



BEAR LAKE GOLD LTD.
(an exploration stage company)

CONSOLIDATED FINANCIAL STATEMENTS

For the 2nd Quarter ended March 31, 2011

(Unaudited – in Canadian dollars)

BEAR LAKE GOLD LTD.
(an exploration stage company)

Notice to Reader

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

Bear Lake Gold Ltd.
(an exploration stage company)
Consolidated Balance Sheets

	March 31, 2011 (unaudited)	September 30, 2010 (audited)
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	1,596,203	3,406,876
Marketable securities	20,500	14,250
Amounts receivable	68,176	66,191
Short-term portion of investments (Notes 3 and 14)	3,257,526	985,619
Prepaid expenses and deposits	24,248	30,951
	4,966,653	4,503,887
Investments (Notes 3 and 14)	-	2,178,021
Reclamation bond	3,040	3,040
Plant and equipment (Note 4)	1,918,642	1,919,283
Mineral properties (Note 5)	9,430,019	9,430,019
Deferred exploration expenses (Note 5)	13,541,848	11,669,999
	29,860,202	29,704,249
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	975,719	485,316
Short-term portion of long-term debt (Notes 6 and 14)	3,421,703	1,023,044
	4,397,422	1,508,360
Long-term debt (Notes 6 and 14)	-	2,411,173
Minority interest	11,770	11,770
	4,409,192	3,931,303
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	66,768,663	66,768,663
Contributed surplus	8,622,623	8,170,624
Deficit	(49,940,276)	(49,166,341)
	25,451,010	25,772,946
	29,860,202	29,704,249

Going concern (Note 2)

Contingencies (Note 11)

Subsequent event (Note 14)

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

On behalf of the Board,

/s/ François Viens
François Viens, Director

/s/ Elaine Bennett
Elaine Bennett, Director

Bear Lake Gold Ltd.

(an exploration stage company)

Consolidated Operations and Comprehensive Loss (unaudited)

	2 nd quarter ended March 31,		Six-months ended March 31,	
	2011	2010	2011	2010
	\$	\$	\$	\$
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 (Note 11)	7,340	42,935	15,966	42,935
Depreciation	320	862	641	1,725
	247,995	288,045	875,859	513,920
Other items				
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 (Note 3)	(30,000)	(260,000)	(106,400)	(410,000)
	(30,672)	(75,856)	(101,924)	(91,981)
Net loss and comprehensive loss	(217,323)	(212,189)	(773,935)	(421,939)
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	(0.00)
Weighted average number of common shares - basic and diluted	110,223,879	90,085,270	110,223,879	90,085,270

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

Bear Lake Gold Ltd.

(an exploration stage company)

Consolidated Shareholders' Equity (unaudited)

	Number of shares	Capital stock \$	Contributed surplus \$	Deficit \$	Shareholders' equity \$
Balance at September 30, 2010	110,223,879	66,768,663	8,170,624	(49,166,341)	25,772,946
Stock-based compensation	-	-	342,658	-	342,658
Net loss for the period	-	-	-	(556,612)	(556,612)
Balance at December 31, 2010	110,223,879	66,768,663	8,513,282	(49,722,953)	25,558,992
Stock-based compensation	-	-	109,341	-	109,341
Net loss for the period	-	-	-	(217,323)	(217,323)
Balance at March 31, 2011	110,223,879	66,768,663	8,622,623	(49,940,276)	25,451,010
Balance at September 30, 2009	90,085,270	63,791,894	7,461,908	(42,395,686)	25,858,116
Stock-based compensation	-	-	8,092	-	8,092
Net loss for the period	-	-	-	(209,750)	(209,750)
Balance at December 31, 2009	90,085,270	63,791,894	7,470,000	(42,605,436)	28,656,458
Stock-based compensation	-	-	6,738	-	6,738
Net loss for the period	-	-	-	(212,189)	(212,189)
Balance at March 31, 2010	90,085,270	63,791,894	7,476,738	(42,817,625)	28,451,007

