



MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2011

BEAR LAKE GOLD LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2011

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 14, 2011, covers the years ended September 30, 2011 and 2010 and should be read in conjunction with the audited consolidated financial statements and related notes for the years ended September 30, 2011 and 2010 (the "September 30, 2011 and 2010 consolidated financial statements"). The September 30, 2011 and 2010 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. The Company's principal asset is a 100% interest in the Bear Lake, Cheminis, Ferland and Barber Larder projects and a 75% interest in the Swansea property, all of which form the Larder Lake gold project located in the Larder Lake area of eastern Ontario. Bear Lake was incorporated under the laws of Ontario and is a reporting issuer in British Columbia, Alberta and Ontario. Bear Lake trades on the TSX Venture Exchange ("TSXV") under the symbol BLG. Its financial year-end is September 30.

To date, the Company has not generated any revenues from operations. At September 30, 2011, the Company had \$3.9 million in cash.

LARDER LAKE PROPERTY, ONTARIO, CANADA

Exploration activities

A drilling program consisting of 14,074 meters of diamond drilling was carried-out from July 2010 to May 2011 at the Bear Lake zone. A total of 12 holes, including wedges were completed. All holes 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 campaign mainly targeted the upper part of the Bear Lake zone, at depths of between 400 meters and 1,100 meters from surface.

Following the completion of the drilling program on the Bear Lake zone in May 2011, the Company contracted P&E Mining Consultants Inc. ("P&E") of Brampton, Ontario to complete a National Instrument 43-101 ("NI 43-101") compliant mineral resource estimate on the Bear Lake zone. Results of this resource estimate were announced on June 29, 2011 and a technical report was filed on SEDAR on August 15, 2011.

Inferred resources at the Bear Lake zone estimated by P&E are: 3,750,000 tonnes at 5.67 g/t gold for 683,600 ounces of gold.

P&E used the 88 surface drill holes available and conducted a re-sampling program in order to confirm the validity of the data. The resource model domain covered a 400 meter strike length to a depth of 1.3 kilometers from surface. Assays used in the resource estimate were capped at 75.0 g/t gold and grades were estimated using the inverse distance cubed method. Resources are reported using a 2.5 g/t gold cutoff and a minimal horizontal thickness of 2.0 meters. The gold price used in this estimate was US \$1,207/oz.

In early 2011, the Company had also contracted P&E to verify the validity of the historic drilling data and complete a NI 43-101 compliant mineral resource estimate on the Cheminis mineralized zone located some 2 kilometers west of the Bear Lake zone. Results of this resource estimate were announced on April 13, 2011 and a technical report was filed on SEDAR on May 27, 2011.



Indicated resources at the Cheminis zone estimated by P&E are: 335,000 tonnes at 4.07 g/t gold for 43,800 ounces of gold; and additional Inferred resources of 1,391,000 tonnes at 5.22 g/t gold for 233,400 ounces of gold.

P&E used the 791 historic surface and underground drill holes available and conducted a re-sampling program in order to confirm the validity of the historic data. Assays used in the resource were capped at 7 to 20 g/t gold and grades were estimated using the inverse distance cubed method. The resource model domains covered a 600 meter strike length and a 900 meter down dip extension. Resources are reported using a 2.5 g/t gold cutoff and a minimal true thickness of 2.0 m.

Following the completion of a \$3,923,750 private placement in August 2011 (see *August 2011 Non-Brokered Private Placement* section), the Company designed a follow-up 15,000 meter drilling program. Approximately 8,000 meters is planned to test the extension and better define the Cheminis mineral resource. In addition, some 5,000 meters will investigate the extensions of the Bear Lake mineral resource. The drilling and the recent resource estimate showed that both zones are open on strike and at depth. Finally, 2,000 meters of drilling is planned in the Fernland zone.

The follow-up drill program began in early September 2011. Two diamond drills are currently active at Larder Lake. One drill is testing the extension of the resources at the Cheminis zone and one drill is investigating the extension of the resources at the Bear Lake zone. As at the date of this report, six holes totalling 3,374 meters of drilling have been completed at Cheminis and one hole totalling 894 meters has been completed on the Bear Lake zone. Results from the Cheminis drill holes were released on November 29, 2011 and results are pending on the Bear Lake hole.

During the year ended September 30, 2011, the Company incurred exploration expenditures of \$2,409,963 at the Larder Lake project (including drilling and assaying expenditures of \$1,847,683), compared to \$610,544 during the year ended September 30, 2010 (including drilling and assaying expenditures of \$403,214).

