MEADOW BAY GOLD CORPORATION

Interim Consolidated Financial Statements

September 30, 2011 and 2010

(Unaudited)

In accordance with National Instrument 51-102 Part 4, *Continuous Disclosure Obligations,* subsection 4.3(3)(a), **WE HERBY GIVE NOTICE** that our consolidated financial statements for the interim period ended September 30, 2011, which follows this notice, have not been reviewed by an auditor.

MEADOW BAY GOLD CORPORATION
Interim Consolidated Statements of Financial Position
Expressed in Canadian dollars
(Unaudited – Prepared by Management)

	September 30 2011	March 31 2011	April 1 2010
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,710,217	$ 4,724,196	$ 59,222
HST receivable	104,163	65,200	5,775
Prepaid expenses and advances	-	22,906	-
	1,814,380	4,812,302	64,997
Property, plant and equipment			-
Resource property (Note 4)	18,975,105	16,279,792	-
Property plant and equipment (Note 5)	558,737	293,167	-
	19,533,842	16,572,959	-
	$ 21,348,222	$ 21,385,261	$ 64,997
LIABILITIES			
Accounts payable and accrued liabilities	$ 313,696	$ 407,987	22,299
Amounts payable to related parties	-	-	1,805
	313,696	407,987	24,104
SHAREHOLDERS' EQUITY			
Share capital (Note 6)	23,518,735	23,071,329	1,324,195
Share subscriptions received (Note 10)	555,000	-	-
Contributed surplus	3,678,765	3,687,421	101,215
Accumulated other comprehensive income	358,661	(28,800)	-
Deficit	(7,076,635)	(5,752,676)	(1,384,517)
	21,034,526	20,977,274	40,893
	$ 21,348,222	$ 21,385,261	$ 64,997

Going concern (Note 1)
Commitment (Note 4)

Approved by:

"Robert Dinning" , **Director**
Robert Dinning

"Adrian Robertson" , **Director**
Adrian Robertson

MEADOW BAY GOLD CORPORATION
Interim Consolidated Statements of Loss and Comprehensive Loss
Expressed in Canadian dollars
(Unaudited – Prepared by Management)

	Three Months Ended September 30		Six Months Ended September 30	
	2011	**2010**	**2011**	**2010**
Operating expenses				
Administration	$ 146,368	$ 13,212	$ 213,132	$ 27,940
Consulting - general and administration	92,125	2,481	238,217	3,281
Consluting - geological	11,400	6,146	11,400	6,146
Depreciation	12,549	-	12,549	-
Maintenance of claims	217,943	-	267,260	-
Professional fees	58,539	10,500	95,733	14,655
Promotion and investor relations	159,777	-	209,543	-
Stock base compensation	-	19,516	-	30,996
Transfer agent and filing	37,484	3,843	46,908	7,285
Travel	56,039	-	93,070	637
Wages and benefits	139,525	-	230,217	-
Foreign exchange	(78,516)	-	(75,639)	-
	853,233	55,698	1,342,390	90,940
Operating loss before other items	(853,233)	(55,698)	(1,342,390)	(90,940)
Other income (expenses)				
Interest income	853	765	3,006	776
Other sundry income	7,425	-	15,425	1,651
Net loss for the period	(844,955)	(54,933)	(1,323,959)	(88,513)
Other comprehensive income (loss)				
Translation adjustment	439,269	-	387,461	-
Comprehensive loss for the period	$ (405,686)	$ (54,933)	$ (936,498)	$ (88,513)
Basic and diluted loss per share	$ (0.02)	$ (0.00)	$ (0.03)	$ (0.01)
Weighted average number of shares outstanding	39,209,999	12,803,178	38,994,647	11,434,785

MEADOW BAY GOLD CORPORATION
Interim Consolidated Statements of Cash Flows
Expressed in Canadian dollars
(Unaudited – Prepared by Management)