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

Bear Lake Gold Ltd.
(an exploration stage company)
Consolidated Cash Flows (unaudited)

	2 nd Quarter ended March 31,		Six-months ended March 31,	
	2011	2010	2011	2010
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(217,323)	(212,189)	(773,935)	(421,939)
Non-cash items				
Depreciation	320	862	641	1,725
Stock-based compensation	95,294	6,738	393,932	14,830
Unrealized loss (gain) on marketable securities	(5,000)	6,500	(6,250)	5,000
Gain on disposal of marketable securities	-	-	-	(1,383)
Fair value adjustment of investments	(30,000)	(260,000)	(106,400)	(410,000)
Changes in non-cash working capital items				
Amounts receivable	52,352	(59,822)	(1,985)	440
Prepaid expenses and deposits	11,331	8,897	6,703	8,718
Accounts payable and accrued liabilities	(140,227)	183,212	128,919	19,478
Due to a related party	-	3,019	-	3,019
	(233,253)	(322,783)	(358,375)	(780,112)
INVESTING ACTIVITIES				
Marketable securities	-	-	-	185,118
Investments	6,118	20,232	12,514	59,655
Exploration advance	-	-	-	57,392
Mineral properties and deferred exploration expenses	(883,134)	(12,001)	(1,452,298)	(297,498)
	(877,016)	8,231	(1,439,784)	4,667
FINANCING ACTIVITIES				
Proceeds from credit facilities	-	260,834	-	260,834
Reimbursement of credit facilities	(6,118)	(20,232)	(12,514)	(26,385)
	(6,118)	240,602	(12,514)	234,449
Net decrease in cash and cash equivalents	(1,116,387)	(73,950)	(1,810,673)	(540,996)
Cash and cash equivalents, beginning of period	2,712,590	757,943	3,406,876	1,224,989
Cash and cash equivalents, end of period	1,596,203	683,993	1,596,203	683,993
Interest paid	16,694	9,805	34,170	19,952
Changes in other non-cash items				
Accounts payable and accrued liabilities related to exploration projects	38,922	(38,620)	361,483	(134,054)
Stock-based compensation charged to deferred exploration expenses	14,047	-	58,067	

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

Bear Lake Gold Ltd.

(an exploration stage company)

Consolidated Deferred Exploration Expenses (unaudited)

	Larder Lake, Ontario	Unity, Idaho	2nd quarter ended March 31,	
			2011 Total	2010 Total
	\$	\$	\$	\$
Balance, beginning of period	11,576,265	1,029,481	12,605,746	16,382,437
Contractors and consultants	26,134	-	26,134	600
Drilling and assaying	734,178	-	734,178	-
Geology	1,215	-	1,215	-
Labour	111,958	-	111,958	8,075
Management and administration	50,776	-	50,776	14,378
Title and claim management	11,841	-	11,841	-
	936,102	-	936,102	23,053
Balance, end of period	12,512,367	1,029,481	13,541,848	16,405,490

	Larder Lake, Ontario	Unity, Idaho	Six-months ended March 31,	
			2011 Total	2010 Total
	\$	\$	\$	\$
Balance, beginning of period	10,640,518	1,029,481	11,669,999	16,200,191
Contractors and consultants	47,485	-	47,485	26,682
Drilling and assaying	1,509,847	-	1,509,847	18,890
Geology	1,215	-	1,215	480
Labour	216,224	-	216,224	15,675
Management and administration	83,898	-	83,898	143,398
Title and claim management	13,180	-	13,180	174
	1,871,849	-	1,871,849	205,299
Balance, end of period	12,512,367	1,029,481	13,541,848	16,405,490

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

Bear Lake Gold Ltd.

(an exploration stage company)

Notes to Consolidated Financial Statements

March 31, 2011 (unaudited)

1. GOVERNING STATUTES AND BASIS OF PRESENTATION

Bear Lake Gold Ltd. ("Bear Lake" or the "Company") is engaged in the acquisition and exploration of mineral properties. All financial results in these financial statements are expressed in Canadian dollars unless otherwise indicated.

