BEAR LAKE GOLD LTD.
(an exploration stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the First Quarter ended December 31, 2008

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

	December 31, 2008 (unaudited)	September 30, 2008 (audited)
	$	$
ASSETS		
Current assets		
Cash and cash equivalents (note 4)	**3,955,582**	-
Marketable securities (note 5)	**112,075**	289,895
Amounts receivable	**119,281**	286,103
Short-term portion of asset-backed commercial paper (note 6)	**207,000**	-
Prepaid expenses and deposits	**21,205**	57,862
	4,415,143	633,860
Asset-backed commercial paper (note 6)	**2,784,386**	3,434,386
Reclamation bond	**10,508**	10,508
Plant and equipment (note 7)	**1,925,984**	1,927,068
Mineral properties (note 8)	**25,214,907**	25,200,092
Deferred exploration expenses (note 8)	**12,136,580**	11,003,591
	46,487,508	42,209,505
LIABILITIES		
Current liabilities		
Bank overdraft	**-**	35,289
Bank loan (note 9)	**3,197,663**	1,702,932
Accounts payable and accrued liabilities	**721,506**	2,151,381
Due to Reunion Gold Corporation (note 11)	**31,516**	83,021
	3,950,685	3,972,623
Future income tax liability	**2,696,881**	2,772,715
Minority interest	**11,770**	11,770
	6,659,336	6,757,108
SHAREHOLDERS' EQUITY		
Capital stock (note 10)	**62,083,256**	58,857,010
Contributed surplus	**6,173,287**	5,470,670
Deficit	**(28,428,371)**	(28,875,283)
	39,828,172	35,452,397
	46,487,508	42,209,505

Continuance of operations (note 1)

Subsequent events (note 14)

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

On behalf of the Board,

/s/ François Viens
François Viens, Director

/s/ Elaine Bennett
Elaine Bennett, Director

Bear Lake Gold Ltd.

(an exploration stage Company)

Consolidated Operations and Comprehensive Income (unaudited)

	1st Quarter ended December 31, 2008	1st Quarter ended December 31, 2007
	$	$
Expenses		
Stock-based compensation	**5,024**	123,451
Other remuneration	**79,194**	54,151
Management and administration	**83,393**	62,033
Professional fees	**38,904**	38,371
Office	**27,522**	37,023
Transfer agent and filing fees	**7,776**	7,877
Shareholder communications	**8,414**	22,900
Travel and related costs	**333**	5,471
Depreciation	**1,084**	500
	251,644	351,777
Other items		
Interest income	**(17,682)**	(24,616)
Interest expense	**15,690**	-
Unrealized loss on marketable securities (note 5)	**177,820**	-
Impairment charge on asset-backed commercial paper (note 6)	**443,000**	100,000
	618,828	75,384
Loss before income taxes	**(870,472)**	(427,161)
Future income tax recovery (note 10)	**1,317,384**	1,569,520
Net earnings and comprehensive income	**446,912**	1,142,359
Basic and diluted earnings per common share	**0.01**	0.03
Weighted average number of common shares - basic	**77,680,345**	35,634,708
Weighted average number of common shares - diluted	**77,927,754**	36,570,432

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

Bear Lake Gold Ltd.
(an exploration stage Company)
Consolidated Deficit and Contributed Surplus (unaudited)

	1st Quarter ended December 31, 2008	1st Quarter ended December 31, 2007
	$	$
DEFICIT		
Balance, beginning of period	**(28,875,283)**	(28,234,796)
Net earnings	**446,912**	1,142,359
Balance, end of period	**(28,428,371)**	(27,092,437)
CONTRIBUTED SURPLUS		
Balance, beginning of period	**5,470,670**	2,736,582
Stock-based compensation cost	**5,024**	123,451
Share purchase warrants (note 10)	**325,145**	901,497
Broker warrants (note 10)	**152,382**	77,636
Share purchase warrants in lieu of broker commission (note 10)	**66,726**	-
Share purchase warrants as debt settlement (note 10)	**153,340**	-
Exercise of broker warrants	**-**	(129,917)
Balance, end of period	**6,173,287**	3,709,249

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

Bear Lake Gold Ltd.

