



**MANAGEMENT'S DISCUSSION AND ANALYSIS
2ND QUARTER ENDED MARCH 31, 2011**

BEAR LAKE GOLD LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 2ND QUARTER ENDED MARCH 31, 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 May 18, 2011, covers the 2nd quarter ended March 31, 2011 and should be read in conjunction with the unaudited consolidated financial statements and related notes for the 2nd quarter ended March 31, 2011 (the "March 31, 2011 consolidated financial statements"). Readers should also refer to the Company's MD&A for the year ended September 30, 2010 and to its audited consolidated financial statements for the years ended September 30, 2010 and 2009.

The March 31, 2011 consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") following the same accounting policies and methods of computations as the audited consolidated financial statements for the years ended September 30, 2010 and 2009. All financial results are expressed in Canadian dollars unless otherwise indicated.

BUSINESS OVERVIEW

Bear Lake is engaged in the exploration for gold in North America. Its primary assets are (i) a 100% interest in the Bear Lake, Cheminis, Fernland and Barber Larder 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; and (ii) an option from a privately-held company to earn a 60% interest in the Unity property located in Idaho, USA.

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

At March 31, 2011, the Company had \$1,596,203 in cash but will require additional funding within the next 12 months to pursue its exploration activities at the Larder Lake Project and to meet its corporate administrative expenses for at least the next 12 months. Although the Company has been successful in raising funds in the past, there can be no assurance that it will be able to do so in the future.

LARDER LAKE PROPERTY, ONTARIO, CANADA

Exploration activities

The exploration activities at the Larder Lake Property resumed in July 2010. A drilling program consisting of approximately 15,000 meters of diamond drilling is currently being carried-out and focuses mostly on the Bear Lake zone. At the end of March 2011, approximately 13,500 meters was completed in 30 holes, including wedges. All holes have successfully intercepted the carbonate mineralized horizon confirming the presence of gold with various grades reported in the intersections. A few holes could not reach the parallel flow mineralized horizon due to bad ground conditions associated to a fault located between the two mineralized horizons. This fault is not located near the mineralization and only impairs the deeper drilling operations when attempting to cross from one zone to the other. All holes reaching the flow mineralization confirmed the presence of gold with various grades reported in the intersections. The campaign mainly targets the upper part of the Bear Lake zone, at depths of between 400m and 1,100m from surface, with the objective of defining and expanding the higher grade mineralized lenses, including both the carbonate and flow-type mineralized horizons. The Company expects to complete a National Instrument 43-101 ("NI 43-101") compliant resource on the Bear Lake zone by the end of June 2011.

Prior to the resumption of the drilling program in July 2010, the Company undertook to complete a geologic re-interpretation of the Bear Lake zone. The Company continues to believe that the Bear Lake area represents a significant gold discovery. The drilling campaign that is currently underway aims to test the validity of the revised geologic model and investigate the potential extent and grade of mineralization of this discovery.



During the 2nd quarter ended March 31, 2011, the Company incurred expenditures of \$936,102 (\$1,871,849 during the six-month period ended March 31, 2011) on the Larder Lake Property compared to \$23,053 during the 2nd quarter ended March 31, 2010 (\$94,049 during the six-month period ended March 31, 2010), during which period activities at the property were suspended.

In early 2011, the Company contracted P&E Mining Consultants Inc. ("P&E") of Brampton, Ontario to verify the validity of the historic drilling data and complete an NI 43-101 compliant mineral resource estimate on the Cheminis mineralized zone located some 2 Km west of the Bear Lake zone. 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 600m strike length and a 900m down dip extension. Resources are reported using a 2.5 g/t gold cutoff and a minimal true thickness of 2.0 m. Indicated resources were established at 335,000 tonnes at 4.07 g/t gold for 43,800 ounces of gold and inferred resources were established at 1,391,000 tonnes at 5.22 g/t gold for 233,400 ounces of gold.

