

BEAR LAKE GOLD LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 1ST QUARTER ENDED DECEMBER 31, 2009

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Bear Lake Gold Ltd. ("Bear Lake" or the "Company") dated February 22, 2010, covers the 1st quarter ended December 31, 2009 and should be read in conjunction with the unaudited consolidated financial statements and related notes for the 1st quarter ended December 31, 2009 (the "December 31, 2009 consolidated financial statements"). Readers should also refer to the Company's MD&A for the year ended September 30, 2009 and to its audited consolidated financial statements for the years ended September 30, 2009 and 2008.

The December 31, 2009 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 consolidated financial statements for the years ended September 30, 2009 and 2008. 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, (ii) an option to earn a 75% interest from Hope Bay Mining Ltd. (a subsidiary of Newmont Mining Corporation) in two groups of claims located on the Hope Bay gold belt located in Nunavut, and (iii) 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.

The Company has limited funds and it is actively defending itself against the class action lawsuit described in its public disclosure documents. The Company's ability to raise additional funds may be impacted by, among others, its ability to resolve its legal issues and the strength of the capital markets. As a result, the Company has suspended all exploration activity and taken steps to minimize expenditures wherever possible. The Company will continue to vigorously defend itself against the lawsuit. However, the timing and potential cost of a resolution cannot be determined at this time.

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) given that the Company has not yet found a mineral property containing mineral deposits that are economically recoverable, the Company has not generated any income or cash flows from operations and at December 31, 2009, had an accumulated deficit of \$42,605,436; ii) the uncertainties related to the class-action suit filed against the Company and others following the announcement in July 2009 of technical data inconsistencies on the Larder Lake Property and the potential loss exposure to the Company, which amount cannot be estimated at this time; iii) following the uncovering of the technical data inconsistencies in July 2009, the Company suspended all operations at the Larder Lake Property and as at this date has not yet recommenced such operations; iv) the Company is required to spend an additional amount of \$2,000,000 on the Hope Bay Project by October 31, 2010 in order to earn a 75% interest in the property; and v) based on current available liquidities, the Company has insufficient cash resources to undertake an exploration program on any of its exploration properties.

At December 31, 2009, the Company had \$1,018,739 in available liquidities, including cash of \$757,943 and an amount of \$260,796 available under its credit facilities. While it has sufficient cash to meet all of its current commitments, the Company will require additional funding within the next 12 months to meet its earn-in commitment under the option agreement for the Hope Bay Project, to resume its exploration programs at Larder Lake, and to meet its corporate administrative expenses for the same period. While the Company has been successful in raising funds in the past, there can be no assurance that adequate funding will be available in the future, or available under terms favorable to the Company.

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

Class-action lawsuit

A class action lawsuit was filed on August 25, 2009 in the Ontario Superior Court of Justice against the Company and certain of its current and former officers and directors, alleging certain misrepresentations were made during the period from July 18, 2006 to July 28, 2009 regarding Bear Lake's Larder Lake project. The lawsuit seeks general and special damages in the amount of \$20 million and punitive damages in the amount of \$5 million. The lawsuit is in an early stage and as a result, the Company is unable to estimate a potential loss exposure at this time and has not recorded any loss provision related to this matter. The plaintiffs will need to seek leave or permission of the court to bring the class action under Secondary Market Disclosure provisions of the Securities Act. The Company is vigorously defending itself and its assets.

Larder Lake Property, Ontario, Canada

Exploration activities at the Larder Lake Property were suspended on July 17, 2009, as soon as the data inconsistencies were uncovered, and have not yet recommenced.

During the 1st quarter ended December 31, 2009, the Company incurred expenditures of \$70,996 on the Larder Lake Property, compared to \$861,070 during the comparative period in 2008. Following the suspension of its activities, the Company has taken steps to minimize its expenditures as much as possible. Expenditures in the 1st quarter ended December 31, 2009 include assaying costs related to the three (3) holes completed immediately preceding the suspension of activities, contracting and administration costs.

