

## BEAR LAKE GOLD LTD.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 3<sup>RD</sup> QUARTER ENDED JUNE 30, 2009

*The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Bear Lake Gold Ltd. dated August 24, 2009, covers the three and nine-month periods ended June 30, 2009 and should be read in conjunction with the unaudited consolidated financial statements and related notes for the three and nine-month periods ended June 30, 2009 (the "June 30, 2009 consolidated financial statements"). Readers should also refer to the Company's MD&A for the year ended September 30, 2008 and the consolidated financial statements for the years ended September 30, 2008 and 2007.*

*The June 30, 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, 2008 and 2007, except for the application of the modifications made to the General Standards of Financial Statement Presentation, as more fully described in the section entitled Changes in Accounting Policies.*

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

**On September 16, 2008, NFX Gold Inc. ("NFX") and Maximus Ventures Ltd. ("Maximus") completed a business combination pursuant to a plan of arrangement (the "Transaction"). On the same day, NFX changed its name to Bear Lake Gold Ltd. ("Bear Lake" or the "Company"). Since Maximus has been identified as the acquirer for accounting purposes, the consolidated financial statements of Bear Lake are a continuation of the consolidated financial statements of Maximus, with the comparative information being that of Maximus.**

**On September 23, 2008, Bear Lake proceeded with the consolidation of its share capital on a two-for-one basis. This consolidation resulted in each shareholder of the Company receiving one post-consolidation share for every two pre-consolidation common shares held. The number of shares, warrants and options as well as earnings per share data presented in this MD&A have all been adjusted to reflect the impact of this share consolidation.**

#### **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. During the three and nine-month periods ended June 30, 2009, the Company's activities have been focused on exploring its Larder Lake gold project.

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

#### **Data Inconsistencies related to the Larder Lake Property**

On July 21, 2009, the Company announced that it had become aware of material inconsistencies regarding the Company's exploration data that appear to compromise the Company's prior reporting of exploration results in respect of the Company's Larder Lake Property. These matters were uncovered on Friday, July 17, 2009, when InnovExplo Inc., the independent technical consulting firm engaged by the Company to complete a resource estimation of the Bear Lake zone and draft a National Instrument 43-101 technical report in respect of the Larder Lake Property, detected certain data inconsistencies and raised its concerns with senior management of the Company. Upon learning of these matters, the Company immediately commenced an investigation, both

internally and externally with the assistance of InnovExplo Inc. Given the nature of these matters, the Company has retained Scott Wilson Roscoe Postle Associates (“Scott Wilson RPA”) to lead the technical investigation and Stikeman Elliott LLP to lead the legal aspects of the investigation and to advise the Board.

Based on the information available to date, it appears that the data inconsistencies are of a serious nature and the Company believes that the reporting of corrected assay results may result in significant reductions of gold values for some of the previously announced drilling intercepts. This situation may have a material adverse effect on the Company’s business, financial condition and results of operations and may affect the Company’s ability to continue financing the exploration and development of its projects.

The Company’s Board of Directors has established a Technical Committee to supervise the investigation, review internal technical procedures and make recommendations to the Board of Directors. The investigation will address, among other things, the extent of the time frame over which the inconsistencies occurred.

Scott Wilson RPA has commenced its investigation, which includes a review of the history of communication of assay results, the history of entering of assay results into the database and past processes for data verification, an overall review of the Company’s past QA/QC protocols and a review of past protocols relating to sampling, sample security, handling and transportation of samples to and from the laboratories. The investigation is expected to involve a comprehensive review of assay certificates, site visits and visits to laboratories. The investigation will also include a review of drill core logs and photographs, independent sampling of core and, if necessary, re-assaying of rejects, pulps and core and re-drilling some selected intervals. Scott Wilson RPA will also review, verify and, if possible, validate a sample database and examine the drill hole data to determine which information can be used to direct future exploration at the Larder Lake Property. At this time the Company is unable to determine how long the technical investigation by Scott Wilson RPA will take or when further information regarding this investigation will be available.

All operations at the Larder Lake Property have been suspended while the investigation continues.

The Company will assess the impact of these data inconsistencies on the carrying value of the Larder Lake Property once the complete results from the investigation become available.