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

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

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). They are consistent with the policies and practices used in the preparation of the Company's audited annual consolidated financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the years ended September 30, 2010 and 2009, since they do not include all of the information and notes to the financial statements required by Canadian GAAP for annual consolidated financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

Bear Lake Gold Ltd.

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Notes to Consolidated Financial Statements

March 31, 2011 (unaudited)

2. GOING CONCERN

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. 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.

These 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.

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Notes to Consolidated Financial Statements
March 31, 2011 (unaudited)

3. INVESTMENTS

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"). These investments, which have been designated as held-for-trading, are accounted for at their fair value. The detail of these investments are as follows:

	March 31,		September 30,	
	2011		2010	
	\$	\$	\$	\$
Eligible notes - nominal amount (a)				
MAV II Senior A-1 notes	1,883,015		1,883,015	
MAV II Senior A-2 notes	1,059,785		1,059,785	
MAV II Subordinated B notes	192,381		192,381	
MAV II Subordinated C notes	97,160		97,160	
	3,232,341		3,232,341	
Fair value adjustment (b)	(984,349)	2,247,992	(1,054,321)	2,178,020
Ineligible notes - nominal amount (a)				
MAV III Class 34 tracking notes (c)	239,917		252,431	
MAV III Class 35 tracking notes	264,702		264,702	
MAV III Class 36 tracking notes	145,537		145,537	
	650,156		662,670	
Fair value adjustment (b)	359,378	1,009,534	322,950	985,620
		3,257,526		3,163,640
Less: short-term portion of investments (d)		3,257,526		985,619
		-		2,178,021

(a) Senior A-1 and A-2 notes pays interest and Subordinated B and C notes accrue interest with payments to be made only after the Senior A-1 and A-2 notes have been fully repaid. The Interest yield for the Senior A-1, A-2 and B notes is based on the bankers' acceptance rate less 0.5% and for the C notes is based on the bankers' acceptance rate plus 20%. Ineligible notes do not pay interest. The Ineligible notes track the performance and repayment of the related underlying assets in certain conduits that have significant exposure to the US residential mortgage market. The maturity date of these notes provide for a maturity similar to that of the underlying assets.

(b) At March 31, 2011, the Company established the fair value of the MAV II and III notes that it holds by estimating discounted future cash flows for each category of notes received, using discount rates of between 3.0% and 17.3% (discount rates of between 5.0% and 16.6% at September 30, 2010), by estimating that certain notes will pay interest at a rate of 0.5% less than the bankers' acceptance rate, by taking into account that the Company was granted an option to transfer to its lender on or after April 6, 2011 the ownership of the ineligible notes in full payment of the principal amount then owing under the Second Credit Facility and by considering the best available market data. This estimation of fair value resulted in a fair value recovery adjustment of \$30,000 and \$106,400 respectively for the 2nd quarter and the six-month period ended March 31, 2011 (a fair value recovery adjustment of \$260,000 and \$410,000 respectively for the same periods ended March 31, 2010). A variation of 1% in discount rates would impact the fair value of investments by approximately \$34,000. There are limited 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 March 31, 2011, the fair value reported may change materially in subsequent periods.

(c) The Company received an amount of \$6,396 in October 2010 and \$6,118 in January 2011 as partial redemption of the MAV III Class 34 tracking notes. These amounts were applied as a reduction of the Company's investments.

(d) See Note 14 - Subsequent event.

Bear Lake Gold Ltd.