Emergency Order

The Ontario Ministry of Northern Development, Mines and Forestry ("MNDMF") issued an Emergency Order on December 4, 2009 to five companies, including Bear Lake, with claims in McGarry Township, in the area where the Upper and Lower Kerr Mine Tailings Ponds are located. The MNDMF has found that a dam and spillway on a claim which is not held by the Company is in need of immediate repair. The Company believes that it does not have any liability related to this matter, on the basis that the affected dam and spillway are located on property owned and controlled by others. The Company is nevertheless cooperating with the MNDMF on this matter. At this time, the Company cannot estimate the potential cost for dealing with this issue, but it does not believe that it will be significant.

Outlook

Based on the results from the technical investigation completed in November 2009 (which results were made public in a press release dated November 3, 2009), the Company believes that the Bear Lake area represents a significant gold discovery for the Company and that additional drilling is warranted to fully investigate the potential extent and grade of mineralization.

The Company would like to resume its activities at Larder Lake as soon as possible. In order to do so, the Company will need to raise additional funds. The Company's ability to raise such additional funds may be impacted, by among others, its ability to resolve the class action lawsuit and the strength of the capital markets.

The Company is working on a 3D geologic re-interpretation based on the restated results (as established by Scott Wilson Roscoe Postle Associates and presented in a press release dated November 3, 2009) and is planning a drilling program which could commence as soon as additional funds become available. Should the Company be able to raise enough funds to initiate a drilling program, the program would mainly focus on the definition and expansion of the Bear Lake zone with the objective of completing a 43-101 compliant resource estimation as soon as sufficient data is available. Also, some drilling would investigate additional targets identified along the 13km trend along the Cadillac-Larder Lake break on its property. The Company is keeping its claims in good standing.

Hope Bay Project, Nunavut, Canada

Under the terms of an option and joint venture agreement dated September 10, 2004 between the Company and Hope Bay Mining Ltd. ("HB Mining"), the Company can earn a 75% interest in the Chicago and Twin Peaks groups of claims in the Hope Bay gold belt in Nunavut by funding cumulative minimum exploration expenditures of \$7,250,000 by October 31, 2010. During the option period, exploration work at Hope Bay is performed by HB Mining under work programs and budgets prepared by HB Mining and approved by the Company.

During the 1st quarter ended December 31, 2009, the Company incurred deferred exploration expenditures of \$111,250 on the Hope Bay Project, compared to nil in 2008. A cumulative amount of \$5,307,781 had been spent as at October 31, 2009, satisfying the requirement of the Company to have incurred a minimum amount of \$5,250,000 by October 31, 2009, in accordance with the option agreement on the Hope Bay Project.

The Company will need to spend an additional \$2,000,000 in 2010 to meet its obligations under the option agreement and become vested in the project. Planned exploration work at Hope Bay in 2010 would concentrate on the Twin Peaks/Discovery target to investigate the potential for greater volume of mineralization associated to the combination of lithologic contact and favorable structures. There is no assurance that the Company will have the funds to meet its spending obligations.

Unity Project, Idaho, USA

On July 31, 2007, the Company had 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 and complete a positive feasibility study by February 16, 2012. At December 31, 2009, the Company had incurred a cumulative amount of \$973,686 on the Unity Project. Although the program completed to date confirmed the presence of gold-bearing veins, the results were not conclusive and a follow-up drilling program targeting the gold-rich veins at depth is being planned and may be executed in the summer of 2010. There is no assurance that the Company will have the funds to meet its spending obligations.

Qualified Person

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

Mineral property and exploration expenses are detailed as follows:

	December 31, 2009 \$	September 30, 2009 \$
Mineral properties (1)		
Larder Lake, Ontario, Canada	9,303,421	9,303,421
Hope Bay, Nunavut, Canada	575,000	575,000
Unity, Idaho, USA	105,946	98,129
	9,984,367	9,976,550
Exploration expenses		
	1st quarter ended December 31, 2009 \$	1st quarter ended December 31, 2008 \$
Larder Lake, Ontario, Canada		
Contractors and consultants	21,571	62,404
Drilling and assaying	18,890	670,072
Geology	480	14,205
Labour	7,599	54,421
Management and administration	22,282	59,968
Title and claim management	174	-
	70,996	861,070
Hope Bay, Nunavut, Canada		
Contractors and consultants	4,511	-
Drilling and assaying	-	-
Management and administration	106,739	608
	111,250	608
Unity, Idaho, USA		
Contractors and consultants	-	4,608
Drilling and assaying	-	248,868
Geology	-	9,219
Labour	-	3,227
Management and administration	-	5,389
	-	271,311
Grand total	182,246	1,132,989