(an exploration stage Company)

Consolidated Cash Flows (unaudited)

	1st Quarter ended December 31, 2008	1st Quarter ended December 31, 2007
	$	$
OPERATING ACTIVITIES		
Net earnings	**446,912**	1,142,359
Non-cash items		
Depreciation	**1,084**	500
Stock-based compensation	**5,024**	123,451
Unrealized loss on marketable securities	**177,820**	-
Impairment charge on asset-backed commercial paper	**443,000**	100,000
Future income tax recovery	**(1,317,384)**	(1,569,520)
Changes in non-cash working capital items	**194,579**	(63,699)
Cash flows from operating activities	**(48,965)**	(266,909)
INVESTING ACTIVITIES		
Equipment	**-**	(3,500)
Mineral properties and deferred exploration expenses	**(2,195,283)**	(458,000)
Cash flows from investing activities	**(2,195,283)**	(461,500)
FINANCING ACTIVITIES		
Bank loan	**1,494,731**	-
Issuance of shares and warrants, net of costs	**4,740,388**	2,878,488
Exercise of broker warrants	**-**	256,500
Cash flows from financing activities	**6,235,119**	3,134,988
Net increase in cash and cash equivalents	**3,990,871**	2,406,579
Cash and cash equivalents (bank overdraft), beginning of period	**(35,289)**	277,262
Cash and cash equivalents, end of period	**3,955,582**	2,683,841
Changes in other non-cash items		
Accounts payable related to exploration projects	**(1,047,479)**	26,185
Issuance of common shares in lieu of broker commission	**184,900**	-
Issuance of common shares as debt settlement	**425,000**	-
Issuance of common shares pursuant to a mineral property agreement	**-**	300,000
Issuance of broker warrants	**152,382**	77,636
Extension of exercise period of share purchase warrants	**-**	51,926

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

Bear Lake Gold Ltd.

(an exploration stage Company)

Consolidated Deferred Exploration Expenses (unaudited)

1st Quarter ended December 31, 2008

	Larder Lake, Ontario	Hope Bay, Nunavut	Unity, Idaho	Total
	$	$	$	$
Balance, beginning of period	**5,965,092**	**4,358,957**	**679,542**	**11,003,591**
Assaying	**29,751**	**-**	**305**	**30,056**
Compilation and reporting	**7,174**	**-**	**-**	**7,174**
Contractors and consultants	**62,404**	**-**	**4,608**	**67,012**
Drilling	**640,321**	**-**	**248,563**	**888,884**
Geological	**7,031**	**-**	**9,219**	**16,250**
Labour	**54,421**	**-**	**3,227**	**57,648**
Management and administration	**44,740**	**608**	**3,694**	**49,042**
Travel and related costs	**15,228**	**-**	**1,695**	**16,923**
	861,070	**608**	**271,311**	**1,132,989**
Balance, end of period	**6,826,162**	**4,359,565**	**950,853**	**12,136,580**

1st Quarter ended December 31, 2007

	Larder Lake, Ontario	Hope Bay, Nunavut	Unity, Idaho	Total
	$	$	$	$
Balance, beginning of period	2,224,405	4,201,674	28,104	6,454,183
Assaying	21,170	-	-	21,170
Compilation and reporting	677	2,726	-	3,403
Contractors and consultants	6,666	-	-	6,666
Drilling	300,890	31,946	-	332,836
Geological	11,428	-	5,451	16,879
Labour	44,552	2,813	3,702	51,067
Management and administration	45,009	-	1,200	46,209
Title and claim management	-	-	6,033	6,033
Travel and related costs	12,193	-	807	13,000
	442,585	37,485	17,193	497,263
Balance, end of period	2,666,990	4,239,159	45,297	6,951,446