Option agreement on the Swansea property

On October 22, 2010, the Company, Newstrike Resources Ltd. ("Newstrike") and Odyssey Resources Limited ("Odyssey") had entered into an option agreement (the "Option") under which Odyssey had the option to acquire from Newstrike and the Company (the "owners") a 25% interest in the Swansea property (the "Property") by spending \$1,100,000 on the Property by March 31, 2011. A cumulative amount of \$1,050,793 was spent by Odyssey on this Property. However, given that no significant results were obtained, Odyssey determined not to pursue the program and in March 2011 advised the owners that it was terminating the Option.

MNDMF Order

On December 6, 2011, the Ontario Ministry of Northern Development, Mines and Forestry ("MNDMF") issued a Director's Order pursuant to section 147 of the Ontario *Mining Act* ordering five companies, including Bear Lake, to file by June 6, 2012 a closure plan to rehabilitate mine hazards on the Upper and Lower Kerr Tailings site located in McGarry and McVittie Townships, Ontario. The MNDMF had issued an Emergency Order on December 4, 2009 to five companies with respect to a dam and spillway located on the Kerr Tailings site which was in need of repair. The dam and spillway are not located on the Company's claims. By April 2010, the MNDMF had completed the construction of a temporary spillway and the Emergency Order was lifted but the MNDMF claimed that the costs constituted a debt due to the Crown by the five companies. The Company has denied liability related to this issue. However, the Company has been conducting appropriate preventive work on its claims and has informed the MNDMF of the work done.

The Company intends to appeal the Director's Order. At this time, the Company cannot estimate the potential cost for dealing with this issue. Expenses in the amount of \$13,026 were incurred during the year ended September 30, 2011, regarding this matter (\$89,790 in 2010). Such expenses include mainly technical consulting fees.



UNITY PROJECT, IDAHO, USA

In July 2007, the Company entered into an option agreement, with subsequent amendments, 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, 2011) and complete a positive feasibility study by February 28, 2013 (as amended by the parties on May 31, 2011). The Company did not incur any exploration costs on this property during the year (\$55,795 in 2010). There is no assurance that the Company will conduct additional exploration work at Unity and have the funds available to complete a feasibility study by February 2013 to exercise its option to earn a 60% interest in the Unity project.

Given that the Company has not conducted any field work on the property since the summer of 2009 and that funds from the private placement completed in August 2011 have been designated to be spent principally at Larder Lake, the Company has charged to operations at September 30, 2011, in accordance with accounting guidelines, an amount of \$1,156,079 as write-down of mineral properties and deferred exploration expenses.

QUALIFIED PERSON

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



COPORATE ACTIVITIES

August 2011 Non-Brokered Private Placement

In August 2011, the Company completed a non-brokered private placement for total gross proceeds of \$3,923,648 (the "2011 Financing"). The Company issued a total of 11,499,333 flow-through units ("FT Units") at a price of \$0.15 per FT Unit and 14,658,333 units ("Units") at a price of \$0.15 per Unit. Each FT Unit consists of one common share and one half of one common share purchase warrant ("FT Warrant") and each Unit issued consists of one common share and one common share purchase warrant ("Warrant"), with each full FT Warrant and each Warrant exercisable to acquire one common share of the Company at a price of \$0.20 per share for a period of 24 months expiring on August 23, 2013. The FT Warrants and 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 six months from closing of the 2011 Financing. As part of the 2011 Financing, the Company paid \$105,474 in cash commission and other expenses. The Company intends to use the gross proceeds of the 2011 Financing for exploration on its Larder Lake project and for general corporate purposes.

Repayment of Credit Facilities

On April 6, 2011, following the exercise of a put option, the Company transferred to its lender the ownership of all of the ineligible Master Asset Vehicle III notes ("MAV III notes") that it held in full payment of the principal amount of \$1,010,530 then owing under the related Credit Facility. On April 29, 2011, the Company sold all of its eligible MAV II notes for cash proceeds of \$2,415,930. This amount was used to fully repay the principal amount then owing under the related Credit Facility of \$2,411,173. Following the completion of these transactions, the Company has settled all amounts owing to its lenders and is now debt-free.

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 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, as a result, was terminated in November 2010. 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.

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.



June 2010 Private Placement

In June 2010, the Company completed a non-brokered private placement for total gross proceeds of \$3,763,122 (the "2010 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 expiring on June 21, 2012. 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 2010 Financing. As part of the 2010 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 2010 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 2010 Financing. The gross proceeds from the sale of the FT Shares, in the amount of \$2,341,120, were used to incur Canadian Exploration Expenses on the Larder Lake Property. At September 30, 2011, these funds had all been expended.