(1) Amounts presented are net of a Write-down of mineral properties of \$15,200,000 charged to operations during the year ended September 30, 2009, due to share-based payments made in prior years at a time when the Company's share price was trading at significantly higher levels. Of the total Write-down of mineral properties, an amount of \$14,700,000 was attributable to the Larder Lake Property and an amount of \$500,000 was attributable to the Hope Bay Project.

Selected Consolidated Financial Information

	December 31, 2009	September 30, 2009
	\$	\$
Balance Sheets		
Cash	757,943	1,224,989
Investments (1)	2,957,374	2,846,797
Bank loan	3,218,978	3,225,131
Mineral properties and deferred exploration expenses	26,366,804	26,176,741
Total assets	32,172,203	32,639,182
Shareholders' equity	28,656,458	28,858,116
	1 st quarter ended	
	December 31, 2009	December 31, 2008
	\$	\$
Operations		
Administration expenses	225,875	251,644
Interest income	(2,291)	(17,682)
Interest expense	10,147	15,690
Investigation-related expenses	128,902	-
Gain on sale of marketable securities	(1,383)	-
Unrealized loss (gain) on marketable securities	(1,500)	177,820
Impairment charge (recovery) on investments	(150,000)	443,000
Net loss	<u>(209,750)</u>	<u>(870,472)</u>
Basic and diluted loss per share	(0.00)	(0.01)
Cash flows		
Operating activities	(399,937)	(48,965)
Investing activities	(60,956)	(2,195,283)
Financing activities	(6,153)	6,235,119

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

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

Results of Operations

During the 1st quarter ended December 31, 2009, the Company reported a net loss of \$209,750 (nil per share) compared to a net loss of \$870,472 (\$0.01 per share) during the comparative period in 2008. The significant changes in the period compared to 2008 are as follows:

- Administrative expenses totaled \$225,875 in 2009 compared to \$251,644 in 2008; the decrease in expenses is mostly attributable to lower management and administration, office, travel and shareholder communication expenses following steps taken by the Company during the 4th quarter of 2008 to significantly reduce its corporate administration costs, including lowering its management and administration expenses paid to Reunion Gold Corporation.
- Interest income totaled \$2,291 in 2009 compared to \$17,682 in 2008; the lower income in 2009 results from lower cash balances and lower returns on liquidities held.
- Interest expense on the Company's bank loans totaled \$10,147 during the 1st quarter ended December 31, 2009 compared to \$15,690 during the corresponding period in 2008; the average bank loan during the 1st quarter ended December 31, 2009 totaled \$3.2 million at a cost of capital of 1.25% compared to an average bank loan of \$2.5 million during the comparative period in 2008, during which time the cost of capital was 2.48%.
- The Company incurred investigation-related expenses of \$128,902 during the 1st quarter ended December 31, 2009 (nil during the comparative period in 2008) following the uncovering of certain data inconsistencies at the Larder Lake Project in July 2009. These expenses include mostly legal and technical consulting fees and wages.
- The Company realized a gain of \$1,383 during the 1st quarter ended December 31, 2009, following the sale in November 2009 of all of the shares that the Company held in Eloro Resources Ltd, for net proceeds of \$185,118. An unrealized gain on marketable securities of \$1,500 (representing the difference in fair value of marketable securities held between September 30, 2009 and December 31, 2009) was recorded during the 1st quarter ended December 31, 2009 compared to an unrealized loss of \$177,820 during the comparative period in 2008.
- As discussed in *MAV II and III Notes and ABCP* section, the Company recorded during the 1st quarter ended December 31, 2009 a valuation recovery of \$150,000 on investments held compared to an impairment charge of \$443,000 during the 1st quarter ended December 31, 2008.