### ***Exploration Activities***

During the 3<sup>rd</sup> quarter ended June 30, 2009, the Company incurred deferred exploration expenditures of \$1,339,441 (of which \$1,329,298 was incurred on the Larder Lake Property in Ontario), compared to \$1,341,445 during the corresponding quarter in 2008. During the nine-month period ended June 30, 2009, the Company incurred deferred exploration expenditures of \$3,882,822 (of which \$3,592,811 was incurred on the Larder Lake Property), compared to \$3,311,063 during the corresponding period in 2008. Of the total amount in deferred exploration expenditures incurred during the 3<sup>rd</sup> quarter ended June 30, 2009, \$1,184,745 was spent on drilling and assaying.

### **Larder Lake Project, Ontario, Canada**

During the 3<sup>rd</sup> quarter ended June 30, 2009, the Company completed a total of 8,498 meters of drilling. Since the beginning of the Company’s financial year in October 2008 and up to the end of July 2009, 27 holes totaling 18,672 meters of diamond drilling have been completed at Larder Lake, most of which investigated the Bear Lake gold zone. All operations have been suspended while the investigation continues at the Larder Lake Project (see section *Data inconsistencies related to the Larder Lake Property*).

### **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 \$5,250,000 by October 31, 2009 (of which \$4,371,190 has been spent as at June 30, 2009) and \$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. No work was done on the Hope Bay project during the three and nine-month periods ended June 30, 2009. On July 3, 2009, the Company advanced an amount of \$750,000 to HB Mining for exploration work to be performed in July and August 2009. This work will test promising gold targets in the Twin Peaks/Discovery area.

### **Unity Project, Idaho, USA**

On July 31, 2007, the Company entered into an option agreement with Unity GoldSilver Mines Inc. (a privately-held company) (“Unity”) to earn a 60% interest in the Unity property located in Idaho, USA. The term of the option agreement and other provisions were amended in April 2009 to take into account “force majeure” conditions that occurred from July to October 2007, resulting in the Company’s inability to access the property following forest fires, and the longer than anticipated delays in obtaining required permitting. 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 June 30, 2009, the Company had incurred a cumulative amount of \$957,320 on the Unity Project. On March 27, 2009, the Company reported in a press release results from the 2008 drilling program carried out 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 could be executed in the summer of 2010.

### **Lemoyne North, Québec**

In April 2009, after reviewing all available data, the Company terminated its option to acquire a 50% interest in the Lemoyne North, Horseshoe, Taïga and Taïga West properties.

## Selected Consolidated Financial Information

	June 30, 2009	September 30, 2008
	\$	\$
<b>Balance Sheets</b>		
Cash and cash equivalents (bank overdraft)	3,689,170	(35,289)
Investments (1)	2,718,409	3,434,386
Bank loan	2,932,454	1,702,932
Mineral properties and deferred exploration expenses	40,121,533	36,203,683
Total assets	48,783,415	42,209,505
Shareholders' equity	41,879,041	35,452,397

	3 <sup>rd</sup> Quarter ended June 30,		Nine-months ended June 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Administration expenses	204,235	187,028	690,285	720,147
Stock-based compensation cost	76,078	140,597	528,821	545,669
Interest income	(5,623)	(6,390)	(31,798)	(52,192)
Interest expense	6,260	-	33,146	-
Loss (gain) on marketable securities	(32,623)	-	133,490	-
Impairment charge (recovery) on investments (1)	(53,588)	-	389,412	300,000
Future income tax recovery	(62,666)	-	(1,454,906)	(1,569,520)
<b>Net earnings (loss)</b>	<b>(132,073)</b>	<b>(321,235)</b>	<b>(288,450)</b>	<b>55,896</b>
<b>Basic and diluted earnings (loss) per share</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>(0.00)</b>	<b>0.00</b>
<b>Cash flows</b>				
Operating activities	(205,695)	(187,358)	(546,996)	(775,497)
Investing activities	(1,105,034)	(1,403,701)	(3,958,391)	(2,736,276)
Financing activities	2,044,368	226,090	8,229,846	3,353,423

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

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

## Going Concern 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 substantial 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 June 30, 2009, had an accumulated deficit of \$29,163,733; ii) technical data inconsistencies on the Larder Lake Property were uncovered on July 17, 2009 (see section *Data inconsistencies related to the Larder Lake Property*) and based upon the results of the investigation to date it appears that the data inconsistencies are of a serious nature and the Company believes that the reporting of corrected assay results may result in significant reductions of gold values for some of the previously announced drilling intercepts; iii) following the uncovering of the technical data inconsistencies, the Company has suspended all operations at the Larder Lake Property while the investigation continues; iv) the Company is committed to spending \$680,336 on Canadian exploration expenditures by December 31, 2009 as a result of a flow-through financing completed in October 2008, which amount may be allocated to the Hope Bay project to satisfy the Company's earn-in commitments by October 31, 2009; and v) based on current available liquidities, the Company may not have sufficient cash resources to meet its expenditures for the next 12 months.