Cash Flows from (used in) Operating Activities				
Net loss for the period	$ (844,955)	$ (54,933)	$(1,323,959)	$ (88,513)
Items not affecting cash				
Stock based compensation	-	19,516	-	30,996
Prior period finders' fee	-	-	-	6,590
Net change in non-cash working capital items	-	-		
HST receivable	(28,640)	(3,639)	(38,963)	(5,067)
Prepaid expenses and advances	32,549	-	22,906	-
Accounts payable and accrued liabilities	(70,349)	(9,080)	(94,291)	(6,509)
Amounts payable to related parties	-	-	-	(1,805)
	(911,395)	(48,136)	(1,434,307)	(64,308)
Cash Flows from (used in) Financing Activities				
Common shares issued for cash	18,750	40,000	18,750	510,400
Share subscriptions received	555,000	-	555,000	-
Share issuance costs paid	-	-	-	(6,920)
	573,750	40,000	573,750	503,480
Cash Flows from (used in) Investing Activity				
Exploration costs of resource properties	(1,293,320)	-	(1,887,852)	-
Costs of building and equipment	(61,933)	-	(265,570)	-
	(1,355,253)	-	(2,153,422)	-
Increase in cash and cash equivalents	(1,692,898)	(8,136)	(3,013,979)	439,172
Cash and cash equivalents, beginning of period	3,403,115	506,530	4,724,196	59,222
Cash and cash equivalents, end of period	$ 1,710,217	$ 498,394	$1,710,217	$ 498,394
Supplemental Disclosure of Cash Flow Information				
Shares issued for mineral claims	$ 420,000	-	$ 420,000	-
Warrants issued to brokers	$ 32,933	-	$ 32,933	-
Interest expense	-	-	-	-
Income taxes	-	-	-	-

MEADOW BAY GOLD CORPORATION
Interim Consolidated Statements of Changes In Equity
Expressed in Canadian dollars
(Unaudited – Prepared by Management)

	Share capital		Share		Accumulated Other		Total
	Number of shares	Amount	Subscriptions Received	Contributed Surplus	Comprehensive Income	Deficit	Shareholders' Equity
Balance, April 1, 2010	6,401,209	$ 1,324,195	$ -	$ 101,215	$ -	($ 1,384,517)	$ 40,893
Issued for private placement	6,380,000	510,400	-	-	-	-	510,400
Issue cost	-	(6,920)	-	-	-	-	(6,920)
Issued for finders' fees	21,969	13,181	-	-	-	-	13,181
Stock based compensation	-	-	-	30,996	-	-	30,996
Net comprehensive loss for the period	-	-	-	-		(88,513)	(88,513)
Balance, September 30, 2010	12,803,178	$ 1,840,856	$ -	$ 132,211	-	$ (1,473,030)	$ 500,037
Balance, April 1, 2011	38,776,928	$ 23,071,329	$ -	$ 3,687,421	$ (28,800)	$ (5,752,676)	$ 20,977,274
Shares issued for claims	400,000	420,000	-	-	-	-	420,000
Options exercised	87,500	27,406	-	(8,656)	-	-	18,750
Share subscriptions received	-	-	555,000	-	-	-	555,000
Net comprehensive loss for the period	-	-	-	-	387,461	(1,323,959)	(936,498)
Balance, September 30, 2011	39,264,428	$ 23,518,735	$555,000	$ 3,678,765	$ 358,661	$ (7,076,635)	$ 21,034,526

1. NATURE OF OPERATIONS AND GOING CONCERN

Meadow Bay Gold Corporation (the "Company" or "Meadow Bay") was incorporated under the provisions of the British Columbia Business Corporations Act on March 8, 2005.

The Company's principal business plan is to acquire, explore and develop mineral properties and either develop these properties further, or dispose of them when the evaluation is completed (Note 2 (d)). At September 30, 2011, the Company is an exploration stage company.

Effective March 1, 2011, the Company completed the purchase of 100% of the issued and outstanding shares of Desert Hawk Resources Inc, ("Desert Hawk") by issuing 7,500,000 common shares of capital stock. Desert Hawk the Atlanta gold and silver mine property in Nevada, USA. (Note 4)

These financial statements have been prepared using Canadian generally accepted accounting principles applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. As at September 30, 2011, the Company had working capital of $1,500,684 and accumulated losses of $7,076,635 since inception. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting of the International Financial Reporting Standards" ("IFRS"). These financial statements are the company's first IFRS interim financial statements after its transition to reporting in accordance with IFRS and before the issuance of its first publicly issued annual IFRS financial statements. IFRS 1, "First-time Adoption of International Financial Reporting Standards ('IFRS 1") has been applied to these interim financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 10.

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

The interim financial statements were authorized for issue by the Board of Directors on November 29, 2011.

These consolidated financial statements include the accounts of the parent company and its wholly owned subsidiary, Desert Hawk. All significant intercompany balances and transactions have been eliminated.