Option agreement on the Swansea property

The Company, Newstrike Resources Ltd. ("Newstrike") and Odyssey Resources Limited ("Odyssey") had entered into an option agreement dated October 22, 2010 (the "Option") under which Odyssey had the option to acquire a 25% interest in the Swansea property in Northeastern Ontario (the "Property") by spending \$1.1 million on the Property by March 31, 2011. Bear Lake and Newstrike respectively own an interest of 75% and 25% in the Property. A drilling program of approximately 9,350 meters was completed by mid-December 2010, with Bear Lake as operator of the program, and a cumulative amount of \$1,071,293 was spent on this project. Given that no significant gold values were reported in any of the drill holes, Odyssey determined not to pursue the program and in March 2011 advised the owners that it was terminating the option agreement.

Emergency order

The Emergency Order issued by the Ontario Ministry of Northern Development, Mines and Forestry ("MNDMF") on December 4, 2009 to five companies, including Bear Lake, was lifted in April 2010. The five companies, which hold claims in the McGarry Township, in the area where the Upper and Lower Kerr Mine Tailings Ponds are located were proponents to the Emergency Order. The MNDMF had found that a dam and spillway located on a claim which is not held by the Company were in need of immediate repair. In light of this situation, the MNDMF undertook to design and construct a temporary spillway, which work had been completed by the end of March 2010. In April 2010, the MNDMF confirmed to each of the five companies that their obligations under the Emergency Order had thus been cancelled but that the costs for the work conducted by the MNDMF constituted a debt due to the Crown by the five companies. The MNDMF is also looking to the five companies for a plan and schedule indicating how and when the mine hazards associated with the Upper and Lower Kerr Mine Tailings Ponds will be rehabilitated. The Company believes that it does not have any liability related to the dam and spillway referred to in the Emergency Order, on the basis that these are located on property owned and controlled by others. The Company has been conducting appropriate preventive work on its claims and has informed the MNDMF of the work done by the Company. At this time, the Company cannot estimate the potential cost for dealing with this issue. Expenses in the amount of \$7,340 and \$15,966 were incurred respectively during the 2nd quarter and the six-month period ended March 31, 2011 regarding this matter. Such expenses include mainly technical consulting fees.

UNITY PROJECT, IDAHO, USA

In July 2007, the Company entered into an option agreement (with amendment dated April 2009) with Unity GoldSilver Mines Inc. (a privately-held company) ("Unity") to earn a 60% interest in the Unity property located in Idaho, USA. To earn its interest, the Company must incur US \$1,000,000 in exploration and development work (an amount of US \$1,029,481 has been spent as at March 31, 2011) and complete a positive feasibility study by February 16, 2012. The Company did not incur any exploration costs on this property during the 2nd quarter and six-month period ended March 31, 2011. There is no assurance that the Company will have the funds available to complete a feasibility study by February 2012 and exercise the option.



QUALIFIED PERSON

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

Repayment of Credit Facilities Subsequent to March 31, 2011

On April 6, 2011, following the exercise of a put option, the Company transferred to its lender the ownership of all of the ineligible MAV III notes that it held (see *MAV II and III Notes and Credit Facilities* section) in full payment of the principal amount then owing under the Second Credit Facility. On April 29, 2011, the Company sold all of its eligible MAV II notes for proceeds of \$2,416,850, which amount was applied to fully repay the principal amount then owing under the First Credit Facility. The Company will record during the 3rd quarter ended June 30, 2011 a gain from the settlement of the Credit Facilities of approximately \$160,000.



MINERAL PROPERTY AND EXPLORATION EXPENSES

Mineral property and exploration expenses are detailed as follows:

	March 31, 2011		September 30, 2010	
	\$		\$	
Mineral properties				
Larder Lake, Ontario, Canada	9,303,421		9,303,421	
Unity, Idaho, USA	126,598		126,598	
	9,430,019		9,430,019	
Exploration expenses	2nd quarter ended March 31		Six-months ended March 31,	
	2011	2010	2011	2010
	\$		\$	
Larder Lake, Ontario, Canada				
Contractors and consultants	26,134	600	47,485	22,171
Drilling and assaying	734,178	-	1,509,847	18,890
Geology	1,215	-	1,215	480
Labour	111,958	8,075	216,224	15,674
Administration	50,776	14,378	83,898	36,660
Title and claim management	11,841	-	13,180	174
	936,102	23,053	1,871,849	94,049
Hope Bay, Nunavut, Canada (a)				
Contractors and consultants	-	-	-	4,511
Administration	-	-	-	106,739
	-	-	-	111,250
Grand total	936,102	23,053	1,871,849	205,299