At June 30, 2009, the Company had \$4,267,549 in available liquidities (including cash of \$3,689,170 and an amount of \$578,379 available under its credit facilities). While it has sufficient cash to meet all of its current commitments and the estimated costs related to the on-going investigation, the Company will require additional funding within the next 12 months to meet its earn-in commitment under the option agreements for the Hope Bay and Unity projects, to resume, if warranted, its planned or revised exploration programs at Larder Lake once the investigation is completed, 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.

## Results of Operations

During the 3<sup>rd</sup> quarter ended June 30, 2009, the Company reported a net loss of \$132,073 (nil per share) compared to a net loss of \$321,235 (\$0.01 per share) during the corresponding period in 2008. For the nine month period ended June 30, 2009, the Company incurred a loss of \$288,450 (nil per share) compared to net earnings of \$55,896 (nil per share) in 2008.

Administrative expenses (including stock-based compensation) totaled \$280,313 during the 3<sup>rd</sup> quarter ended June 30, 2009 compared to \$327,625 during the comparative period in 2008; the decrease in expenses is mainly attributable to lower stock-based compensation partially offset by higher labor costs and professional fees. During the nine-month period ended June 30, 2009, administrative costs totaled \$1,219,106 compared to \$1,265,816 during the corresponding period in 2008; the decrease in expenses is mainly attributable to lower stock-based compensation cost.

Interest income totaled \$5,623 during the 3<sup>rd</sup> quarter ended June 30, 2009 compared to \$6,390 during the corresponding period in 2008, due to lower returns earned in 2009 compared to 2008. During the nine-month period ended June 30, 2009, interest income totaled \$31,798 compared to \$52,192 in 2008.

Interest expense of \$6,260 related to the temporary credit facility was incurred during the 3<sup>rd</sup> quarter ended June 30, 2009 (nil during the comparative period) and \$33,146 during the nine-month period ended June 30, 2009 (nil in 2008). The average bank loan during the 3<sup>rd</sup> quarter in 2009 totaled \$3.0 million at a cost of capital of 0.8% and during the nine-month period ended June 30, 2009, the average bank loan totaled \$2.6 million at a cost of capital of 1.7%.

An unrealized gain on marketable securities of \$32,623 (representing the difference in fair value of marketable securities held between March 31, 2009 and June 30, 2009) was recorded during the 3<sup>rd</sup> quarter ended June 30, 2009 compared to nil during the comparative period in 2008. During the nine-month period ended June 30, 2009, the Company recorded an unrealized loss on marketable securities of \$133,490 (nil in 2008).

An impairment recovery of \$53,588 on investments in MAV II and III was recorded during the 3<sup>rd</sup> quarter ended June 30, 2009, compared to nil during the corresponding period in 2008. An impairment charge against the value of investments held in an amount of \$389,412 was recorded during the nine-month period ended June 30, 2009 (\$300,000 during the comparative period in 2008) (see more detailed discussion under the *MAV II and III Notes and ABCP* section).

The Company recorded a future income tax recovery of \$62,666 during the 3<sup>rd</sup> quarter ended June 30, 2009 based on its estimated pre-tax loss for the period compared to nil in the corresponding period in 2008. Following the renouncement to flow-through share subscribers of eligible exploration expenditures in the amount of \$4,005,000 at December 31, 2008, the Company recorded at that date, in accordance with applicable accounting policies, a future income tax recovery of \$1,241,550 (\$1,569,520 during the comparative period in 2007 on the renouncement to flow-through share subscribers of \$4,600,000 in eligible exploration expenditures) with a corresponding decrease to capital stock. A future income tax recovery of \$213,356 was also recorded during the nine-month period ended June 30, 2009, based on the loss incurred during that period and applied against the future income tax liability.

