guidance provided by IFRS 2, "Share Based Payments", is largely consistent with Canadian GAAP and requires estimates of the fair value of stock options to be made at the date of the grant and recognition of the related expense in income as the options vest. The use of the Black-Scholes model is an acceptable method to estimate the fair value of the options at the date of grant, and is consistent with the Company's current practice. For share options that vest in installments, IFRS 2 requires the use of the attribution method, which requires that the Company treat each installment as a separate share option grant with a different fair value. Unlike Canadian GAAP, IFRS 2 does not include the straight line method as an alternative to the attribution method for awards with a service condition and graded-vesting features. The Company will need to account for its awards using the attribution method. Currently, the Company records forfeitures as they occur, however upon transition to IFRS, the Company will be required to make an estimate of the forfeiture rates for use in the determination of the total share based compensation expense. These changes will result in a difference in valuation of the stock-based awards and timing differences for the recognition of compensation expenses.

Impairment of Long-Lived Assets

Under Canadian GAAP, impairment testing of long-lived assets is based on a two-step approach. Estimated undiscounted cash flows arising from the use of the asset group are compared with the carrying amount of the assets to determine whether impairment exists. If impairment exists, the second step is to determine the amount of impairment to be recognized by comparing the carrying amount with the discounted cash flows and recording the excess as an impairment loss. Under IAS 36 Impairment of Assets ("IAS 36"), a one-step approach is



applied whereby the carrying amount of the asset group is compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This approach may produce an impairment loss where one would not have otherwise been recognized in cases where the undiscounted cash flows are higher than the carrying amount of the assets. Further, under IAS 36 there is a requirement to reverse previously recognized impairment losses in certain instances where circumstances have changed such that the impairments have been reduced. Canadian GAAP does not allow for the reversal of impairment losses under any circumstances. The Company will adopt IAS 36 upon conversion to IFRS.

IFRS 1: First-Time Adoption of IFRS

As part of its implementation of IFRS, the Company will be required to comply with "IFRS 1 – First Time Adoption of IFRS" which sets out the rules for first time adoption. In general, IFRS 1 requires an entity to comply with each IFRS statement effective at the reporting date for the entity's first IFRS financial statements. This requires that the Company apply IFRS to its opening IFRS balance sheet as at October 1, 2010. Within IFRS 1 there are exemptions, some of which are mandatory and some of which are elective. The exemptions provide relief for companies from certain requirements in specified areas when the cost of complying with the requirements is likely to exceed the resulting benefit to users of financial statements. IFRS 1 generally requires retrospective application of IFRS statements on first-time adoptions, but prohibits such application in some areas, particularly when retrospective application would require judgments by management about past conditions after the outcome of a particular transaction is already known. For the Company, the material exemption relate primarily to the stock-based compensation expense. Prior to reporting its interim financial statements in accordance with IFRS for the quarter ended December 31, 2011, the Company may decide to apply other optional exemptions contained in IFRS 1.

While the Company has begun assessing the impact of the adoption of IFRS on its financial statements, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Outstanding Share Data

As at December 16, 2010, the Company has:

- a) 110,223,879 common shares issued and outstanding;
- b) 16,789,022 share purchase warrants outstanding with exercise prices ranging from \$0.25 to \$0.40 per share, expiring between June 2011 and June 2012, and
- c) 9,521,000 stock options outstanding with exercise prices ranging from \$0.20 to \$1.60 and expiring between March 2011 and October 2015.

Financial Risk Factors

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, currency risk and interest rate risk. Where material, these risks are reviewed 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 and cash equivalents, accounts receivable and investments. 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 and cash equivalents is held with major Canadian financial institutions. The Company's investments are exposed to credit risk as fully described in the *MAV II and III Notes and ABCP* section.