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



SELECTED CONSOLIDATED FINANCIAL INFORMATION

	March 31,		September 30,	
	2011		2010	
	\$		\$	
Balance Sheets				
Cash and cash equivalents	1,596,203		3,406,876	
Investments (1)	3,257,526		3,163,640	
Credit facilities	3,421,703		3,434,217	
Mineral properties and deferred exploration expenses	22,971,867		21,100,018	
Total assets	29,860,202		29,704,249	
Shareholders' equity	25,451,010		25,772,946	
	2nd quarter ended March 31,		Six-months ended March 31,	
	2011		2011	
	2010		2010	
			\$	
			\$	
Operations				
Administration and other expenses	247,995	288,045	875,859	513,920
Interest income	(12,728)	(1,514)	(23,806)	(3,805)
Interest expense	16,694	9,805	34,170	19,952
Settlement of class-action and other related costs	-	169,353	-	298,255
Gain on sale of marketable securities	-	-	-	(1,383)
Unrealized loss (gain) on marketable securities	(5,000)	6,500	(6,250)	5,000
Part XII.6 tax on flow-through financing	362	-	362	-
Fair value adjustment of investments	(30,000)	(260,000)	(106,400)	(410,000)
Net loss	(217,323)	(212,189)	(773,935)	(421,939)
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	(0.00)
Cash flows				
Operating activities	(233,253)	(322,783)	(358,375)	(780,112)
Investing activities	(877,016)	8,231	(1,439,784)	4,667
Financing activities	(6,118)	240,602	(12,514)	234,449

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

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



Going concern 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. However, certain conditions may lend significant doubt as to the appropriateness of the going concern assumption. Specifically, i) the Company has not yet found a mineral property containing mineral deposits that are economically recoverable; ii) the Company has incurred a loss in the current and prior period and has an accumulated deficit of \$49,940,276 at March 31, 2011 (\$49,166,341 at September 30, 2010); and iii) the Company does not have sufficient funds to pursue its exploration activities at the Larder Lake Property and meet its corporate administrative expenses for the next 12 months. However, 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.

At March 31, 2011, the Company had \$1,596,203 in cash but will require additional funding within the next 12 months to pursue its exploration activities at the Larder Lake Project and to meet its corporate administrative expenses for at least the next 12 months. Although the Company has been successful in raising funds in the past, there can be no assurance that it will be able to do so in the future.

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

	2 nd quarter ended March 31,		Six-months ended March 31,	
	2011	2010	2011	2010
Administration and other expenses			\$	\$
Stock-based compensation	95,294	6,738	393,932	14,830
Other remuneration	63,291	89,699	155,529	185,703
Management and administration	40,043	48,368	85,585	102,389
Professional fees	1,802	26,778	147,285	58,875
Office	21,760	47,497	49,163	79,552
Transfer agent and filing fees	17,397	20,817	23,321	21,778
Shareholder communications and travel	748	4,351	4,437	6,133
Other property costs	7,340	42,935	15,966	42,935
Depreciation	320	862	641	1,725
	247,995	288,045	875,859	513,920

During the 2nd quarter ended March 31, 2011, the Company reported a net loss of \$217,323 (nil per share) compared to a net loss of \$212,189 (nil per share) during the comparative period in 2010. During the six-month period ended March 31, 2011, the Company reported a net loss of \$773,935 (\$0.01 per share) compared to a net loss of \$421,939 (nil per share) during the comparative period in 2010. The significant changes in the 2011 periods compared to 2010 are as follows:

- Expenses totaled \$247,995 during the 2nd quarter ended March 31, 2011 compared to \$288,045 during the same period ended March 31, 2010; higher remuneration in 2011 is mainly related to stock-based compensation expenses of \$95,294 incurred during the 2nd quarter ended March 31, 2011 due to the Company having granted 5,250,000 stock options in October 2010, of which 973,333 vested at that time, compared to nil stock options granted during the 2nd quarter ended March 31, 2010. The increased remuneration was offset by lower professional fees, office costs and other property costs in 2011 compared to 2010. During the comparative period in 2010, legal fees were incurred in relation to the Emergency Order and a statement of claim initiated by a former supplier of the Company.