(b) Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the useful life and recoverability of property and equipment, valuation of exploration and evaluation expenditures, determination of reclamation provisions, measurement of share-based payments, fair values of financial instruments, and deferred income tax asset valuation allowances.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalent. As at September 30, 2011, the Company had no cash equivalents.(2010 - nil)

(d) Resource properties

The Company is in the exploration stage with respect to its mineral properties interests and capitalizes acquisition costs once it has acquired the legal right to explore but prior to their technical feasibility and commercial viability being confirmed, generally determined as the establishment of proved or probable reserves. Under this method all costs related to the exploration for and development of the properties are capitalized and the carrying values do not necessarily reflect current or future values. If the properties are put into commercial production, the expenditures will be charged to operations by depletion based upon the proven reserves available. If the properties are sold or abandoned, the expenditures will be written off. The Company does not accrue the estimated future costs of maintaining in good standing its resource properties.

(e) Property, plant and equipment

Property, plant and equipment are initially recorded at cost. As assets are put in production, they are amortized over their estimated useful lives, using a straight line basis. All assets were put into production in the second quarter of fiscal 2012 and are being depreciated over a straight line basis as follows: building - 20 years; mine equipment - 10 years; and, furniture and vehicles - 5years.

(f) Impairment of non-current assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of income.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of income.

(g) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Reclamation and Remediation Provisions - continued

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit of production or straight line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the statements of comprehensive income/loss.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

(h) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company does not have any assets classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments - continued

(i) Non-derivative financial assets - continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. Available-for-sale financial assets are comprised of marketable securities.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of cash and amounts receivable.

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:
• significant financial difficulty of the issuer or counterparty; or
• default or delinquency in interest or principal payments; or
• it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments - continued

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities and amounts due to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(i) Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(j) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Foreign Currency Translation – continued

The functional currency of the wholly owned subsidiary is the US dollar. The assets and liabilities arising from these operations are translated at current exchange rates and related revenues and expenses at the exchange rates in effect at the time the revenue or expense is incurred. Resulting translation adjustments, if material, are accumulated as a separate component of accumulated other income in the statement of shareholders equity.

(k) Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

(l) Comprehensive Loss

Comprehensive income (loss) is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that are not included in profit or loss. The Company’s only component of comprehensive loss is the loss on currency translation.

(m) Stock-based Compensation

The Company grants share-based awards to employees, directors and consultants as an element of compensation. The fair value of the awards is recognized over the vesting period as share-based compensation expense and contributed surplus. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management’s best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of income with a corresponding entry within equity, against contributed surplus. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in contributed surplus, are credited to share capital.

Share-based payments arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

(n) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended September 30, 2011, and have not been applied in preparing these financial statements. Management has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

3. MINERAL PROPERTY COSTS

As described in Note 1, the Company closed the acquisition of Desert Hawk on March 1, 2011.

The transaction has been accounted for as a business combination under the acquisition method, with Meadow Bay as the acquirer of Desert Hawk. The Company included the operation of Desert Hawk in its consolidated financial statements commencing on March 1, 2011. A breakdown of the acquisition of Desert Hawk is as follows:

3. MINERAL PROPERTY COSTS (Continued)

Total consideration- as at March 31, 2011	$ 10,800,000
Net assets acquired:	
Cash	110,533
Mineral properties	16,397,853
Mine equipment	293,167
Demand loan payable	(305,187)
Intercompany advance from Meadow Bay	(5,696,366)
	$ 10,800,000

Effective April 4, 2011, the Company changed its name to Meadow Bay Gold Corporation to reflect the change in focus in its business as a result of the acquisition of Desert Hawk.

4. RESOURCE PROPERTY INTERESTS

Atlanta Gold and Silver Mine Property

On March 1, 2011 the Company completed the purchase of all of the outstanding shares of Desert Hawk Resources Inc which in turn owned the Atlanta Gold Project. The property consists of 13 patented and 49 unpatented lode claims located in Lincoln County Nevada, approximately 250 km northeast of Las Vegas. Desert Hawk Resources Inc completed the purchase of the Atlanta Mine by completing the purchase for the total sum of $6,000,000US. The acquisition cost includes a 3% NSR royalty capped at 4,000 ounces. The acquisition included equipment on site, including a crusher, ball mills, solution tanks, power, and various other items. As at September 30, 2011 the balance consists of acquisition costs of $16,476,299 and $1,802,743 in exploration and evaluation costs for a total of $18,279,042.