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Notes to Consolidated Financial Statements

March 31, 2011 (unaudited)

4. PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	March 31, 2011 Net	September 30, 2010 Net
	\$	\$	\$	\$
Mining equipment at the Larder Lake Property	1,918,000	-	1,918,000	1,918,000
Office furniture and equipment	13,002	12,360	642	1,283
	1,931,002	12,360	1,918,642	1,919,283

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENSES

	Mineral Properties (a)	March 31, 2011 Deferred exploration expenses (a)	Mineral Properties (a)	September 30, 2010 Deferred Exploration Expenses (a)
	\$	\$	\$	\$
Larder Lake, Ontario	9,303,421	12,512,367	9,303,421	10,640,518
Unity, Idaho	126,598	1,029,481	126,598	1,029,481
	9,430,019	13,541,848	9,430,019	11,669,999

(a) Amounts presented are net of a write-down of mineral properties of \$575,000 and of deferred exploration expense of \$5,310,792 charged to operations during the year ended September 30, 2010, following the termination of an option agreement on certain claims located in Hope Bay, Nunavut.

Larder Lake, Ontario

At March 31, 2011, the Company owns a 100% interest in the Bear Lake, Cheminis, Cheminis North and Fernland properties which consists of 55 patented claims, 1 claim for surface rights and 2 licenses of occupation in McGarry and McVittie Townships near Kirkland Lake, Ontario; a 100% interest in the Barber Larder property which consists of 7 patented claims and 2 licenses of occupation in McGarry Township, Ontario; a 75% interest in the Swansea property which consists of 5 mining leases covering 28 claims in McVittie Township, Ontario ; a 100% interest in the McVittie McGarry properties which consists of 10 mining claims in McVittie Township, Ontario, 2 mining claims in McGarry Township, Ontario and 1 mining claim in Gauthier Township near Kirkland Lake, Ontario; and a 100% interest in the McVittie property which consists of 2 mining claims in McVittie Township, Ontario.

Royalty commitments on the Larder Lake properties consist of a 1% net smelter return royalty on the McVittie McGarry properties, of which the Company has the option to purchase 0.5% for an amount of \$500,000 and on which Eloro also owns directly a net smelter return royalty of 0.5%; and a 0.5% net smelter royalty on the McVittie property, of which the Company has the option to purchase 0.25% for an amount of \$250,000.

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Notes to Consolidated Financial Statements

March 31, 2011 (unaudited)

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENSES (continued)

Larder Lake, Ontario (continued)

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. Given that the Executive Chairman and the Chief Financial Officer of the Company also hold the same positions, respectively with Odyssey and that a director of Odyssey is also the Chief Financial Officer of Newstrike, the Company had sought and obtained approval from the TSX Venture Exchange ("TSXV") in relation to this agreement.

A drilling program of approximately 9,350 meters was completed 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.

Unity, Idaho

On July 31, 2007, the Company entered into an option agreement, with subsequent amendment, with Unity GoldSilver Mines Inc. (a privately-held company) ("Unity") to earn a 60% interest in the Unity mineral property located in Idaho, USA. To earn its interest, the Company must incur US\$1,000,000 in exploration and development work and complete a positive feasibility study, by February 16, 2012. During the earn-in period, the Company will manage all exploration-related activities. In the event that a positive feasibility study is completed and that a favorable Board decision is obtained to begin construction, the Company and Unity would fund such construction expenditures in accordance with their respective participation in the project. In the event that Unity decides not to participate in the funding of the construction costs, the Company will finance all construction costs and receive an additional 5% participation in the project from Unity.

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Notes to Consolidated Financial Statements

March 31, 2011 (unaudited)

6. CREDIT FACILITIES

	March 31, 2011	September 30, 2010
	\$	\$
Revolving credit facilities (a)		
First Credit Facility (b)		
Tranche A	1,444,301	1,444,301
Tranche B	966,872	966,872
Second Credit Facility (c) (d)	1,010,530	1,023,044
	3,421,703	3,434,217
Due within the next year (e)	3,421,703	1,023,044
	-	2,411,173

(a) On April 6, 2009, the Company, through its wholly-owned subsidiary Maximus Ventures Ltd. ("Maximus"), entered into two credit facility agreements. 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.