- Interest income totaled \$12,728 during the 2nd quarter ended March 31, 2011 (\$23,806 during the six-month period ended March 31, 2011) compared to \$1,514 during the 2nd quarter ended March 31, 2010 (\$3,805 during the six-month period ended March 31, 2010); the higher income in 2011 results from higher cash balances following the private placement that was completed in June 2010.
- Interest expense on the Company's bank loans totaled \$16,694 during the 2nd quarter ended March 31, 2011 (\$34,170 during the six-month period ended March 31, 2011) compared to \$9,805 during the 2nd quarter ended March 31, 2010 (\$19,952 during the six-month period ended March 31, 2010); the average bank loan during the six-month period ended March 31, 2011 totaled \$3.4 million at a cost of capital of 2% compared to an average bank loan of \$3.3 million during the comparative period in 2010, during which time the cost of capital was 1.25%.
- In April 2010, the Company announced that an agreement in principle had been reached to settle the class-action suit brought against the Company and certain of its current and former officers and directors. As part of the settlement, the Company agreed to pay an amount of \$200,000. Settlement and other related costs of \$169,353 and \$298,255, net of insurance proceeds, were charged to operations during the 2nd quarter and the six-month periods ended March 31, 2010, respectively. Other related costs included mostly legal and technical consulting fees.
- As discussed in the *MAV II and III Notes and Credit Facilities* section, the Company recorded during the 2nd quarter ended March 31, 2011 an impairment recovery of \$30,000 on investments held (\$106,400 during the six-month period ended March 31, 2011) compared to a recovery of \$260,000 during the 2nd quarter ended March 31, 2010 (a recovery of \$410,000 during the six-month period ended March 31, 2010).



Selected quarterly financial information

Period ended	Revenues	Net loss	Net loss per share
	\$000	\$000	\$
March 31, 2011	12.7	217.3	0.00
December 31, 2010	11.1	556.6 (1)	0.01
September 30, 2010	7.2	5,994.6 (2)	0.05
June 30, 2010	1.5	354.2 (3)	0.00
March 31, 2010	1.5	212.1 (4)	0.00
December 31, 2009	2.3	209.8 (5)	0.00
September 30, 2009	8.9	11,914.5 (6)	0.14
June 30, 2009	5.6	132.1	0.00

- (1) Includes a fair value recovery of \$76,400 on investments and a stock based compensation expense of \$322,788.
- (2) Includes a valuation recovery of \$260,000 on investments and a write-down of mineral properties and deferred exploration expenses of \$5,885,792.
- (3) Includes a fair value adjustment on investments of \$50,000.
- (4) Includes settlement and other related expenses of \$169,353 and a valuation recovery of \$260,000 on investments held.
- (5) Includes investigation-related expenses of \$128,902 and a valuation recovery of \$150,000 on investments held.
- (6) Includes a write-down of mineral properties of \$15,266,700, income tax recovery of \$3,836,454 and investigation-related expenses of \$346,191.

