Management's Discussion and Analysis
1st quarter ended December 31, 2010

BEAR LAKE GOLD LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 1ST QUARTER ENDED DECEMBER 31, 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 February 22, 2011, covers the 1st quarter ended December 31, 2010 and should be read in conjunction with the unaudited consolidated financial statements and related notes for the 1st quarter ended December 31, 2010 (the "December 31, 2010 consolidated financial statements"). Readers should also refer to the Company's MD&A for the year ended September 30, 2010 and to its audited consolidated financial statements for the years ended September 30, 2010 and 2009.

The December 31, 2010 consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") following the same accounting policies and methods of computations as the audited consolidated financial statements for the years ended September 30, 2010 and 2009. 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 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.

LARDER LAKE PROPERTY, ONTARIO, CANADA

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 *Settlement of Class-Action Suit* 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, 19 holes have been drilled or are in progress as of January 31, 2011, totaling 8,778 meters of drilling. All holes have successfully intercepted the carbonate mineralized horizon confirming the presence of gold with various grades reported in the intersections. A few holes could not reach the parallel flow mineralized horizon due to bad ground conditions associated to a fault located between the two mineralized horizons. This fault is not located near the mineralization and only impairs the deeper drilling operations when attempting to cross from one zone to the other. All holes reaching the flow mineralization confirmed the presence of gold with various grades reported in the intersections. The Company and the drilling contractor are working on solutions to increase the pace of the 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 an estimation of a mineral resource, should results warrant.

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. 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 investigate the potential extent and grade of mineralization of this discovery. During the 1st quarter ended December 31, 2010, the Company incurred expenditures of $935,747 on the Larder Lake

Property (including $775,669 in drilling and assaying costs) compared to $70,996 during the 1st quarter ended December 31, 2009, during which period activities at the property were suspended.

Option agreement on the Swansea property

The Company, Newstrike Resources Ltd. ("Newstrike") and Odyssey Resources Limited ("Odyssey") entered into an option agreement dated October 22, 2010 (the "Option") under which Odyssey may acquire a 25% interest in the Swansea property in Northeastern Ontario (the "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 TSX Venture Exchange ("TSXV") in relation to this agreement. At the end of January 2011, some 19 holes totaling 9,349m had been completed on the optioned property and the final assay results and report are pending.

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. Expenses in the amount of $1,080 were incurred during the 1st quarter ended December 31, 2010 regarding this matter. Such expenses include mainly technical consulting fees.

Settlement of Class-Action Suit

A proposed class action lawsuit was filed on August 25, 2009 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 on disclosure related to Bear Lake's Larder Lake project. In April 2010, the parties reached an agreement to settle the proposed class action. On August 10, 2010, the Ontario Superior Court of Justice approved the plaintiff's motion for certification and the settlement agreement dated May 12, 2010, released the Company and the individual proposed defendants, and dismissed the class action proceedings and all related claims. The opt-out deadline expired on October 29, 2010 and the settlement became final. The settlement did not in any way contain or constitute any admission of liability by the Company or its officers, directors or employees.

UNITY PROJECT, IDAHO, USA

In July 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 December 31, 2010) and complete a positive feasibility study by February 16, 2012. The Company did not incur any exploration costs on this property during the 1st quarter ended December 31, 2010. 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.

HOPE BAY, NUNAVUT, CANADA

Under an option agreement, the Company was required to spend an additional amount of $2 million by October 31, 2010 to earn a 75% interest in a specified group of claims in Hope Bay, Nunavut. When completing its financing in June 2010, the Company decided, given limited funds, to prioritize and focus its exploration activities on the more advanced Larder Lake exploration project strategically located in Ontario. Despite its best efforts to negotiate an extension to the option agreement from Hope Bay Mining Ltd, a wholly owned subsidiary of Newmont Mining Corporation ("Newmont"), the Company was not able to obtain such extension and the option agreement was terminated by Newmont. In preparing its consolidated financial statements for the year ended September 30, 2010, the Company had fully written-down all expenses incurred on the Hope Bay project.

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:

	December 31, 2010	September 30, 2010
Mineral properties	**$**	$
Larder Lake, Ontario, Canada	**9,303,421**	9,303,421
Unity, Idaho, USA	**126,598**	126,598
	9,430,019	9,430,019

Exploration expenses	**1st quarter ended December 31, 2010**	2009
	$	$
Larder Lake, Ontario, Canada		
Contractors and consultants	**21,351**	21,571
Drilling and assaying	**775,669**	18,890
Geology	**-**	480
Labour	**104,266**	7,599
Administration	**33,122**	22,282
Title and claim management	**1,339**	174
	935,747	70,996
Unity, Idaho, USA		
Contractors and consultants	**-**	-
Drilling and assaying	**-**	-
Geology	**-**	-
Labour	**-**	-
Administration	**-**	-
Title and claim management	**-**	-
	-	-
Hope Bay, Nunavut, Canada		
Contractors and consultants	**-**	4,511
Administration	**-**	106,739
	-	111,250
Grand total	**935,747**	182,246