#### Selected Quarterly Financial Information

Period ended	Revenues (\$000)	Net earnings	Net earnings
		(loss) (\$000)	(loss) per share (\$)
June 30, 2009	5.6	(132.1)	(0.00)
March 31, 2009	8.5	(603.3) <sup>(1)</sup>	(0.01)
December 2008	17.7	446.9 <sup>(2)</sup>	0.01
September 2008	0.9	(696.5) <sup>(3)</sup>	(0.02)
June 30, 2008	6.4	(321.2)	(0.01)
March 31, 2008	21.2	(765.2) <sup>(4)</sup>	(0.02)
December 31, 2007	24.6	1,142.4 <sup>(5)</sup>	0.03
September 30, 2007	19.5	(1,835.5) <sup>(6)</sup>	(0.07)

(1) 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.

(2) Includes an impairment charge on ABCP of \$443,000, an unrealized loss on marketable securities of \$177,820 and a future income tax recovery of \$1,317,384.

(3) 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.

(4) Includes an impairment charge on ABCP of \$200,000.

(5) Includes an impairment charge on ABCP of \$100,000 and a future income tax recovery of \$1,569,520.

(6) Includes a write-down of deferred exploration expenses and mineral properties of \$855,228 and an impairment charge on ABCP of \$950,000.

### ***MAV II and III Notes and ABCP***

On January 21, 2009, the Plan of Compromise and Arrangement (the "Plan") related to the Canadian third-party ABCP was fully implemented. As part of the Plan, the Company received on that date new notes of various classes for a total nominal amount of \$4,784,000, issued by trusts referred to as MAV II and III, including senior notes (Class A-1 and A-2 notes) in the amount of \$2,949,000 and subordinated Class B and C notes in the amount of \$289,000. It is anticipated that the Class A-1 and A-2 notes will pay interest and Class B and C notes will accrue interest with payments to be made only after the Class A-1 and A-2 notes have been fully repaid. The Company also received \$1,546,000 of notes referred to as Ineligible Asset Tracking Notes, within MAV II and MAV III, the intent of which is to track the performance and repayment of the related underlying assets in certain conduits that have significant exposure to US residential mortgage market. The maturity date of these notes has been extended to provide for a maturity similar to that of the underlying assets. On January 21, 2009, the MAV II Class A-1 and A-2 notes had been assigned an investment grade rating of A by DBRS Limited ("DBRS") and the Class B and Class C and Tracking notes had not been rated. On April 24, 2009, DBRS placed the MAV II Class A-2 notes under review and on August 11, 2009 downgraded the MAV II Class A-2 notes to BBB (low) and maintained the rating under review. On April 23, 2009, the Company received an amount of \$65,977 as partial redemption of the MAV III Class 34 tracking notes and applied this amount as a reduction of the related investment.

At June 30, 2009, the Company estimated the fair value of these notes to be \$2,718,409. The fair value of the MAV II and III notes that it holds was established by estimating discounted future cash flows for each category of notes expected to be received (using discount rates of between 5.0% and 15.0%), 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 total impairment charge of \$2,000,000 at June 30, 2009, which amount had been fully accounted for in prior periods. A total amount of \$260,588 was received in February and April 2009, representing the Company's portion of net interest earned on the ABCP for the period from August 2007 to January 21, 2009. This amount was accounted for as a reduction of the Company's investments. A variation of 1% in discount rates would impact the fair value of investments by approximately \$140,000.

### ***Credit Facilities***

On August 30, 2007 (with subsequent amendments), as a result of the ABCP situation described above, the Company entered into a temporary credit facility of \$3,250,000, secured by the Company's investments in the restructured ABCP, to fund working capital requirements. As at June 30, 2009, the Company had drawn an amount of \$2,932,454 from the facility, which bears interest at prime less 1.50%.

Following the implementation of the ABCP Plan, on May 12, 2009, the Company, through Maximus, entered into two credit facility agreements with its lender, for a total loan amount of \$3,510,833, in replacement of the temporary credit facility described above. The term facilities, which bear interest at prime less 1% subject to 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. Cash proceeds from the sale of the MAV II and III notes will automatically be applied, at that time, to the amount of outstanding borrowings. On July 3, 2009, the Company provided a notice of borrowing to its lender in the amount of \$3,250,000. Consequently, amounts outstanding under the temporary bank loan were reimbursed on that day and replaced with an amount outstanding under the first Credit Facility of \$2,417,180 and under the second Credit Facility of \$832,820.