On June 30, 2011, the Company entered into an agreement to acquire 135 unpatented mining claims contiguous with the Company’s Atlanta property. The agreement required a $150,000US payment and the issuance of 400,000 shares at the agreement date. Based on the fair value of the shares, the purchase was recorded at $420,000. A second payment of $100,000US was paid August. The agreement also includes a 3% NSR, for which the Company has the option to repurchase 1% for $1 million US for a period of five years.

5. PROPERTY PLANT AND EQUIPMENT

September 30, 2011

	Cost	Accumulated Amortization	Net Book Value
Mine equipment	$ 293,167	$ 7,239	$ 285,928
Mine buildings	231,456	2,978	228,478
Vehicles	38,135	1,906	36,229
Furniture and fixtures	8,528	426	8,102
	$ 571,286	$ 12,549	$ 558,737

March 31, 2011

	Cost	Accumulated Amortization	Net Book Value
Mine equipment	$ 293,167	$ -	$ 293,167

6. SHARE CAPITAL

(a) The authorized capital of the Company consists of:

Unlimited number of common shares without par value.

(b) The Company's issued and outstanding capital stock is as follows:

	Number of Common Shares	Amount
Balance, March 31, 2010	6,401,209	$1,324,195
Issued for Private Placement	17,693,750	11,566,077
Cost of issue	-	(1,444,056)
Issued on Exercise of Warrants	6,380,000	638,000
Issued for Debt	21,969	3,295
Issued on Exercise of Options	780,000	183,818
Issue for shares of Desert Hawk Resources Inc.	7,500,000	10,800,000
Balance, March 31,2011	38,776,928	23,071,329
Issued for mineral claims	400,000	420,000
Issued on Exercise of Options	87,500	27,406
Balance, September 30, 2011	39,264,428	$23,518,735

During the year ended March 31, 2011, the Company completed the following share transactions:

i) On June 17, 2010, the Company completed a private placement by issuing 6,380,000 units for $.08 per unit for gross proceeds of $510,000. Each unit comprised one share and one share warrant, entitling the holder to purchase one additional share for a period of 5 years from the date of closing at a price of $.10 per share. During the year all warrants were exercised for proceeds of $638,000.

ii) On June 30, 2010, the Company issued 21,969 shares for debt of $6,591. The shares had a fair value of $3,295 at the time of issuance.

iii) During the year, 780,000 options were exercised for proceeds of $117,000.

iv) On March 1, 2011, the Company completed a private placement by issuing 11,313,750 shares at $1US for gross proceeds of $11,055,677.

v) On March 1, 2011, the Company completed its purchase of 100% of the shares of Desert Hawk Resources inc. by issuing 7,500,000. The value of the stock at the time of purchase was $1.44 per share.

During the six months ended September 20, 2011, the Company completed the following share transactions:

i) On June 30, 2011, the Company issued 400,000 pursuant to an agreement in which it obtained 135 unpatented mining claims contiguous with claims of the Atlanta Gold Mine.

ii) During the period, 87,500 options were exercised for gross proceeds of $27,406. Previously calculated and recorded benefits on those options of $8,656 were eliminated from contributed surplus and credited to share capital.

6. SHARE CAPITAL - continued

(c) Escrow shares

As of March 31, 2011, the company had 100,000 shares held in escrow pursuant to an escrow agreement dated August 4, 2006 in which 10% would be released on August 22, 2008, the date the qualifying transaction was completed and 15% every 6 months thereafter up to August 22, 2011, when the agreement concluded.

As of March 31, 2011, the company had 70,406 shares held in escrow pursuant to an escrow agreement dated August 1, 2008 in which 10% would be released on August 22, 2008, the date the qualifying transaction was completed and 15% every 6 months thereafter up to August 22, 2011, when the agreement concluded.

(d) Stock Options

Upon approval of the Company's shareholders, the Company has adopted an incentive rolling stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan up to a maximum of 10% of the un-issued and outstanding shares of the Company at any time, less shares required to be reserved with respect to options granted by the Company prior to the implantation of the Plan. Options granted under the Plan may have a maximum term of five (5) years. The exercise price of options granted under the Plan will not be less than the closing price of the Company's shares on the TSX Venture Exchange (the "Exchange") on the trading day immediately before the date of grant, less the discount permitted under the Exchange's policies.