(b) The first Credit Facility is initially available for a 3-year period but was extended on March 29, 2011 to April 6, 2013. The tranche A of the First Credit Facility is secured by the Company's investments in those eligible notes (Note 3). The tranche B facility is secured by those eligible notes as well as a general security interest in the universality of all of Maximus' assets.

(c) The second Credit Facility (initially available for a 2-year period) is secured by the Company's investments in those ineligible notes (Note 3). As provided for in the second Credit Facility, the Company advised its lender in March 2011 that it was exercising its option to transfer to its lender the ownership of those ineligible notes held, in payment of the principal amount then owing under the Second Credit Facility, which transfer came into effect on April 6, 2011.

(d) Cash proceeds from the sale of the MAV II and III notes are automatically applied to the amount of the outstanding related borrowings. During the six-month period ended March 31, 2011, the Company received a total amount of \$12,514 (\$26,385 during the same period in 2010) as partial redemption of some of the notes held. This amount was applied as a reduction of the related borrowings.

(e) See Note 14 – Subsequent event.

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7. CAPITAL STOCK

Issuance of shares

In June 2010, the Company had completed a non-brokered private placement for total gross proceeds of \$3,763,122, including a total of 11,705,600 “flow-through” common shares (“FT Shares”) at a price of \$0.20 per FT Share. The gross proceeds from the sale of the FT Shares are being used to incur Canadian Exploration Expenses on the Larder Lake Property, which funds are to be expended by December 31, 2011. At March 31, 2011, all flow-through funds have been expended.

Warrants

	2 nd quarter ended March 31, 2011	Six-months ended March 31, 2011
Number of warrants		
Balance, beginning of period	16,789,022	19,521,243
Expired	-	(2,732,221)
Balance, end of period	16,789,022	16,789,022

At March 31, 2011, the outstanding number of warrants exercisable into common shares is as follows:

	Number of warrants September 30, 2010	Issued	Expired	Number of warrants March 31, 2011	Price per share	Expiry date
					\$	
Private placement – June 2010 (a)	7,900,009		-	7,900,009	0.30	2012-06-22
In lieu of cash commission – June 2010	433,000		-	433,000	0.30	2012-06-22
Finder’s warrants – June 2010	1,146,336		-	1,146,336	0.25	2012-06-22
Private placement – June 2009	3,787,879	-	-	3,787,879	0.40	2011-06-04
Broker warrants - June 2009	530,303	-	-	530,303	0.33	2011-06-04
Private placement – October 2008 (b)	2,991,495	-	-	2,991,495	0.40	2011-10-23
Broker warrants - October 2008 (c)	699,225	-	(699,225)	-	-	-
In lieu of cash commission (c)	616,330	-	(616,330)	-	-	-
As debt settlement (c)	1,416,666	-	(1,416,666)	-	-	-
	19,521,243	-	(2,732,221)	16,789,022	0.34	

(a) The June 2010 Warrants are subject to a right of accelerated expiry at the Company's option where the closing price of the common shares on the TSXV exceeds \$0.50 for twenty consecutive trading days.

(b) Following TSXV approval, the expiry date of the October 2008 warrants was extended from October 23, 2010 to October 23, 2011.

(c) These warrants expired unexercised on October 23, 2010.

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8. STOCK OPTIONS

Stock options

The following table sets out the activity in stock options:

	2 nd quarter ended March 31, 2011	Six-months ended March 31, 2011
Number of Options		
Balance, beginning of period	9,521,000	4,271,000
Granted	-	5,250,000
Expired	(100,000)	(100,000)
Number of options outstanding, end of period	9,421,000	9,421,000

The Company granted on October 18, 2010 an aggregate of 5,250,000 stock options to directors, officers, employees and consultants of the Company. Of this total, 1,630,000 options are subject to the achievement of certain performance objectives and vest only if the 20-day volume weighted average price of the Company's common shares on the TSXV is \$0.90 per share or above; and 700,000 are subject to the achievement of certain defined performance objectives. The balance of 2,920,000 options vest over a two-year period. The options have a five-year term and are exercisable at a price of \$0.30, the closing price of the Company's stock on October 15, 2010. The fair value of the options granted during the period was estimated at \$0.26 per option by applying the Black-Scholes option pricing model, using an expected time-period of 5 years, a semi-annual weighted-average risk-free interest rate of 1.95%, a volatility rate of 162% and a 0% dividend factor.