Grant of stock options

On December 14, 2011, the Company granted an aggregate of 1,320,000 stock options to officers and employees of the Company. Of this total, 800,000 options are subject to the achievement of certain defined performance objectives. The balance of 520,000 options vest over a two-year period. The options have a five-year term and are exercisable at a price of \$0.08 per share, the closing price of the Company's stock on December 13, 2011.

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 will 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 will vest 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. Following a review by the compensation and corporate governance committee of the board of directors of the Company conducted in October 2011, 550,000 of the performance-based options vested and 150,000 options were cancelled.



MINERAL PROPERTY AND EXPLORATION EXPENSES

Mineral property and exploration expenses are detailed as follows:

	September 30, 2011	September 30, 2010
	\$	\$
Mineral properties		
Larder Lake, Ontario, Canada	9,303,421	9,303,421
Unity, Idaho, USA	-	126,598
	9,303,421	9,430,019
Exploration expenses	Year ended September 30,	2010
	2011	2010
	\$	\$
Larder Lake, Ontario, Canada		
Contractors and consultants	109,321	40,617
Drilling and assaying	1,847,683	403,214
Geology	11,427	480
Labour	274,630	84,104
Administration	120,182	76,455
Title and claim management	46,720	5,674
	2,409,963	610,544
Unity, Idaho	-	55,795
Hope Bay, Nunavut, Canada (a)	-	114,261
	-	170,056
Grand total	2,409,963	780,600

(a) The Option Agreement on the Hope Bay Project was terminated in October 2010.



SELECTED CONSOLIDATED FINANCIAL INFORMATION

	September 30, 2011	September 30, 2010
Balance Sheets	\$	\$
Cash and cash equivalents	3,928,359	3,406,876
Investments in MAV II and MAV III	-	3,163,640
Credit facilities	-	3,434,217
Mineral properties and deferred exploration expenses	22,353,902	21,100,018
Total assets	28,279,006	29,704,249
Shareholders' equity	27,763,491	25,772,946

	2011	2010	2009
Operations	\$	\$	\$
Administration	921,821	780,639	872,682
Stock-based compensation	597,530	83,078	529,977
Interest income	(38,157)	(12,504)	(40,679)
Interest expense	39,557	46,558	46,174
Settlement of class-action and other related costs	-	284,295	346,191
Gain on sale of marketable securities	-	(1,383)	-
Other property costs	13,026	89,790	-
Unrealized loss on marketable securities	1,250	16,250	75,660
Part XII.6 tax on flow-through financing	9,387	-	23,997
Fair value adjustment of investments	(275,334)	(401,860)	236,155
Write-down of mineral properties and deferred exploration expenses	1,156,079	5,885,792	15,266,700
Future income tax recovery	(680,681)	-	(3,836,454)
Net loss	(1,744,478)	(6,770,655)	(13,520,403)
Basic and diluted loss per share	(0.02)	(0.07)	(0.16)
Cash flows			
Operating activities	(785,685)	(1,498,765)	(924,588)
Investing activities	(87,319)	(130,841)	(6,369,717)
Financing activities	1,394,487	3,811,493	8,554,583



Administrative expenses are summarized as follows:

	Year ended September 30,		
	2011	2010	2009
Administration expenses	\$	\$	\$
Remuneration	332,382	326,557	331,688
Management and administration	155,372	173,467	253,842
Office	126,749	138,089	136,194
Professional fees	259,380	92,910	78,261
Transfer agent and listing fees	36,189	32,917	32,689
Shareholder communications and travel	10,573	13,248	35,674
Depreciation	1,176	3,451	4,334
	921,821	780,639	872,682

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 assumption

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. Also, the Company has incurred a loss in the current and prior periods and has an accumulated deficit of \$50,910,819 at September 30, 2011. The Company has cash and cash equivalents of \$3,928,359 at September 30, 2011 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.

The Company's consolidated financial statements do not reflect any adjustments that would be necessary if the going concern assumption was not appropriate for these consolidated financial statements. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments to the carrying values of assets and liabilities and balance sheet classification, which could be material, may be necessary.