A summary of the status of the Company's outstanding stock options as at September 30, 2011 and 2010 is as follows:

Options	Number of Shares	Exercise Price	Expiry Date
As At September 30, 2010			
75,000	75,000	$0.30	September 18, 2011
200,000	200,000	$ 0.15	April 11, 2015
As At September 30, 2011			
80,000	80,000	$0.15	October 29, 2015
50,000	50,000	$0.15	September 16, 2015
240,000	240,000	$0.15	January 11, 2016
1,365,000	1,365,000	$1.16	January 27, 2016
1,850,000	1,850,000	$1.24	March 13,2016

The following is a summary of stock option transactions during the two quarters ended September 30, 2011 and the year ended March 31, 2011:

	September 30, 2011		March 31, 2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	3,660,000	$ 1.07	75,000	$ 0.30
Granted	-		4,365,000	1.05
Expired/cancelled	(75,000)	0.21	(780,000)	0.15
Outstanding, end of period	3,585,000	$ 1.12	3,660,000	$ 1.07
Exercisable, end of period	3,585,000	$ 1.12	3,660,000	$ 1.07

6. SHARE CAPITAL– continued

(d) Stock Options - continued

The fair values for the stock based compensation noted above were determined by the Black-Scholes option pricing model using the following inputs as determined at the time of the option grant. The following assumptions were used for options granted during the period from April 1, 2011 to September 30, 2011 and from April 1, 2010 to September 30, 2010:

	Six months ended September 30, 2011	2010
Risk-free interest rate	-	2.66%
Expected life of options	-	5 years
Annualized volatility	-	100%
Dividend rate	-	0%

The Black-Scholes valuation model was developed for use in estimating the fair value of traded options which are fully transferable and freely traded. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

(e) Warrants

A summary of the status of the Company's outstanding warrants as at September 30, 2011 is as follows:

	September 30, 2011		March 31, 2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	772,013	$ 1.00	-	$ -
Sold with units	-		6,380,000	0.10
Exercised	-		(6,380,000)	1.05
Granted	-		772,013	0.15
Outstanding, end of period	772,013	$ 1.00	772,013	$ 1.00
Exercisable, end of period	772,013	$ 1.00	772,013	$ 1.00

7. RELATED PARTY BALANCES AND TRANSACTIONS

The following table summarizes services provided by directors and officers of the Company and balances due to them, not otherwise noted in the financial statements for the six month periods ended September 30, 2011 and 2010.

	September 30 2011	2010
Consulting fees paid to an officer	$ 14,000	$ 2,844
Consulting fees paid to a director	$ 1,000	$ -
Consulting fees paid to a director / officer	$ 60,000	$ 437
Rent paid to an officer	$ 2,750	$ -

8. FINANCIAL INSTRUMENTS

(a) Fair values

The Company's financial instruments include cash and cash equivalents, HST receivable and accounts payable and accrued liabilities. The fair value of cash and cash equivalents is determined using Level 1 inputs, quoted prices in active markets for identical instrument. The fair values of the other financial instruments approximate their carrying values because of their short term nature.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents as low as its funds are held in highly rated Canadian financial institutions. As at September 30, 2011all cash and cash equivalents were over the federally insured limit.

(c) 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 liquidity by maintaining adequate cash balances and by raising equity financing. The Company has no assurance that such financing will be available on favourable terms. The Company believes it is subject to liquidity risk through its working capital. In general, the Company attempts to avoid exposure to liquidity risk by obtaining corporate financing through the issuance of common shares. As at September 30, 2011, the Company had cash and cash equivalents of $1,7140,217 to settle accounts payable of $313,696 which fall due for payment within twelve months of the balance sheet date. All of the Company's contractual obligations are current and due within one year.

(d) Foreign exchange risk

Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has material transactions designated in a foreign currency. However, the foreign currency has been very stable when compared to the Canadian dollar and therefore management considers the foreign exchange risk to be minimal.

At September 30, 2011, all of the Company's cash and cash equivalents were denominated in U.S. dollars. A 10% variation in the U.S. dollar would result in an impact of approximately $171,000 on net income.

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash and cash equivalents are currently held in cash and therefore management considers the interest rate risk to be minimal.

(f) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

9. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, contributed surplus and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended March 31, 2011.