Stock-based compensation costs were presented as follows:

	2 nd quarter ended March 31,		Six-months ended March 31,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Consolidated Balance sheets				
Deferred exploration expenses	14,047	-	58,067	-
Consolidated Operations				
Stock-based compensation	95,294	6,738	393,932	14,830
	109,341	6,738	451,999	14,830

Bear Lake Gold Ltd.
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Notes to Consolidated Financial Statements
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8. STOCK OPTIONS (continued)

Stock option transactions are detailed as follows:

Grant date	Exercise price	Balance, Sept 30, 2010	Granted	Exercised	Expired	Balance, March 31, 2011	Number of options exercisable	Residual exercise period
	\$							(in years)
2008 Stock Option Plan								
Sept 20, 2008	0.70	100,000	-	-	-	100,000	100,000	2.5
Jan 30, 2009	0.28	1,872,500	-	-	-	1,872,500	1,872,500	2.8
April 21, 2010	0.24	13,500	-	-	-	13,500	13,500	4.0
October 18, 2010	0.30	-	5,250,000	-	-	5,250,000	973,333	4.5
Maximus Stock Option Plan								
Mar 28, 2006	0.60	100,000	-	-	(100,000)	-	-	-
Nov 14, 2006	0.64	450,000	-	-	-	450,000	450,000	0.6
Dec 27, 2006	0.80	500,000	-	-	-	500,000	500,000	0.8
May 23, 2007	0.58	100,000	-	-	-	100,000	100,000	1.2
Dec 14, 2007	0.84	175,000	-	-	-	175,000	175,000	1.7
Jan 4, 2008	0.80	400,000	-	-	-	400,000	400,000	1.8
Jan 25, 2008	0.76	187,500	-	-	-	187,500	187,500	1.8
Mar 4, 2008	0.68	372,500	-	-	-	372,500	372,500	1.9
	0.53	4,271,000	5,250,000	-	(100,000)	9,421,000	5,144,333	

9. DILUTED EARNINGS PER SHARE

Excluded from the calculation of the diluted earnings per share for the 2nd quarter ended March 31, 2011 are 16,789,022 warrants (10,041,898 in 2010) and 9,421,000 stock options (6,115,000 in 2010) because to include them would be anti-dilutive.

Bear Lake Gold Ltd.

(an exploration stage company)

Notes to Consolidated Financial Statements

March 31, 2011 (unaudited)

10. 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 same 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 (note 5), 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.

11. CONTINGENCIES

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 had found that a dam and spillway on a claim which is not held by the Company was in need of immediate repair. In light of this situation, the MNDMF undertook and completed in early 2010 the design and construction of a temporary spillway. 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, but it does not believe that it will be significant. 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.

Statement of claim

On May 25, 2010, 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 vigorously defending itself in this matter before the Ontario Superior Court of Ontario. The Company does not believe that potential costs for dealing with this issue will be significant.

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12. SEGMENTED INFORMATION

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

	March 31, 2011	September 30, 2010
	\$	\$
Canada	23,734,430	21,863,222
United States of America	1,156,079	1,156,079
	24,890,509	23,019,301

13. COMPARATIVE FIGURES

Certain comparative figures provided for the 2nd quarter ended March 31, 2010 have been reclassified to conform to the presentation adopted for the period ended March 31, 2011.

14. SUBSEQUENT EVENT

Repayment of Credit Facilities

On April 6, 2011, following the exercise of a put option, the Company transferred to its lender the ownership of all of the ineligible 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. As a result of these transactions, the Company classified at March 31, 2011 its MAV II and III investments as current assets and the total amount owing under the Credit Facilities as current liabilities. 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.