Selected Quarterly Financial Information

Period ended	Revenues (\$000)	Net earnings	Net earnings
		(loss) (\$000)	(loss) per share (\$)
December 31, 2009	2.3	(209.8) ⁽¹⁾	(0.00)
September 30, 2009	8.9	(11,914.5) ⁽²⁾	(0.14)
June 30, 2009	5.6	(132.1)	(0.00)
March 31, 2009	8.5	(603.3) ⁽³⁾	(0.01)
December 2008	17.7	(870.5) ⁽⁴⁾	(0.01)
September 2008	0.9	(696.5) ⁽⁵⁾	(0.02)
June 30, 2008	6.4	(321.2)	(0.01)
March 31, 2008	21.2	(765.2) ⁽⁶⁾	(0.02)

- (1) Includes investigation-related expenses of \$128,902 and a valuation recovery of \$150,000 on investments held.
- (2) 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.
- (3) Includes stock-based compensation cost of \$447,719, an unrealized gain on marketable securities of \$11,707 and a future income tax recovery of \$74,856.
- (4) Includes an impairment charge on ABCP of \$443,000 and an unrealized loss on marketable securities of \$177,820.
- (5) Includes stock-based compensation cost of \$206,228, an impairment charge on ABCP of \$100,000 and an unrealized loss on marketable securities of \$94,130.
- (6) Includes an impairment charge on ABCP of \$200,000.

MAV II and III Notes and ABCP

On December 31, 2009, 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").

An amount of \$33,270 was received in November 2009, representing the final tranche of interest earned on the ABCP. This amount was accounted for as a reduction of the Company's investments. In October 2009, the Company also received an amount of \$6,153 as partial redemption of the MAV III Class 34 tracking notes. This amount was applied as a reduction of the related notes.

At December 31, 2009, the Company estimated the fair value of the MAV II and III notes held to be \$2,957,374. 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 17.6% (discount rates of between 3.0% and 17.4% at September 30, 2009), 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 of \$150,000 for the 1st quarter ended December 31, 2009 (an impairment charge of \$443,000 for the 1st quarter ended December 31, 2008). A variation of 1% in discount rates would impact the fair value of investments by approximately \$139,000.

There are currently no market quotations available for the MAV II and III notes. Therefore, there is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with these notes. Since the fair value of the MAV II and III notes held is determined based on the Company's assessment of market conditions as at December 31, 2009, the fair value reported may change materially in subsequent periods.

Credit Facilities

On May 12, 2009, the Company, through its wholly-owned subsidiary Maximus Ventures Ltd. ("Maximus"), entered into two credit facility agreements with its lender, for a total loan amount of \$3,510,833, in replacement of the temporary bank loan that had been entered into in August 2007 to fund working capital requirements following the liquidity disruption that affected the Canadian third-party ABCP market. The term facilities, which bear interest at prime less 1%, subject to the respect of certain conditions, are available initially for 2 and 3-year periods, respectively and under certain conditions can each be further extended to a total period of 7 years.

A portion of the credit facilities, in the amount of \$2,543,961, is secured solely by the related investments held in the MAV II and III notes described above and the remaining amount of \$966,872 is secured by the related investments held in the MAV II and III notes as well as a general security interest in the universality of all of the assets of Maximus, including its 60% share in the Larder Lake Property. Cash proceeds from the sale of the MAV II and III notes are automatically applied, at that time, to the amount of outstanding borrowings.

In October 2009, the Company received a total amount of \$6,153 as partial redemption of the MAV III Class 34 tracking notes. This amount was applied as a reduction of the second Credit Facility. At December 31, 2009, an amount of \$260,796 remains available under the second Credit Facility.

Liquidity and Capital Resources

The Company had a working capital of \$638,117 at December 31, 2009 compared to a working capital of \$1,121,583 at September 30, 2009.