MAV II and III Notes and Credit Facilities

On March 31, 2011, the Company held investments in Master Asset Vehicles II and III ("MAV II and III"), which had initially been invested in Canadian third-party asset-backed commercial paper ("ABCP"). At March 31, 2011, the Company estimated the fair value of the MAV II and III notes held to be \$3,257,526. The fair value of these notes was established by estimating discounted future cash flows for each category of notes held, using discount rates of between 3.0% and 17.3% (discount rates of between 5.0% and 16.6% at September 30, 2010), by taking into account that the Company has the option to transfer to its lender on or after April 6, 2011 the ownership of the ineligible notes in payment of the principal amount then owing under the Second Credit Facility, by estimating that certain notes will pay interest at a rate of 0.5% less than the bankers' acceptance rate and by considering the best available market data. This estimation of fair value resulted in a fair value recovery adjustment of \$30,000 for the 2nd quarter ended March 31, 2011 compared to a fair value recovery adjustment of \$260,000 during the 2nd quarter ended March 31, 2010 (a recovery adjustment of \$106,400 during the six-month period ended March 31, 2011 compared to a recovery of \$410,000 during the six-month period ended March 31, 2010). A variation of 1% in discount rates would impact the fair value of investments by approximately \$34,000.

On April 6, 2009, the Company, through its wholly-owned subsidiary Maximus Ventures Ltd. ("Maximus"), entered into two credit facility agreements to fund working capital requirements following the liquidity disruption that affected the Canadian third-party ABCP market. The term facilities, which bear interest at prime less 1%, subject to the respect of certain conditions, are available initially for 2 and 3-year periods, respectively and under certain conditions can each be further extended to a total period of 7 years. The first Credit Facility (initially available for a 3-year period and extended on March 29, 2011 to April 6, 2013) was made available in two tranches. The tranche A facility is secured by the Company's investments in those eligible notes held and the tranche B facility is secured by those eligible notes held as well as a general security interest in the universality of all of Maximus' assets. The second Credit Facility (initially available for a 2-year period) is secured by the Company's investments in those ineligible notes held.



Cash proceeds from the sale of the MAV II and III notes are automatically applied, at that time, to the amount of the outstanding related borrowings. During the 2nd quarter and the six-month period ended March 31, 2011, the Company received amounts of \$6,118 and \$12,514 respectively as partial redemption of some of the notes held. These amounts were applied as a reduction of the related borrowings.

On April 6, 2011, following the exercise of a put option, the Company transferred to its lender the ownership of all of the ineligible MAV III notes that it held in full payment of the principal amount then owing under the Second Credit Facility. On April 29, 2011, the Company sold all of its eligible MAV II notes for proceeds of \$2,416,850, which amount was applied to fully repay the principal amount then owing under the First Credit Facility. The Company will record during the 3rd quarter ended June 30, 2011 a gain from the settlement of the Credit Facilities of approximately \$160,000.

Liquidity and capital resources

The Company had a working capital of \$569,231 at March 31, 2011 compared to a working capital of \$2,995,527 at September 30, 2010. During the 2nd quarter ended March 31, 2011, the Company had a negative operating cash flow of \$233,253 and it disbursed a total of \$883,134 related to its mineral properties. The Company reimbursed an amount of \$6,118 from the amounts due under the credit facilities from the proceeds received from the partial redemption of some of the notes held under its investments in MAV II and III.

At March 31, 2011, the Company had cash and cash equivalents of \$1,596,203 and will require additional funding within the next 12 months to pursue its exploration activities at the Larder Lake Project and to meet its corporate administrative expenses for at least the next 12 months. Although the Company has been successful in raising funds in the past, there can be no assurance that it will be able to do so in the future.

The Company's exploration activities at the Larder Lake Property have considerable scope for flexibility in terms of the amount and timing of exploration expenditures.

Flow-through funds

As part of a non-brokered private placement completed in June 2010, the Company had raised a total amount of \$2,341,120 in flow-through funds. These funds, which are being used to incur Canadian Exploration Expenses on the Larder Lake Property, are to be expended by December 31, 2011. At March 31, 2011, all flow-through funds have been expended.



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 March 31, 2011, total loans and shareholders' equity was \$28,872,713 (September 30, 2010 - \$29,207,163).

The Company's properties are currently in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and will need to raise additional funds. 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 2nd quarter ended March 31, 2011. The Company is not subject to any externally imposed capital requirements at March 31, 2011. The Company expects that its current capital resources will be sufficient to discharge its current liabilities as at March 31, 2011.