## Liquidity and Capital Resources

The Company had a working capital of \$2,608,358 at June 30, 2009 compared to a working capital deficiency of \$3,338,763 at September 30, 2008 (including an outstanding amount under the temporary credit facility of \$3,155,122). The amount due under this facility was excluded from working capital at June 30, 2009 as it was reclassified as a long-term debt following the entering into of the 2 and 3-year period credit facilities in replacement of the temporary bank loan.

During the 3<sup>rd</sup> quarter ended June 30, 2009, the Company had a negative operating cash flow of \$205,695, it received an amount of \$119,565 related to its investments, of which \$53,588 represent the Company's portion of net interest earned on the ABCP for the period from September 1, 2008 to January 21, 2009 and \$65,977 consist of proceeds from the partial redemption of the MAV III Class 34 tracking notes, and it invested a total of \$1,224,599 on its mineral properties.

On June 4, 2009, the Company completed a bought deal private placement for gross proceeds of \$2,500,000 (the "Offering"). A total of 7,575,758 units (the "Units") at \$0.33 per Unit were issued. Each Unit issued consists of one common share and one-half of one common share purchase warrant, with each whole warrant exercisable to acquire one common share of the Company at \$0.40 per share until June 4, 2011, subject to the Company's right to accelerate the expiry of the warrants if the closing price of the common shares on the TSX Venture Exchange exceeds \$0.50 for twenty consecutive trading days at any time after four months and one day from closing of the Offering. Primary Capital Inc., Dundee Securities Corporation and PI Financial Corp. (collectively, the "Agents") acted as agents for the Offering. At closing, the Agents received a total cash commission of \$175,000 and non-transferable broker warrants entitling the Agents to purchase up to 530,303 Units of the Company at a price of \$0.33 per Unit until June 4, 2011. Each Unit issuable upon exercise of the broker warrants will have the same terms as the Units of the Offering.

On October 23, 2008, the Company completed a brokered private placement for gross proceeds of \$4,905,980. A total of 13,350,000 flow-through common shares (the "FT Shares") at \$0.30 per FT Share and 3,003,267 units (the "Units") at \$0.30 per Unit have been issued. Each Unit issued consists of one common share of Bear Lake and one non transferrable common share purchase warrant, with each warrant exercisable to acquire one common share at \$0.40 per share until October 23, 2010. The agents elected to receive their 5% commission in a combination of \$60,400 in cash and 616,330 Units. The agents also received a total of 817,663 non-transferrable warrants to purchase up to 817,663 common shares of the Company at a price of \$0.30 per share until October 23, 2010.

On October 22, 2008, the Company entered into an agreement with each of its financial advisors to settle amounts owed to them for fees charged to the Company in connection with the Transaction completed on September 16, 2008. In settlement of the amounts owed, totalling \$425,000, the Company issued an aggregate of 1,416,666 Units at a price of \$0.30 per Unit.

At June 30, 2009, the Company had available liquidities of \$4,267,549 (consisting of cash and cash equivalents of \$3,689,170 and an amount of \$578,379 available under its credit facilities) to settle its current trade liabilities in the amount of \$1,392,204. The Company is also committed to spending \$680,336 on Canadian exploration expenditures by December 31, 2009 as a result of a flow-through financing completed in October 2008, which amount may be allocated to the Hope Bay project to satisfy the Company's earn-in commitments by October 31, 2009. Although the Company will have sufficient liquidities, taking into account additional proceeds to be received from the amended credit facilities, to meet its commitments and corporate administrative expenses for several months, it will need to raise additional funds to continue its exploration programs and to meet its on-going corporate and administrative obligations. The amount and timing of additional funding may be affected by, among other factors, the result of the on-going investigation on the Larder Lake exploration data and the strength of the capital markets. Although 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.

The Company's short-term treasury is invested in highly liquid, low risk, interest-bearing investments with maturities of 30 days or less. The Company has no cash flow generating operation and 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, 180-day and 360-day lookout periods.