During the 1st quarter ended December 31, 2009, the Company had a negative operating cash flow of \$399,937, it received proceeds of \$185,188 from the sale of all of the shares that it held in Eloro Resources Ltd. and it received an amount of \$39,423 related to its investments, of which \$33,270 represent the Company's final tranche of net interest earned on the ABCP and \$6,153 consist of proceeds from the partial redemption of the MAV III Class 34 tracking notes, and it disbursed a total of \$285,497 related to its mineral properties.

At December 31, 2009, the Company had available liquidities of \$1,018,739 (consisting of cash of \$757,943 and an amount of \$260,796 available under its credit facilities) to settle its current trade liabilities in the amount of \$284,997. Given its limited financial resources, the Company's ability to continue funding its exploration programs (including the necessity to spend an additional amount of \$2,000,000 on the Hope Bay Project by October 31, 2010 in order to earn a 75% interest in the property and to resume its exploration activities at the Larder Lake Project) and to meet its corporate and administrative obligations (including costs and expenses related to the lawsuit as well as potential damages which may be awarded, if any) is dependent on the Company's ability to obtain 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 Company's ability to resolve its legal issues and the strength of the capital markets. While the Company has been successful in the past in obtaining required financing, there can be no assurance that the Company will be able to access such financing or that it will be available on acceptable terms.

Capital Management

The Company defines capital that it manages as debt facilities and shareholders' equity. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. As long as the Company is in the exploration and development stages of its mining properties, it is not the intention of the Company to contract debt obligations to finance its work programs, except in exceptional circumstances, as has occurred in the case of contracting credit facilities secured by the Company's investments. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. As at December 31, 2009, total loans and shareholders' equity [managed capital] was \$31,875,436 (September 30, 2009 - \$32,083,247).

The Company invests all capital not required for its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major financial institutions.

The Company's exploration properties are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out exploration work, the Company will need to raise additional funds. Until it is in a position to raise such funds, management has taken decisions to minimize discretionary disbursements and to reduce or eliminate exploration expenditures that are of limited strategic value.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the 1st quarter ended December 31, 2009.

The Company is not subject to any externally imposed capital requirements at December 31, 2009. The Company expects that its current capital resources will be sufficient to discharge its current liabilities as at December 31, 2009.

Off-Balance Sheet Arrangements

As of December 31, 2009, the Company has no off-balance sheet arrangements.

Related Party Transactions

During the 1st quarter ended December 31, 2009, the Company paid or accrued administration expenses of \$49,614 (\$76,243 in 2008) to Reunion Gold Corporation, a company with a common director and management, providing administrative services and equipment.

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

Financial Instruments

The Company's financial instruments at December 31, 2009 consist of cash, marketable securities, amounts receivable, investments, accounts payable and accrued liabilities and long-term debt. Other than marketable securities, investments and long-term debt, the fair value of these financial instruments approximates their carrying value given that they will mature shortly. The fair value of investments was determined by using the discounted cash flow method, as fully described in the *MAV II and III Notes and ABCP* section. The fair value of long-term debt is estimated to be equal to book value due to the variable nature of the interest rate on the loans. A plus or minus 10% change in the value of the marketable securities would affect earnings by approximately \$3,200.

Changes in Accounting Policies

There were no changes made to the accounting policies followed by the Company during the 1st quarter ended December 31, 2009.

Conversion to International Financial Reporting Standards

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2011 filing, comparative financial statements in accordance with IFRS for the three months ended December 31, 2010.

The Company has developed an IFRS implementation plan to prepare for this transition. To date, the Company has completed an assessment of the key areas where changes to current accounting policies may be required. Analysis will be required for all current accounting policies, but the initial key areas of assessment include:

- Exploration and development expenditures;
- Property, plant and equipment (measurement and valuation);
- Provisions, including asset retirement obligations;
- Accounting for joint ventures;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the IFRS implementation plan will also be addressed including: the implication of changes to accounting policies, processes or financial statement note disclosures on information technology, internal controls, contractual arrangements and employee training. 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 during the year ended September 30, 2009
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives.	Throughout the year ended September 30, 2010
Assessment of first-time adoption (IFRS 1) requirements and alternatives.	Throughout the year ended September 30, 2010
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives.	Period from July 1, 2010 to December 31, 2010
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements.	Period from July 1, 2010 to December 31, 2010
Management and employee education and training.	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies.	Period from July 1, 2010 to December 31, 2010