Off-balance sheet arrangements

As of March 31, 2011, the Company has no off-balance sheet arrangements.

Related party transactions

During the 2nd quarter and the six-month period ended March 31, 2011, the Company paid or accrued administration expenses of \$27,237 and \$54,564 respectively to Reunion Gold Corporation (\$49,614 and \$89,835 during the comparative periods in 2010), a company with a common director and management, providing administrative services. During the 2nd quarter and the six-month period ended March 31, 2011, the Company also paid or accrued consulting fees of \$4,500 and \$19,000 respectively (nil during the same periods ended March 31, 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. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, amounts receivable, investments, accounts payable and accrued liabilities and long-term debt. Other than marketable securities, investments and long-term debt, the fair value of these financial instruments approximates their carrying value given that they will mature shortly. The fair value of investments was determined by using the discounted cash flow method, as fully described in the *MAV II and III Notes and Credit Facilities* section. The fair value of long-term debt is estimated to be equal to book value due to the variable nature of the interest rate on the loans. A plus or minus 10% change in the value of the marketable securities would affect earnings by approximately \$2,050 (\$1,425 at September 30, 2010).



CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

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

Progress to date

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

The following areas have been identified as having the highest potential impact on the Company's financial reporting: accounting for exploration costs, accounting for stock-based compensation, impairment of long-lived assets, accounting for flow-through financings, disclosure and presentation, and the provisions related to the initial adoption of IFRS under IFRS 1 *First Time Adoption of IFRS* ("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 costs. The Company's policy under Canadian GAAP has been to capitalize all exploration costs. Management initially planned to continue to follow the same accounting policy under IFRS, however it is now considering the option of expensing exploration costs incurred, with a final determination to be made prior to September 30, 2011. The impact of such a change would be that greater amounts would be expensed through the Consolidated Statement of Operations. As this change must be applied on a retroactive basis, if adopted, amounts previously capitalized under Canadian GAAP would be written off and charged to deficit as at October 1, 2010. The Company is in the process of identifying and quantifying any such costs capitalized.

Accounting for stock-based compensation

The guidance provided by IFRS 2 *Share Based Payments* ("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 will need to account for its awards using the attribution method. Currently, the Company records forfeitures as they occur, however upon transition to IFRS, the Company will be required to make an estimate of the forfeiture rates for use in the determination of the total share based compensation expense. These changes will result in a difference in valuation of the stock-based awards and timing differences for the recognition of compensation expenses.

Impairment of long-lived assets

Under Canadian GAAP, impairment testing of long-lived assets is based on a two-step approach. Estimated undiscounted cash flows arising from the use of the asset group are compared with the carrying amount of the assets to determine whether impairment exists. If impairment exists, the second step is to determine the amount of impairment to be recognized by comparing the carrying amount with the discounted cash flows and recording the excess as an impairment loss. Under IAS 36 *Impairment of Assets* ("IAS 36"), a one-step approach is applied whereby the carrying amount of the asset group is compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This approach may produce an impairment loss where one would not have otherwise been recognized in cases where the undiscounted cash flows are higher than the carrying amount of the assets. Further, under IAS 36 there is a requirement to reverse previously recognized impairment losses in certain instances where circumstances have changed such that the impairments have been reduced. Canadian GAAP does not allow for the reversal of impairment losses under any circumstances. The Company will adopt IAS 36 upon conversion to IFRS.

Accounting for flow-through financings

Flow-through shares are a unique Canadian income tax incentive, which are subject to specific guidance under Canadian GAAP with no equivalent IFRS guidance. Under Canadian GAAP, the entire proceeds received on the issuance of flow-through shares is credited to share capital. At the time of the renunciation of the tax deductions related to the resource expenditure for income tax purposes, temporary taxable differences are created and a deferred income tax liability is recorded, and the related charge is treated as share issue costs. Current discussions in Canada tend to suggest that an approach similar to the US-based method would be adopted for IFRS purposes. Under this approach, issuance of flow-through shares is accounted for similarly to the issuance of a compound financial instrument. The liability represents the obligation to revert the tax benefit to the investors. Proceeds from the issuance of shares by flow-through private placements are allocated between shares issued and this liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and the remaining amount is allocated to liability. The Company is in the process of quantifying the impact of adopting this approach in accounting for flow-through financings under IFRS.