The Company's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to its shareholders. As long as the Company is in the exploration and development stages of its mining properties, it is not the intention of the Company to contract debt obligations to finance its work programs, except in exceptional circumstances, as has occurred in the case of contracting a credit facility to partially offset the impact of the ABCP situation, as described above. In the past, the Company has relied mostly on equity financing to meet its cash requirements and it will continue to rely on equity financing to fund its exploration activities. The Company's long-term financial success is highly dependent on management's ability to discover economically viable deposits and to obtain additional financing to fund the development of such deposits.

### **Off-Balance Sheet Arrangements**

As of June 30, 2009, the Company has no off-balance sheet arrangements.

### **Related Party Transactions**

During the 3<sup>rd</sup> quarter and the nine-month period ended June 30, 2009, the Company paid or accrued administration expenses of \$62,784 and \$201,811, respectively (\$74,658 and \$185,191, respectively in 2008) to Reunion Gold Corporation, a company with a common director and officers.

An amount of \$8,586 was due to Reunion Gold Corporation at June 30, 2009 compared to \$83,021 at September 30, 2008. Amounts due to Reunion Gold Corporation are non-interest bearing and have no specific repayment terms.

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

### **Book Value of Mining Properties**

At the end of each period, management reviews the carrying value of its resource properties to determine whether any write-down is necessary. Following this analysis, no write-down was deemed necessary as at June 30, 2009.

### **Changes in Accounting Policies**

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

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

In January 2009, the Emerging Issues Committee ("EIC") issued **Abstract EIC-173, Credit Risk and the Fair Value of Financial Assets and Liabilities**. This Abstract is to be applied retrospectively, without restatement, to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The Company has taken into account the consensus reached in this Abstract effective October 1, 2008.

On March 27, 2009, the EIC- issued **Abstract EIC-174, Mining Exploration Costs** regarding the capitalization and impairment of exploration costs. This Abstract is to be applied to all financial statements issued after March 27, 2009. The Company has taken into account the consensus reached in this Abstract effective January 1, 2009.

### **International Financial Reporting Standards ("IFRS")**

On February 13, 2008, the CICA's Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ending December 31, 2011.

#### *IFRS implementation plan*

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is currently in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all current accounting policies, the initial key areas of assessment will include: exploration and development expenditures; property, plant and equipment (measurement and valuation); provisions, including asset retirement obligations; stock-based compensation; and accounting for income taxes.

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication to changes to accounting policies and processes, financial statement note disclosures; internal controls; contractual arrangements; and employee training. In light of existing IFRS applicable to companies in the exploration stage, the Company does not anticipate significant changes to its existing accounting policies.

### **Financial Instruments**

The Company's financial instruments at June 30, 2009 consist of cash and cash equivalents, marketable securities, amounts receivable, deposits, investments in MAV II and III notes, accounts payable and accrued liabilities, due to a related party and long-term debt. Other than marketable securities and investments in MAV II and III notes, the fair value of these financial instruments approximates their carrying value. Other than investments in MAV II and III notes and long-term debt, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company's exposure to interest and credit risks arising from its investments in MAV II and III notes is fully described in note 6 to the June 30, 2009 consolidated financial statements. A plus or minus 10% change in the value of the marketable securities would affect earnings by approximately \$15,600. A plus or minus 1% change in the prime lending rate would affect earnings by approximately \$29,300 over a 12-month period.

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 during the 3<sup>rd</sup> quarter ended June 30, 2009). The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

## **Outstanding Share Data**

As at August 24, 2009, the Company has:

- a) 89,955,060 common shares issued and outstanding;
- b) 10,172,108 share purchase warrants outstanding with exercise prices ranging from \$0.30 to \$0.40 per share, expiring by June 2011; and
- c) 7,277,500 stock options outstanding with exercise prices ranging from \$0.20 to \$1.60 and expiring between November 2009 and January 2014.

## **Risks and Uncertainties**

### 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, there is no assurance that additional financing will be available at all or available on terms acceptable to the Company. In addition, the current economic downturn and global credit crisis has made access to capital even more difficult. 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 investigation on data inconsistencies related to the Larder Lake Property, potential mineralization, exploration results, completion of work program, ability to raise sufficient funds to complete 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, 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 August 24, 2009. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Company's web site ([www.bearlakegold.com](http://www.bearlakegold.com)).