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

1. GOVERNING STATUTES, NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

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

On September 16, 2008, NFX Gold Inc. ("NFX") and Maximus Ventures Ltd. ("Maximus") completed a business combination pursuant to a plan of arrangement (the "Transaction"), whereby NFX acquired all of the issued and outstanding common shares of Maximus in exchange for common shares of NFX on a one-for-one basis. On the same day, NFX changed its name to Bear Lake Gold Ltd. ("Bear Lake" or the "Company"). In accordance with the provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1581, *Business Combinations*, Maximus has been identified as the acquirer for accounting purposes. As such, these consolidated financial statements are a continuation of the consolidated financial statements of Maximus, with the comparative information being that of Maximus. As a result of the Transaction, Bear Lake changed its year-end from December 31 to September 30, to ensure consistency with Maximus' year-end of September 30.

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

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

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

These 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. Continued operations of the Company are dependent on its obtaining amended repayment terms on its current temporary credit facility (note 9) and/or obtaining additional financing, through various means including but not limited to equity financing. These consolidated financial statements do not reflect any adjustments related to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

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

2. BASIS OF PRESENTATION, CHANGE IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The accompanying unaudited consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). They are consistent with the policies and practices used in the preparation of the Company's audited annual consolidated financial statements, except for the adoption of new standards described in the following paragraphs. These interim unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the years ended September 30, 2008 and 2007.

In June 2007, the CICA modified **Section 1400, *General Standards of Financial Statement Presentation***, in order to require that management make an assessment of the Company's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date and to disclose any material uncertainties that cast doubt on its ability to continue as a going concern. These new requirements are effective for fiscal years beginning on or after January 1, 2008 and consequently, the Company has applied them as of October 1, 2008.

In February 2008, the CICA published **Section 3064, *Goodwill and Intangible Assets***, to replace Section 3062, Goodwill and Other Intangible Assets. Publication of this new Section also resulted in the withdrawal of Section 3450, *Research and Development Costs* and consequential amendments to certain recommendations in the CICA Handbook. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. The application of this new section on October 1, 2008 had no impact on the Company's financial statements.

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

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditors have not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

3. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

Financial instruments

The Company's financial instruments at December 31, 2008 consist of cash and cash equivalents, marketable securities, amounts receivable, ABCP, bank loan, accounts payable and accrued liabilities and due to Reunion Gold Corporation. Other than marketable securities and ABCP, the fair value of these financial instruments approximates their carrying value given that they will mature shortly. Other than ABCP and bank loan, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company's exposure to interest and credit risks arising from its ABCP is fully described in note 6 to these consolidated financial statements. The Company's exposure to interest rate risk attributable to its bank loan is described below under *Interest rate risk*. A plus or minus 10% change in the value of the marketable securities would affect earnings by approximately $11,000.

Risk management

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

Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instrument fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash and cash equivalents, amounts receivable and ABCP. To mitigate exposure to credit risk, the Company has revised its policy to limit the concentration of credit risk, to ensure counterparties demonstrate minimum acceptable worthiness, and to ensure liquidity of available funds. The Company's cash is held in large Canadian financial institutions. The Company's investment in ABCP is exposed to credit risk as fully described in note 6 to these financial statements.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day projection, 180-day and 360-day lookout periods. The Company's working capital totals $464,458 at December 31, 2008, including cash and cash equivalents in the amount of $3,955,582, a temporary line of credit in the amount of $3,197,663, secured by the Company's ABCP, and other short-term liabilities totalling $753,022, due within the next 12 months. The Company's ability to continue funding its exploration programs and to meet its corporate and administrative obligations is dependent on its obtaining amended repayment terms on its current temporary credit facility (note 9) and/or obtaining additional financing, through various means including but not limited to equity financing. The amount and timing of additional funding will be impacted by, among others, the strength of the capital markets.

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

Currency risk

The Company has limited exposure to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates, as the amount of expenditures in foreign currency is not significant (approximately US $233,000 during the first quarter ended December 31, 2008). The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As at December 31, 2008, financial assets include cash of US $108,596 and financial liabilities include accounts payable and accrued liabilities of US $117,264.

Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate changes on its ABCP investments that are expected to pay interest. The credit facility bears interest at a floating rate and therefore, the Company is exposed to the cash flow risks resulting from interest rate fluctuations. The Company has not entered into any derivative contracts to manage this risk. The Company's exposure to interest rate risks arising from its ABCP is fully described in note 6 to these consolidated financial statements. Based on the amount outstanding under the credit facility at December 31, 2008, a plus or minus 1% change in the prime lending rate would affect earnings by approximately $32,000 over a 12-month period.

Capital management

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

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

The Company's current investment policy is to invest its cash in highly liquid, low-risk, short-term interest-bearing investments (such as banker's acceptances, term deposits, guaranteed investment certificates or treasury bills) with maturities of 180 days or less from the original date of acquisition. At December 31, 2008, the Company has certain investments in marketable securities, through its acquisition of NFX. It is not the intention of the Company to maintain its investments in marketable securities or to further invest in marketable securities, other than for strategic purposes.

4. CASH AND CASH EQUIVALENTS

	December 31, 2008	September 30, 2008
	$	$
Cash	**2,955,582**	-
Banker's acceptances, with initial maturities of less than three months, bearing interest at a rate of 1.4%	**1,000,000**	-
	3,955,582	-

5. MARKETABLE SECURITIES

	December 31, 2008			September 30, 2008
	Cost	**Unrealized losses**	**Fair value**	Fair value
	$	**$**	**$**	**$**
2,041,500 common shares of Eloro Resources Ltd.	**306,225**	**(204,150)**	**102,075**	265,395
Shares held in other public companies	**77,800**	**(67,800)**	**10,000**	24,500
	384,025	**(271,950)**	**112,075**	289,895

The Company and Eloro Resources Ltd. ("Eloro"), a publicly-held company listed on the TSXV, are related by virtue of a common director.

6. ASSET-BACKED COMMERCIAL PAPER

At December 31, 2008, the Company held $4,784,400 of non-bank sponsored asset-backed commercial paper ("ABCP") (before accounting for an impairment charge). In mid-August 2007, the Canadian third-party ABCP market was hit by a liquidity disruption and since that time, no transactions within an active market have been entered into involving the ABCP securities held by the Company. On August 16, 2007, a group representing banks, asset providers and major investors agreed, pursuant to the Montreal Accord, to a standstill period in respect of ABCP sold by 23 conduit issuers. A Pan-Canadian Investors Committee (the "Committee") was subsequently established to oversee the proposed restructuring process and on March 20, 2008, the Committee released its proposed restructuring plan through an Information Statement in respect of a Plan of Compromise and Arrangement (the "Plan"), pursuant to the Companies Creditors Arrangement Act ("CCAA"). Noteholders approved the Plan on April 25, 2008 and Justice Campbell, presiding over the restructuring under the CCAA, approved the Plan on June 5, 2008. On August 18, 2008, the appeals court of Ontario confirmed Justice Campbell's decision, following various appeals, and on September 19, 2008, the Supreme Court of Canada released a decision denying leave to appeal from the decision of the Ontario Court of Appeal. On January 21, 2009, the Plan was fully implemented following the agreement to certain enhancements to the Plan (note 14).

6. ASSET-BACKED COMMERCIAL PAPER (continued)

At December 31, 2008 the Company established the fair value of the ABCP it holds by estimating discounted future cash flows for each category of notes expected to be received (using discount rates of between 6.9% and 16.5%), by estimating that certain notes will pay interest at a rate of 0.5% less than the bankers' acceptance rate, by estimating amounts of accrued interest to be received and by considering the best available market data. This estimation of fair value resulted in a total net impairment charge of $1,793,000 related to ABCP held, including $1,350,000 which had been recorded in prior periods. The impairment charge recorded during the quarter ended December 31, 2008 was reduced by the amount of the interest payment on ABCP received in January 2009 (note 14), which amount was presented on the consolidated balance sheet as short-term portion of ABCP.