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's liquidity and operating results may be adversely affected if the Company's access to the capital



market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. At September 30, 2010, the Company's working capital totals \$2,995,527 (\$1,121,583 at September 30, 2009). Current liabilities of \$1,508,360 at September 30, 2010 (\$544,165 at September 31, 2009) are due within the next 12 months. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

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 \$53,613 (\$55,795) during the year ended September 30, 2010 and US \$280,000 (\$330,500) during the year ended September 30, 2009). The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As at September 30, 2010, financial assets include cash of US\$22,733 (\$23,393) (US\$36,597 (\$39,184) as at September 30, 2009) and financial liabilities include accounts payable and accrued liabilities of US \$21,362 (\$21,980) (US\$3,500 (\$3,747) as at September 30, 2009).

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk.

The Company's policy as it relates to its cash balances is to invest excess 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. The Company is also exposed to interest rate changes on its investments that are expected to pay interest. The Company's exposure to interest rate risks arising from its investments is fully described in the *MAV II and III Notes and ABCP* section.

The credit facility bears interest at a floating rate. Based on the amount outstanding under the credit facility at September 30, 2010, a plus or minus 1% change in the prime lending rate would affect earnings by approximately \$34,300 over a 12-month period.

Trends

The Company anticipates that it will continue to experience net losses as a result of ongoing exploration and general and administrative costs until such time, if any, as revenue generating activity is commenced. The Company's future financial performance is dependent on many external factors. Both the price of, and the market for, precious metals are volatile, difficult to predict and subject to changes in domestic and international political, social and economic environments. Circumstances and events, such as the recent economic crisis and ongoing volatility in the capital markets, could materially affect the future financial performance of the Company. Other factors and risks that have affected, and which in the future may affect the Company and its financial position are described in the following section.

Other Risks and Uncertainties

Litigation risks

The Company was the object of an Emergency Order by the MNDMF. Although the Emergency Order has been lifted and the Company is denying any liability, the Company cannot estimate the potential cost for dealing with this issue. However, the Company does not believe that such costs will be significant. In addition, the Company was served with a statement of claim initiated by a former supplier of the Company, whereby damages totalling \$3.25 million are being sought. The Company is of the view that this claim has no merit and is vigorously defending itself in this matter before the Ontario Superior Court of Ontario. The Company does not believe that potential costs for dealing with this issue will be significant. The Company cannot predict the timing of development and outcome in these matters.



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 projects or any other properties the Company may acquire enter into commercial production and generate sufficient revenues to fund its continuing operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be on terms acceptable to the Company. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties with the possible loss of the Company's interest in such properties. There are currently no markets for the restructured notes received in exchange of the ABCP. Therefore, there is a significant amount of uncertainty in estimating the amount and the timing of cash flows that the Company may be able to receive from the disposal of these restructured notes.

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. Gold prices are volatile, can fluctuate widely and are affected by numerous factors beyond the control of the Company. The price of gold has fluctuated widely in the past and future price declines in the market value of gold could cause continued exploration, development of and commercial production from the Company's properties to be uneconomical.

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 a conflict of interest arises at a meeting of the Company's directors, a director who has a conflict will abstain from voting on the matter in respect of which he is in a position of conflict. 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 information, within the meaning of Canadian securities laws. Forward-looking information does not relate to historical facts; it reflects the current internal projections, expectations or beliefs of management of the Company based on information available to them 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 ability to raise sufficient funds to conduct exploration programs, potential mineralization on its exploration projects, exploration results, completion of work programs in a timely manner and on acceptable terms, the estimation of the amount and timing of cash flows that the Company may be able to receive from the disposals of the notes received in exchange of the ABCP, the outcome of the requests made by the MNDMF in relation with the previously issued emergency order issued by the MNDMF and future plans and objectives of the Company. Resource exploration, development and operations are highly speculative, characterized by a number of significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral resources but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. There can be no assurance that such forward looking information will prove to be accurate and actual results could differ materially from those suggested by these forward-looking information for various reasons discussed from time to time in filings made by the Company with securities regulatory authorities.

Additional Information and Continuous Disclosure

This MD&A has been prepared as at December 16, 2010. 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 website (www.bearlakegold.com).