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

Outstanding Share Data

As at February 22, 2010, the Company has:

- a) 90,085,270 common shares issued and outstanding;
- b) 10,041,898 share purchase warrants outstanding with exercise prices ranging from \$0.30 to \$0.40 per share, expiring by June 2011; and
- c) 6,820,000 stock options outstanding with exercise prices ranging from \$0.20 to \$1.60 and expiring between August 2010 and January 2014.

Financial Risk Factors

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

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. At December 31, 2009, the Company's working capital totals \$638,117 and the Company has available an amount of \$260,796 under its credit facilities. Current liabilities of \$284,997 are due within the next 12 months. Given its limited financial resources (the Company has available liquidities of approximately \$800,000 as at February 22, 2010), the Company's ability to continue funding its exploration programs (including the necessity to spend an additional amount of \$2,000,000 on the Hope Bay Project by October 31, 2010 in order to earn a 75% interest in the property and to resume its exploration activities at the Larder Lake Project) and to meet its corporate and administrative obligations (including costs and expenses related to the lawsuit as well as potential damages which may be awarded, if any) is dependent on the Company's ability to obtain 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 Company's ability to resolve its legal issues and the strength of the capital markets.

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, 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 is held with major Canadian financial institutions. The Company's investments are exposed to credit risk as fully described in the *MAV II and III Notes and ABCP* section.

Currency risk

The Company has limited exposure to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates, as the amount of expenditures in foreign currency is not significant (approximately US \$7,500 (\$7,922) during the 1st quarter ended December 31, 2009). The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As at December 31, 2009, financial assets include cash of US \$30,392 (\$31,942) and financial liabilities include accounts payable and accrued liabilities of US \$5,000 (\$5,255).

Interest rate risk

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

The Company's policy as it relates to its cash balances is to invest excess cash in highly liquid, low-risk, short-term interest-bearing investments (such as banker's acceptances, term deposits, guaranteed investment certificates or treasury bills) with maturities of 180 days or less from the original date of acquisition. The Company is also exposed to interest rate changes on its investments that are expected to pay interest. The Company's exposure to interest rate risks arising from its investments is fully described in the *MAV II and III Notes and ABCP* section.

The credit facility bears interest at a floating rate. Based on the amount outstanding under the credit facility at December 31, 2009, a plus or minus 1% change in the prime lending rate would affect earnings by approximately \$32,190 over a 12-month period.

Trends

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

Other Risks and Uncertainties

Litigation risks

The Company is named as a defendant in a class action lawsuit filed by certain shareholders of the Company. The Company cannot assure that it will be successful in defending the claim, that judgment will not be entered against it or that the Company will have the funds to cover such judgment. If the action against the Company is successful, the Company may be subject to significant damages. The Company is incurring significant expenses defending the lawsuit. The Company is also the object of an Emergency Order by the Ontario Ministry of Northern Development, Mines and Forestry. Although the Company is denying any liability, the Company cannot estimate the potential cost for dealing with this issue. 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. Given the nature of capital market demand for speculative investment opportunities, the negative effect of the data inconsistencies on the Company and the class action lawsuit that ensued against the Company, there is no assurance that additional financing will be available at all or available on terms acceptable to the Company. There are currently no markets for the restructured notes received in exchange of the ABCP. Therefore, there is a significant amount of uncertainty in estimating the amount and the timing of cash flows that the Company may be able to receive from the disposal of these restructured notes.

Risk on uncertainty of title

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

Environmental risk

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

Gold Price Volatility

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

Permits and licences

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

Competition and Agreements with Other Parties

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

Conflicts of Interest

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

Forward Looking Statements

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

Additional Information and Continuous Disclosure

This MD&A has been prepared as at February 22, 2010. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR (www.sedar.com) and on the Company's website (www.bearlakegold.com).