Results of operations

During the year ended September 30, 2011, the Company reported a net loss of \$1,744,478 (\$0.02 per share) compared to a net loss of \$6,770,655 (\$0.07 per share) in 2010 and a net loss of \$13,520,403 (\$0.16 per share) in 2009. Variances are as follows:

Year ended September 30, 2011 compared to 2010

Administration expenses during the year ended September 30, 2011 increased by \$141,182 compared to 2010, mainly due to higher legal fees incurred in 2011 (related mostly to the Emergency Order and the statement of claim initiated by a former supplier of the Company), partially offset by lower management fees in 2011 (due to



reduced management fees paid to Reunion Gold Corporation following the settling of the class-action suit in April 2010) and to lower office and shareholder communication expenses.

Stock-based compensation expense during the year ended September 30, 2011 increased by \$514,452 compared to 2010 mainly due to the Company having granted 5,250,000 stock options in October 2010, of which 973,333 vested at that time, compared to the grant of 13,500 stock options in 2010.

Lower costs were incurred (\$13,026 in 2011 compared to \$89,790 in 2010) related to the dam and spillway issue referred to in an Emergency Order issued in December 2009 by the Ontario Ministry of Northern Development, Mines and Forestry ("MNDMF") and subsequently cancelled in April 2010; these expenses include mostly technical consulting fees.

In 2011, the Company wrote-down its investment in the Unity project, located in Idaho. Given that the Company has not conducted any field work on the property since the summer of 2009 and that funds from the private placement completed in August 2011 have been designated to be spent principally at Larder Lake, the Company has charged to operations at September 30, 2011, in accordance with accounting guidelines, an amount of \$1,156,079 as write-down of mineral properties and deferred exploration expenses. In 2010, following the termination of the Hope Bay option agreement, the Company charged to operations an amount of \$5,885,792 as write-down of mineral properties and deferred exploration expenses.

Interest income for the year ended September 30, 2011 increased by \$25,653 compared to 2010, as a result of higher treasury balances in 2011 following the private placement that was completed in June 2010.

Interest expense decreased during the year ended September 30, 2011 following the full repayment of the credit facilities in April 2011.

Prior to the disposal of its investments in MAV II and III described above, the Company had recorded a fair value recovery adjustment of \$275,334 in 2011 compared to a fair value recovery of \$401,860 in 2010.

During the year ended September 30, 2011, the Company renounced the flow-through portion of the financing completed in June 2010 and recorded a future income tax recovery of \$680,681, compared to nil during the year ended September 30, 2010.

Year ended September 30, 2010 compared to 2009

Administration expenses totaled \$780,639 during the year ended September 30, 2010 compared to \$872,682 in 2009; lower remuneration, management and administration and shareholder communications and travel expenses were partially offset by higher professional fees. Management and administration expenses were 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.

Lower stock-based compensation of \$83,078 during the year ended September 30, 2010 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.

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.



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.

Selected quarterly financial information

Period ended	Revenues	Net loss	Loss
	\$ 000	\$ 000	per share
September 30, 2011 (1)	4.6	877.0	0.01
June 30, 2011 (2)	9.8	93.6	0.00
March 31, 2011	12.7	217.3	0.00
December 31, 2010 (3)	11.1	556.6	0.01
September 30, 2010 (4)	7.2	5,994.6	0.05
June 30, 2010 (5)	1.5	354.2	0.01
March 31, 2010 (6)	1.5	212.1	0.01
December 31, 2009 (7)	2.3	209.8	0.00

(1) Includes a write-down of mineral properties and deferred exploration expenses of \$1,156,079 and a future income tax recovery of \$680,681.

(2) Includes a fair value recovery of \$167,938 on investments.

(3) Includes a fair value recovery of \$76,400 on investments and a stock based compensation expense of \$322,788.

(4) Includes a valuation recovery of \$260,000 on investments and a write-down of mineral properties and deferred exploration expenses of \$5,885,792.

(5) Includes a fair value adjustment on investments of \$50,000.

(6) Includes settlement and other related expenses of \$169,353 and a valuation recovery of \$260,000 on investments held.

(7) Includes investigation-related expenses of \$128,902 and a valuation recovery of \$150,000 on investments held.

Liquidity and capital resources

The Company had a working capital of \$3,498,708 at September 30, 2011 compared to a working capital of \$2,995,527 at September 30, 2010. During the year ended September 30, 2011, the Company had a negative operating cash flow of \$785,685 and it disbursed a total of \$2,514,259 related to its mineral properties. The Company reimbursed in April 2011 all of the amounts due under the credit facilities from the proceeds received from the sale of the eligible MAV II notes held (\$2,411,173) and the exercise of the put option that it held in regards to the ineligible notes (\$1,010,530).