There are currently no market quotations available for the non-bank sponsored ABCP. Therefore, there is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. Since the fair value of the ABCP held are determined based on the Company's assessment of market conditions as at December 31, 2008, the fair value reported may change materially in subsequent periods.

7. PLANT AND EQUIPMENT

	Cost	**Accumulated depreciation**	**December 31, 2008 Net**	September 30, 2008 Net
	$	**$**	**$**	$
Mining equipment	**1,918,000**	**-**	**1,918,000**	1,918,000
Office furniture and equipment	**13,002**	**(5,018)**	**7,984**	9,068
	1,931,002	**(5,018)**	**1,925,984**	1,927,068

8. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENSES

	December 31, 2008		September 30, 2008	
	Mineral properties	**Deferred exploration expenses**	Mineral Properties	Deferred exploration expenses
	$	**$**	$	$
Larder Lake, Ontario	**24,067,894**	**6,826,162**	24,063,667	5,965,092
Hope Bay, Nunavut	**1,075,000**	**4,359,565**	1,075,000	4,358,957
Unity, Idaho	**72,013**	**950,853**	61,425	679,542
	25,214,907	**12,136,580**	25,200,092	11,003,591

Larder Lake, Ontario

At December 31, 2008, the Larder Lake properties owned by the Company consist of the following:

(a) a 100% interest in the Bear Lake, Cheminis, Cheminis North and Fernland properties which consists of 55 patented claims, 1 claim for surface rights and 2 licenses of occupation in McGarry and McVittie Townships near Kirkland Lake, Ontario;

(b) a 100% interest in the Barber Larder property which consists of 7 patented claims and 2 licenses of occupation in McGarry Township, Ontario;

(c) a 75% interest in the Swansea property which consists of 5 mining leases covering 28 claims in McVittie Township, Ontario;

(d) a 100% interest in the McVittie McGarry properties which consists of 10 mining claims in McVittie Township, Ontario, 2 mining claims in McGarry Township, Ontario and 1 mining claim in Gauthier Township near Kirkland Lake, Ontario;

(e) a 100% interest in the Kirkland Wright properties which consists of 16 mining claims in McGarry, Hearst and McFadden Townships, Ontario; and

(f) a 100% interest in the McVittie property which consists of 2 mining claims in McVittie Township, Ontario.

Royalty commitments on the Larder Lake properties are as follows:

(a) a 1% net smelter return royalty on the McVittie McGarry properties, of which the Company has the option to purchase 0.5% for an amount of $500,000. Eloro also owns directly a net smelter return royalty of 0.5%.

(b) a 1% net smelter royalty on the Kirkland Wright property, of which the Company has the option to purchase 0.5% for an amount of $500,000.

(c) a 0.5% net smelter royalty on the McVittie property, of which the Company has the option to purchase 0.25% for an amount of $250,000.

8. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENSES (continued)

Hope Bay, Nunavut

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

a) Issue to HB Mining 2,500,000 of its common shares; all such shares have been issued at December 31, 2008 for a total value of $1,075,000.

b) Incur $7,250,000 in expenditures over six years, with scheduled minimum cumulative expenditures of $3,250,000 by October 31, 2007 (which has been incurred), $5,250,000 by October 31, 2009 and $7,250,000 by October 31, 2010.

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

a) 750,000 shares following the reporting of the first 500,000 of gold equivalent ounces in measured, indicated or inferred resources;

b) 3,750,000 shares over three tranches upon the first, second and third million gold equivalent ounces reported as measured and/or indicated resources;

c) 1,250,000 shares on delivery of a positive feasibility study; and

d) 2,500,000 shares upon reaching commercial production.

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

Unity, Idaho

On July 31, 2007, the Company entered into an option agreement with Unity GoldSilver Mines Inc. (a privately-held company) ("Unity") to earn a 60% interest in the Unity mineral property located in Idaho, USA. To earn its interest, the Company must incur US$1,000,000 in exploration and development work and complete a positive feasibility study, by November 2010. During the earn-in period, the Company will manage all exploration-related activities. In the event that a positive feasibility study is completed and that a favourable Board decision is obtained to begin construction, the Company and Unity would fund such construction expenditures in accordance with their respective participation in the project. In the event that Unity decides not to participate in the funding of the construction costs, the Company will finance all construction costs and receive an additional 5% participation in the project from Unity.

8. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENSES (continued)

Lemoyne North, Québec

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

9. BANK LOAN

On August 30, 2007 (with various subsequent amendments), the Company entered into a temporary credit facility of up to an amount not exceeding $3,250,000, secured by the Company’s investments in ABCP, to fund working capital requirements. As at December 31, 2008, an amount of $3,197,663 has been drawn on the facility, which bears interest at prime less 1.50% (2.0% as at December 31, 2008) and matures on March 31, 2009. The Company is required to reduce the amount of the outstanding credit facility with any proceeds received from the sale of the ABCP.

As a result of the implementation of the ABCP Plan (note 14), the Company and its lender are in the process of finalizing the required documentation to put in place a proposal received from the lender which would convert the temporary credit facility into two facilities, one with a minimum 2-year term and the other with a minimum 3-year term and which would, subject to certain conditions, limit the Company’s losses to between 25% and 55% of the new notes received in exchange of the ABCP previously held.

10. CAPITAL STOCK

Issued and fully paid

	1st Quarter ended December 31, 2008	
	Number of shares	Amount
Authorized		$
Unlimited number of common shares without par value		
Balance, beginning of period	63,983,039	58,857,010
Issued		
Private placement	16,353,267	4,580,835
Shares in lieu of broker commission	616,330	118,173
Shares as debt settlement	1,416,666	271,661
Share issue costs		
Commissions and other costs		(350,491)
Value of broker warrants		(152,382)
Income tax deductions renounced		(1,241,550)
Balance, end of period	82,369,302	62,083,256

10. CAPITAL STOCK (continued)

Issuance of shares

Private placement

On October 23, 2008, the Company completed a brokered private placement for total gross proceeds of $4,905,980. A total of 13,350,000 flow-through common shares (the "FT Shares") at $0.30 per FT Share and 3,003,267 units (the "Units") at $0.30 per Unit have been issued. Each Unit issued consists of one common share and one non-transferable common share purchase warrant, with each warrant exercisable to acquire one common share at $0.40 per share until October 23, 2010. Proceeds of the private placement were allocated between common shares and share purchase warrants based on their relative fair values. The fair value of the common shares was calculated by using the TSXV Exchange share price on the date of the issuance and the value of the common share purchase warrants was measured based on the Black-Scholes option pricing model. An amount of $325,145 was allocated to such share purchase warrants and was presented as part of contributed surplus. As part of the financing, the Agents elected to receive their 5% cash commission in a combination of $60,400 in cash and 616,330 Units of the Company at a price of $0.30 per unit, with each such unit comprised of one common share of the Company and one non-transferable share purchase warrant entitling the holder to acquire one common share at $0.40 per share until October 23, 2010. These warrants have been recorded at a fair value of $66,726. The Agents also received non-transferable agent's warrants to purchase up to 817,663 common shares of the Company at a price of $0.30 per share until October 23, 2010. These broker warrants have been recorded at a fair value of $152,382.

Share purchase warrants and broker warrants were measured based on the Black-Scholes option pricing model using a risk-free interest rate of 2.12%, an expected life of the warrants of 2 years, an annualized volatility of 122% and a dividend rate of 0%.

At December 31, 2008, an amount of $3,585,604 remains available under the flow-through portion of the private placement to incur eligible Canadian exploration expenses, by December 31, 2009.

On December 31, 2008, in accordance with the flow-through share agreement, the Company has renounced the related tax deductions in an amount of $1,241,550 with a corresponding increase to future income tax recovery.