Selected Consolidated Financial Information

	December 31, 2010	September 30, 2010
Balance Sheets	**$**	$
Cash and cash equivalents	**2,712,590**	3,406,876
Investments (1)	**3,233,644**	3,163,640
Credit facilities	**3,427,821**	3,434,217
Mineral properties and deferred exploration expenses	**22,035,765**	21,100,018
Total assets	**30,075,608**	29,704,249
Shareholders' equity	**25,558,992**	25,772,946

	1st quarter ended December 31,	
	2010	2009
Operations	**$**	$
Administration and other expenses	**627,864**	225,875
Interest income	**(11,078)**	(2,291)
Interest expense	**17,476**	10,147
Gain on sale of marketable securities	**-**	(1,383)
Unrealized gain on marketable securities	**(1,250)**	(1,500)
Fair value adjustment of investments	**(76,400)**	(150,000)
Investigation-related expenses	**-**	128,902
Net loss	**(556,612)**	(209,750)
Basic and diluted loss per share	**(0.01)**	(0.00)
Cash flows		
Operating activities	**(136,370)**	(399,937)
Investing activities	**(551,520)**	(60,956)
Financing activities	**(6,396)**	(6,153)

(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.

Going Concern Assumptions

The Company's consolidated financial statements have been 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 development 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 $49,722,953 at December 31, 2010.

At December 31, 2010, the Company had cash and cash equivalents of $2,712,590 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

	1st quarter ended	
	December 31, 2010	December 31, 2009
	$	$
Administration and other expenses		
Remuneration	**390,876**	104,096
Management and administration	**45,542**	54,021
Office	**27,403**	32,055
Professional fees	**145,483**	32,097
Other property costs	**8,626**	-
Transfer agent and filing fees	**5,924**	961
Shareholder communications and travel	**3,689**	1,782
Depreciation	**321**	863
	627,864	225,875

During the 1st quarter ended December 31, 2010, the Company reported a net loss of $556,612 ($0.01 per share) compared to a net loss of $209,750 (nil per share) during the 1st quarter ended December 31, 2009. The significant changes in the 1st quarter ended December 31, 2010 compared to the same period in 2009 are as follows:

- Expenses totaled $627,864 during the 1st quarter ended December 31, 2010 compared to $225,875 during the same period ended December 31, 2009; higher remuneration in 2010 is mainly related to stock-based compensation expenses of $298,638 incurred during the 1st quarter ended December 31, 2010 due to the Company having granted 5,250,000 stock options in October 2010, of which 973,333 vested at that time, compared to nil stock options granted during the 1st quarter ended December 31, 2009. Higher professional fees in 2010 compared to 2009 were mainly attributable to legal fees incurred in relation to the Emergency Order and a statement of claim initiated by a former supplier of the Company.

- Interest income totaled $11,078 during the 1st quarter ended December 31, 2010 compared to $2,291 during the 1st quarter ended December 31, 2009; the higher income in 2010 results from higher cash balances and higher returns on liquidities held.

- Interest expense on the Company's bank loans totaled $17,476 during the 1st quarter ended December 31, 2010 compared to $10,147 during the 1st quarter ended December 31, 2009; the average bank loan during the 1st quarter ended December 31, 2010 totaled $3.4 million at a cost of capital of 2.0% compared to an average bank loan of $3.2 million during the 1st quarter ended December 31, 2009, during which time the cost of capital was 1.25%.

- As discussed in *MAV II and III Notes and ABCP* section, the Company recorded during the 1st quarter ended December 31, 2010 a fair value recovery adjustment of $76,400 on investments held compared to a fair value recovery adjustment of $150,000 during the 1st quarter ended December 31, 2009.

- During the 1st quarter ended December 31, 2009, the Company had incurred investigation-related expenses of $128,902 compared to nil during the current period.

Selected Quarterly Financial Information

Period ended	Revenues	Net loss		Net loss per share
	$000	$000		$
December 31, 2010	11.1	556.6	(1)	0.01
September 30, 2010	7.2	5,994.6	(2)	0.05
June 30, 2010	1.5	354.2	(3)	0.00
March 31, 2010	1.5	212.1	(4)	0.00
December 31, 2009	2.3	209.8	(5)	0.00
September 30, 2009	8.9	11,914.5	(6)	0.14
June 30, 2009	5.6	132.1		0.00
March 31, 2009	8.5	603.3	(7)	0.01

(1) Includes a fair value recovery adjustment on investments of $76,400 and a stock based compensation expense of $298,638.
(2) 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.
(3) Includes a recovery of settlement and other related costs of $11,460 and a fair value adjustment on investments of $50,000.
(4) Includes settlement and other related expenses of $169,353 and a valuation recovery of $260,000 on investments held.
(5) Includes investigation-related expenses of $128,902 and a valuation recovery of $150,000 on investments held.
(6) 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.
(7) Includes stock-based compensation cost of $447,719.