At September 30, 2011, the Company had cash and cash equivalents of \$3,928,359 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.

As part of a non-brokered private placement completed in June 2010, the Company had raised a total amount of \$2,341,120 in flow-through funds. These funds were used to incur Canadian Exploration Expenses on the Larder Lake Property. At September 30, 2011, all such flow-through funds have been expended.

As part of a non-brokered private placement completed in August 2011, the Company raised a total amount of \$1,724,900 in flow-through funds. These funds are being used to incur, by December 31, 2012, Canadian Exploration Expenses on the Larder Lake Property. At September 30, 2011, an amount of \$271,336 of these flow-through funds has been expended.

MAV II and III Notes and related Credit Facilities

Until April 2011, the Company held investments in MAV II and III notes, which had initially been invested in Canadian third-party asset-backed commercial paper ("ABCP"). In May 2009, the Company, through its wholly-owned subsidiary Maximus Ventures Ltd. ("Maximus"), had 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.

On April 6, 2011, following the exercise of a put option, the Company transferred to its lender the ownership of all ineligible MAV III notes that it held, in full payment of the principal amount of \$1,010,530 then owing under the 2nd Credit Facility. On April 29, 2011, the Company sold all of its eligible MAV II notes for cash proceeds of \$2,415,930. This amount was applied to fully repay the principal amount then owing under the 1st Credit Facility.

During the year ended September 30, 2011, the Company received a total amount of \$12,514 (\$51,747 in 2010) as partial redemption of some of the notes held. Amounts received were applied as a reduction of the related borrowings.

At September 30, 2010, the Company had established the fair value of the MAV II and III notes that it held by estimating discounted future cash flows for each category of notes received, using discount rates of between 5.0% and 16.6%, by taking into account that the Company had the option to transfer to its lender on or after May 12, 2011 the ownership of the ineligible notes held in payment of the principal amount then owing under the 2nd Credit Facility, by estimating that certain notes would pay interest at a rate of 0.5% less than the bankers' acceptance rate and by considering the best available market data. The term facilities bore interest at prime less 1% (2.0% as at September 30, 2010).

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. 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, 2011, total loans and shareholders' equity was \$27,763,491 (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 its 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, 2011. The Company is not subject to any capital requirements imposed by a lending institution. However, the Company is subject to requirements related to the use of funds obtained by flow-through share arrangement. These funds are to be incurred for eligible exploration expenses in Canada. The Company was in compliance with the requirements related to the use of flow-through funds throughout the reporting period. The Company expects that its current capital resources will be sufficient to discharge its current liabilities as at September 30, 2011.

Off-balance sheet arrangements

As of September 30, 2011, the Company has no off-balance sheet arrangements.

Related party transactions

During the year ended September 30, 2011, the Company paid or accrued administration expenses of \$113,340 to Reunion Gold Corporation (\$147,633 in 2010), a company with a common director and management, providing administrative services. During the year ended September 30, 2011, the Company also paid or accrued consulting fees of \$14,500 (nil in 2010), 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. Odyssey and the Company are related by virtue of a common director and management. 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 at September 30, 2011 consist of cash and cash equivalents, marketable securities and accounts payable and accrued liabilities. Other than marketable securities, the fair value of these financial instruments approximates their carrying value given that they will mature shortly. A plus or minus 10% change in the value of the marketable securities would affect earnings by approximately \$1,300 (\$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 for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual consolidated financial statements beginning with the quarter ended December 31, 2011, with restatement of the 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.

The following summarizes the Company's progress and expectations with respect to its IFRS transition plan:

Initial scoping and analysis of key areas for which changes to accounting policies may be required.	Completed.
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First-time adoption of International Financial Reporting Standards.	Completed.
Final determination of accounting policies and the quantitative impact of adopting IFRS on key line items in the Company's financial statements.	In progress, to be completed in conjunction with the Q1 2012 IFRS financial statements.
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements.	In progress, to be completed in conjunction with the Q1 2012 IFRS financial statements.

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 and consultants which are involved in the preparation of financial statements are 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* ("IFRS 1"). 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 expenditures. The Company's policy under Canadian GAAP has been to capitalize all exploration expenditures. Management has determined that it will no longer continue to capitalize exploration expenditures incurred under IFRS. This change will be applied on a retrospective basis. Accordingly, exploration expenditures of \$11,669,999 previously capitalized under Canadian GAAP will be reclassified to Deficit as at October 1, 2010, on conversion. As well, exploration expenditures incurred in 2011, which were previously deferred, will be reported in operations under IFRS.