Debt settlement

On October 22, 2008, the Company entered into an agreement with each of its financial advisors to settle amounts owed to them for fees charged to the Company in connection with the business combination completed on September 16, 2008. In settlement of the amounts owed, totalling $425,000, the Company issued an aggregate of 1,416,666 Units of the Company at a price of $0.30 per unit, with each such unit comprised of one common share of the Company and one non-transferable share purchase warrant entitling the holder to acquire one common share at $0.40 per share until October 23, 2010. These warrants have been recorded at a fair value of $153,339 based on the Black-Scholes option pricing model using a risk-free interest rate of 2.12%, an expected life of the warrants of 2 years, an annualized volatility of 122% and a dividend rate of 0%.

10. CAPITAL STOCK (continued)

Warrants

	1st Quarter ended December 31, 2008
Number of warrants	
Balance, beginning of period	**6,351,633**
Issued	**5,853,926**
Exercised	**-**
Balance, end of period	**12,205,559**

At December 31, 2008, the outstanding number of warrants exercisable into common shares is as follows:

	Number of Warrants Sept 30, 2008	Issued	Exercised	**Number of warrants Dec 31, 2008**	Price per share	Expiry date
					$	
Private placement - October 2007	5,333,333	-	-	**5,333,333**	0.80	2009-04-24
Broker warrants - October 2007	291,900	-	-	**291,900**	0.60	2009-04-24
Acquisition of NFX - January 2007	287,500	-	-	**287,500**	0.80	2009-01-12
Acquisition of NFX - January 2007	438,900	-	-	**438,900**	0.80	2009-02-17
Private placement – October 2008	-	3,003,267	-	**3,003,267**	0.40	2010-10-23
Broker warrants - October 2008	-	817,663	-	**817,663**	0.30	2010-10-23
In lieu of cash commission	-	616,330	-	**616,330**	0.40	2010-10-23
As debt settlement	-	1,416,666	-	**1,416,666**	0.40	2010-10-23
	6,351,633	5,853,926	-	**12,205,559**		

Warrants acquired through the business combination with NFX, for a total of 287,500, expired unexercised on January 12, 2009.

Stock options

During the 1st quarter ended December 31, 2008, the Company granted no stock options (620,000 during the 1st quarter ended December 31, 2007 valued at $181,516). The weighted-average fair value of the options granted in 2007 was estimated at $0.29 per option using an expected time-period of 5 years, a semi-annual risk-free interest rate of 4.02%, a volatility rate of 86% and a 0% dividend factor. The 2007 options will vest until September 2009.

10. CAPITAL STOCK (continued)

Stock options (continued)

The following table sets out the activity in stock options:

Number of Options	1st Quarter ended December 31, 2008
Balance, beginning of period	**5,930,000**
Granted	**-**
Cancelled / expired	**(862,500)**
Balance, end of period	**5,067,500**

Stock option transactions are detailed as follows:

Grant date	Exercise price	Balance, Sept 30, 2008	Cancelled / Expired	**Balance, Dec 31, 2008**	Number of options exercisable	Residual exercise Period
	$					
2008 Stock Option Plan						
Sep 20, 2008	0.70	100,000	-	**100,000**	33,333	4.8 years
NFX Stock Option Plan						
Dec 16, 2005	0.60	112,500	-	**112,500**	112,500	2.0 years
Jan 30, 2006	1.10	350,000	(200,000)	**150,000**	150,000	1.8 years
Aug 17, 2007	0.70	1,225,000	(375,000)	**850,000**	850,000	1.8 years
Sept 19, 2007	0.82	137,500	(37,500)	**100,000**	100,000	1.8 years
Nov 9, 2007	1.60	700,000	(250,000)	**450,000**	450,000	1.8 years
Maximus Stock Option Plan						
Nov 12, 2004	0.24	250,000	**-**	**250,000**	250,000	0.9 years
Aug 31, 2005	0.20	350,000	**-**	**350,000**	350,000	1.7 years
Mar 28, 2006	0.60	100,000	**-**	**100,000**	100,000	2.3 years
Nov 14, 2006	0.64	450,000	-	**450,000**	450,000	2.9 years
Dec 27, 2006	0.80	500,000	-	**500,000**	500,000	3.0 years
Feb 22, 2007	0.70	200,000	-	**200,000**	200,000	3.2 years
May 23, 2007	0.58	100,000	-	**100,000**	100,000	3.4 years
Dec 14, 2007	0.84	310,000	-	**310,000**	310,000	4.0 years
Jan 4, 2008	0.80	400,000	-	**400,000**	400,000	4.0 years
Jan 25, 2008	0.76	212,500	-	**212,500**	212,500	3.9 years
Mar 4, 2008 (1)	0.68	432,500	-	**432,500**	200,000	4.2 years
		5,930,000	(862,500)	**5,067,500**	4,768,333	