IFRS 1: First-Time Adoption of IFRS

As part of its implementation of IFRS, the Company will be required to comply with IFRS 1 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 May 18, 2011, the Company has:

- a) 110,223,879 common shares issued and outstanding;
- b) 16,789,022 share purchase warrants outstanding with exercise prices ranging from \$0.25 to \$0.40 per share, expiring between June 2011 and June 2012; and
- c) 9,421,000 stock options outstanding with exercise prices ranging from \$0.24 to \$0.84 and expiring between November 2011 and October 2015.

FINANCIAL RISK FACTORS

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk and interest rate risk. Where material, these risks are reviewed by the Board of Directors.

Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instrument fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash and cash equivalents, accounts receivable and investments. To mitigate exposure to credit risk, the Company has revised its policy to limit the concentration of credit risk, to ensure counterparties demonstrate minimum acceptable worthiness, and to ensure liquidity of available funds. The Company's cash and cash equivalents is held with major Canadian financial institutions. The Company's investments are exposed to credit risk as fully described in the *MAV II and III Notes and Credit Facilities* section.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. At March 31, 2011, the Company's working capital totals \$569,231 (\$2,995,527 at September 30, 2010). Accounts payable and accrued liabilities of \$975,719 at March 31, 2011 (\$485,316 at September 30, 2010) are due within the next 12 months. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.



Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balances is to invest excess cash in highly liquid, low-risk, short-term interest-bearing investments with maturities of 180 days or less from the original date of acquisition. The Company is also exposed to interest rate changes on its investments that are expected to pay interest. The Company's exposure to interest rate risks arising from its investments is fully described in the *MAV II and III Notes and Credit Facilities* section. The long-term debt bears interest at a floating rate and therefore, the Company is exposed to the cash flow risks resulting from interest rate fluctuations. Based on the amount outstanding under the credit facility at March 31, 2011, a plus or minus 1% change in the prime lending rate would affect earnings by approximately \$34,000 over a 12-month period.

Trends

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

OTHER RISKS AND UNCERTAINTIES

Litigation risks

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

The Company cannot predict the timing of development and outcome in these matters.

Exploration and mining risks

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

Financial risk

The Company has no history of earnings. The Company's projects are in the exploration stage only. The Company does not expect to receive revenues from operations in the foreseeable future, if at all. The Company expects to incur losses until such time as its projects or any other properties the Company may acquire enter into commercial production and generate sufficient revenues to fund its continuing operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be on terms acceptable to the Company. Failure to obtain such additional financing could result in



delay or indefinite postponement of further exploration and development of the Company's properties with the possible loss of the Company's interest in such properties.

Risk on uncertainty of title

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

Environmental risk

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

Gold price volatility

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

Permits and licences

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

Competition and agreements with other parties

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

Conflicts of interest

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



FORWARD LOOKING STATEMENTS

This MD&A may contain forward-looking information, within the meaning of Canadian securities laws. Forward-looking information does not relate to historical facts; it reflects the current internal projections, expectations or beliefs of management of the Company based on information available to them as of the date of this MD&A and is subject to a number of known and unknown risks and uncertainties beyond the Company's control. These include, without limitation, uncertainties related to: the ability to raise sufficient funds to conduct exploration programs and meet its earn-in commitments, potential mineralization on its exploration projects, exploration results, completion of work programs in a timely manner and on acceptable terms, the outcome of the requests made by the MNDMF in relation with the previously issued emergency order issued by the MNDMF and future plans and objectives of the Company. Resource exploration, development and operations are highly speculative, characterized by a number of significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral resources but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. There can be no assurance that such forward looking information will prove to be accurate and actual results could differ materially from those suggested by these forward-looking information for various reasons discussed from time to time in filings made by the Company with securities regulatory authorities.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A has been prepared as at May 18, 2011. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR (www.sedar.com).