MAV II and III Notes and ABCP

On December 31, 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 December 31, 2010, the Company estimated the fair value of the MAV II and III notes held to be $3,233,644. 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 17.0% (discount rates of between 5.0% and 16.6% at September 30, 2010), by taking into account that the Company has the option to transfer to its lender on or after April 6, 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 $76,400 during the 1st quarter ended December 31, 2010 (a fair value recovery adjustment of $150,000 during the 1st quarter ended December 31, 2009). A variation of 1% in discount rates would impact the fair value of investments by approximately $120,000.

The fair value of the ineligible notes at December 31, 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 April 6, 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 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 December 31, 2010 as short-term portion of investments on the consolidated balance sheets.

An amount of $6,396 was received in October 2010 as partial redemption of some of the notes held ($6,153 in 2009). These amounts were applied as a reduction of the related notes.

There are currently no 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 December 31, 2010, the fair value reported may change materially in subsequent periods.

Credit Facilities

On April 6, 2009, the Company, through its wholly-owned subsidiary Maximus Ventures Ltd. ("Maximus"), entered into two credit facility agreements. 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) is 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 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 December 31, 2010 was presented under current liabilities on the consolidated balance sheets.

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 1st quarter ended December 31, 2010, the Company received an amount of $6,396 as partial redemption of some of the notes held. This amount was applied as a reduction of the related borrowings.

Liquidity and Capital Resources

The Company had a working capital of $1,782,224 at December 31, 2010 compared to a working capital of $2,995,527 at September 30, 2010. During the 1st quarter ended December 31, 2010, the Company had a negative operating cash flow of $136,370 and it disbursed a total of $557,916 related to its mineral properties. The Company reimbursed an amount of $6,396 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 December 31, 2010, the Company had cash and cash equivalents of $2,712,590 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.

Flow-through funds

As part of a non-brokered private placement completed in June 2010, the Company has raised a total amount of $2,341,120 in flow-through funds. These funds, which are being used to incur Canadian Exploration Expenses on the Larder Lake Property, are to be expended by December 31, 2011. At December 31, 2010, an amount of $966,015 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 December 31, 2010, total loans and shareholders' equity was $28,986,813 (September 30, 2010 - $29,207,163).

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 1st quarter ended December 31, 2010. The Company is not subject to any externally imposed capital requirements at December 31, 2010. The Company expects that its current capital resources will be sufficient to discharge its current liabilities as at December 31, 2010.

Off-Balance Sheet Arrangements

As of December 31, 2010, the Company has no off-balance sheet arrangements.

Related Party Transactions

During the 1st quarter ended December 31, 2010, the Company paid or accrued administration expenses of $27,327 to Reunion Gold Corporation ($49,614 during the 1st quarter ended December 31, 2009), a company with a common director and management, providing administrative services. During the 1st quarter ended December 31, 2010, the Company also paid or accrued consulting fees of $14,500 (nil during the 1st quarter ended December 31, 2009), to a company controlled by a director of the Company, for geological services related to the option agreement on the Swansea property, which amount was charged back to Odyssey.

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, amounts receivable, investments, accounts payable and accrued liabilities and long-term debt. Other than marketable securities, investments and long-term debt, 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 long-term debt 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 approximately $1,550 ($1,425 at September 30, 2010).

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, 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 would 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 would 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.

Accounting for flow-through financings

Flow-through shares are a unique Canadian income tax incentive, which are subject to specific guidance under Canadian GAAP with no equivalent IFRS guidance. Under Canadian GAAP, the entire proceeds received on the issuance of flow-through shares is credited to share capital. At the time of the renouncement of the tax deductions related to the resource expenditure for income tax purposes, temporary taxable differences are created and a deferred income tax liability is recorded, and the related charge is treated as share issue costs. Current discussions in Canada tend to suggest that an approach similar to the US-based method would be adopted for IFRS purposes. Under this approach, issuance of flow-through shares is accounted for similarly to the issuance of a compound financial instrument. The liability represents the obligation to revert the tax benefit to the investors. Proceeds from the issuance of shares by flow-through private placements are allocated between shares issued and this liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and the remaining amount is allocated to liability. The Company is in the process of quantifying the impact of adopting this approach in accounting for flow-through financings under 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 February 22, 2011, 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 $0.24 to $0.84 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 liquidity risk, credit 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 December 31, 2010, the Company's working capital totals $1,782,224 ($2,995,527 at September 30, 2010). Current liabilities of $2,093,673 at December 31, 2010 ($1,508,360 at September 30, 2010) 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$7,500 ($7,596) during the first quarter ended December 31, 2010). The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As at December 31, 2010, financial assets include cash of US$6,330 ($6,296) (US$22,733 ($23,393) as at September 30, 2010) and financial liabilities include accounts payable and accrued liabilities of US $2,500 ($2,487) (US$21,362 ($21,980) as at September 30, 2010).

Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company 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 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 long-term debt bears interest at a floating rate and therefore, the Company is exposed to the cash flow risks resulting from interest rate fluctuations. Based on the amount outstanding under the credit facility at December 31, 2010, a plus or minus 1% change in the prime lending rate would affect earnings by approximately $34,280 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 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. 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 and meet its earn-in commitments, 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 February 22, 2011. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR (www.sedar.com).