10. CAPITAL STOCK (continued)

Stock options (continued)

(1) includes 232,500 stock options granted to two senior executives and an employee of the Company which are subject to specific vesting conditions to be reviewed by the Compensation Committee of the Board, and will not be exercisable prior to a 2008 year-end performance review (note 14); these options will be exercisable for a period of five years at $0.68 per share, the market closing price on the day preceding the grant.

11. RELATED PARTY TRANSACTIONS

During the 1st quarter ended December 31, 2008, the Company paid or accrued administration expenses of $76,243 to Reunion Gold Corporation (2007 - $36,003), a company with a common director and officers, providing administrative services.

The amount due to Reunion Gold Corporation of $31,516 at December 31, 2008 ($83,021 at September 30, 2008) is non-interest bearing and has no specific repayment terms.

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

12. SEGMENTED INFORMATION

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

	December 31, 2008	September 30, 2008
	$	$
Canada	**36,328,621**	35,462,716
United States of America	**1,022,866**	740,967
	37,351,487	36,203,683

13. COMPARATIVE FIGURES

Certain comparative figures provided for the period ended December 31, 2007 have been reclassified to conform to the presentation adopted for the period ended December 31, 2008.

14. SUBSEQUENT EVENTS

Implementation of ABCP Plan

On January 21, 2009, the Pan-Canadian Investors Committee (the “Committee”) announced that the restructuring plan (the “Plan”) affecting $32 billion of the third-party ABCP has been fully implemented. Pursuant to the terms of the Plan, the Company exchanged its short-term ABCP for longer term notes whose maturities match those of the assets previously contained in the underlying conduits.

The Company received new notes of various classes issued by a trust referred to as Master Asset Vehicle 2, including senior notes (Class A1 and A2 notes) in the amount of $2,949,000, which have been assigned an investment grade rating of A by DBRS Limited (“DBRS”) and subordinated Class B and C notes in the amount of $290,000, which have not been rated by DBRS. The Class A1 and A2 notes will pay interest and Class B and C notes will accrue interest with payments to be made only after the Class A1 and A2 notes have been fully repaid. The Company also received $1,545,000 of notes referred to as Ineligible Asset Tracking Notes, which intent is to track the performance and repayment of the related underlying assets in certain conduits that have significant exposure to US residential mortgage market.

Interest on ABCP

On January 23, 2009, the Company received an initial net payment of $207,000 as interest that has accrued on the ABCP between August 2007 and August 31, 2008. Further payments representing interest earned in the ABCP conduits for the period between September 1, 2008 and January 21, 2009 (the closing date of the Plan) are expected to be made as soon as is practicable.

Stock options

On January 30, 2009, the Company’s Board of Directors approved the following stock option grants:

a) confirmed that 217,500 of the 232,500 stock options granted on March 4, 2008 to two senior executives and an employee of the Company pending year-end performance review by the Compensation Committee have become exercisable; these options are exercisable for a period of five years at $0.68 per share, the market closing price on the day preceding the grant; the remaining 15,000 stock options granted on March 4, 2008 will be cancelled;

b) a total of 1,657,500 stock options to directors, officers and consultants of the Company; each stock option is exercisable at a price of $0.275 per share for a period of 5 years from the date of grant; and

c) 615,000 stock options which are subject to specific vesting conditions to be reviewed by the Compensation Committee of the Board, and will not be exercisable prior to a 2009 year-end performance review; these options will be exercisable for a period of five years at $0.275 per share, the market closing price on the day preceding the grant.