Accounting for stock-based compensation

The guidance provided by IFRS 2 *Share Based Payments* ("IFRS 2"), 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 does not expect any changes to its accounting policy related to share-based payments that would result in a significant change to line items within its financial statements.

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. An approach similar to the US-based method has been adopted in Canada 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 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 adoption, 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 14, 2011, the Company has:

- a) 136,381,545 common shares issued and outstanding;
- b) 29,887,344 share purchase warrants outstanding with exercise prices ranging from \$0.20 to \$0.30 per share, expiring between June 2012 and August 2013; and
- c) 8,903,500 stock options outstanding with exercise prices ranging from \$0.08 to \$0.84 and expiring between December 2011 and December 2016.

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 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. Generally, the carrying amount of the Company's financial assets exposed to credit risk, net of applicable provisions for losses, represents the maximum amount of exposure to credit risk. At September 30, 2011, the Company's financial assets exposed to credit risk are primarily composed of cash and cash equivalents (cash and cash equivalents and investments at September 30, 2010). 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 large Canadian financial institutions. The long-term debt at September 30, 2010 bore interest at a floating rate and therefore, the Company was exposed to the cash flow risks resulting from interest rate fluctuations.

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, 2011, the Company's working capital totals \$3,498,708 (\$2,995,527 at September 30, 2010). Accounts payable and accrued liabilities of \$503,745 at September 30, 2011 (\$485,316 at September 30, 2010) are due within the next 3 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\$30,966 (\$29,266) during the year ended September 30, 2011 and US \$54,180 (\$55,795) during the year ended September 30, 2010). The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As at September 30, 2011, financial assets include cash of US\$309,032 (\$323,928) (US\$22,733 (\$23,393) as at September 30, 2010) and financial liabilities include accounts payable and accrued liabilities of US \$5,000 (\$5,241) (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. In 2010, the Company was also exposed to interest rate changes on its investments in the MAV II and III notes. The long-term debt at September 30, 2010 bore interest at a floating rate and therefore, the Company was exposed to the cash flow risks resulting from interest rate fluctuations.

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

Due to the nature and current stage of development of the Company's business, the Company is subject to various other financial and operational risks. The risks and uncertainties described below are not necessarily the only ones that could be faced by the Company. If any of the following risks, or any other risks and uncertainties that the Company has not yet identified, actually occur, the Company's business, financial condition, results of operations and cash flows could be materially and adversely affected.

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. Only a small proportion of the properties that are explored worldwide are ultimately developed into producing mines. None of the Company's properties have proven or provable reserve. The projects on which the Company is currently conducting exploration programs may not contain economically recoverable volumes of minerals and may not result in a profitable commercial mining operation. Substantial expenses will be required to expand the Company's mineral resources through drilling, to demonstrate the



economic viability of its projects, to construct mining and processing facilities and to extract the metal from the mineral resources.

Estimates of mineral resources risks

The mineral resource estimates of the Company included in this MD&A are estimates only and no assurance can be given that any proven or probable reserves will be discovered, or that any particular level of recovery of minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit. Reserves that may ultimately be mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, the Company's ability to recruit and retain sufficient personnel, and the Company's ability to purchase or rent equipment and parts. Any estimated mineral resources should not be interpreted as assurances of commercial viability or potential or of the profitability of any future operations.

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.

Environmental risks

The activities of the Company are subject to environmental laws and regulations providing for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining operations which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. Environmental legislation is evolving towards stricter standards. Fines and penalties for non-compliance are more stringent. The Company believes it is in compliance with all material laws and regulations which currently apply to its activities. However, there may be unforeseen environmental liabilities resulting from exploration and these may be costly to remedy.

Litigation risks

The MNDMF has issued a Director's Order to five companies, including Bear Lake, to file a closure plan to rehabilitate mine hazards on the Upper and Lower Kerr Tailings site (see *MNDMF Order* section). The Company is denying any responsibility and intends to appeal the Director's Order. 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. 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.

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.

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.

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

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 develop the Company's projects, the interpretation of drill results, grade, the geology and the continuity of the mineral deposits, the possible variations in mineral resources and grade, completing planned exploration and other work programs in a timely manner and on acceptable terms, the outcome of the requests made by the MNDMF in relation with the Upper and Lower Kerr Mine Tailings Ponds 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 14, 2011. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR (www.sedar.com).