10. SUBSEQUENT EVENT

On October 5, 2011, the Company completed a private placement of 2,286,066 shares at $.90 per share for gross proceeds of $2,057,460. The Company paid finders' fees of $54,300 cash and issued 60,000 warrants to brokers. Each warrant entitles the holder to purchase one common share of the Company for a period of two years from closing at an exercise price of $.90 per share. Prior to the year end, $550,000 was received on account of share subscriptions.

On November 14, 2011 the Company completed a private placement of 2,366,000shares at $1.00 per share for gross proceeds of $2,360,000. The Company paid finders' fees of $76,200, and 76,200 warrants to brokers. Each warrant entitles the holder to purchase one common share of the Company for a period of one year from the closing at an exercise price of $1.00 per share.

11. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's financial statements for the year ending March 31, 2012 are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, *First-time Adoption f International Financial Reporting Standards*, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was April 1, 2010 (the 'Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be March 31, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre-changeover Canadian GAAP.

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

Optional exemptions:

Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, "Share-based Payment" to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to February 1, 2010.

Mandatory exceptions:

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made under previous GAAP, unless there is objective evidence that those estimates were in error. IFRS employs a conceptual framework that is similar to Canadian GAAP. The Company's IFRS estimates as April 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

In preparing the opening IFRS statement of financial position and the financial statements for the interim period ended September 30, 2011, the Company identified certain adjustments to the amounts reported previously in the financial statements in accordance with Canadian GAAP. IFRS requires an entity to reconcile equity, comprehensive loss, and cash flows for prior periods. The adjustments were as follows:

11. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(1) Deferred (Future) income taxes

A deferred tax liability shall not be recognized upon the recognition of assets and liabilities in a business combination. To conform with IFRS, the Company had to reverse a previously booked liability. As a result, deferred income taxes liability, recognized in the year ended March 31, 2011 has been reduced by $5,481,776; resource property has been reduced by $5,335,446; property plant and equipment has been reduced by $151,025 and deferred income tax recovery of $4,695 has been eliminated.

(2) Option payments on resource properties

Payments made to acquire an option to purchase are to be expensed as only resource mineral claims that are owned may be capitalized. To conform with IFRS, the Company had to expense claims previously recorded as resources properties in the year ended March 31, 2011. As a result resource property was reduced by $89,292 and a corresponding charge was made to operations.

(3) Translation of foreign subsidiaries

Assets and liabilities of foreign entities are to be translated at the closing rate at the date of the statement of financial position. Income and expenses are to be translated at the rates at the dates of the transaction. Resulting exchange differences are recognized as other accumulated income. As the Company had recorded non monetary assets at the transaction date, an adjustment was required to translate the amounts using the statement of financial position date. As a result, resource properties were reduced by $28,800 and other comprehensive loss of that amount was recognized.

The changes did not have affect on the statement of financial position as at April 1, 2010 (Transaction Date) and therefore reconciliation of that statement has not been disclosed.

The adjustments did not result in any material adjustments to net cash flows, and therefore, reconciliation of the statements of cash flows has not been disclosed.

11. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Reconciliation of statements of financial position as at March 31, 2011 is as follows:

	Canadian GAAP	Effect of Transition to IRFS	Note	IRFS
ASSETS				
Current assets				
Cash and cash equivalents	$ 4,724,196	-		$ 4,724,196
HST receivable	65,200	-		65,200
Prepaid expenses	22,906	-		22,906
	4,812,302			4,812,302
Property, plant and equipment				
Resource property	21,733,300	(5,453,508)	(1) (2) (3)	16,279,792
Property plant and equipment	444,192	(151,025)	(1)	293,167
	22,177,492	(5,604,533)		16,572,959
	$ 26,989,794	($ 5,604,533)		$ 21,385,261
LIABILITIES				
Accounts payable and accrued liabilities	$ 407,987	-		$ 407,987
Amounts payable to related parties	-	-		-
	407,987	-		407,987
FUTURE INCOME TAXES PAYABLE	5,481,776	(5,481,776)	(1)	-
	5,889,763	(5,481,776)		407,987
SHAREHOLDERS' EQUITY				
Share capital	23,071,329	-		23,071,329
Contributed surplus	3,687,421	-		3,687,421
Accumulated other comprehensive loss		(28,800)	(3)	(28,800)
Deficit	(5,658,719)	(93,957)	(1) (2)	(5,752,676)
	21,100,031	(122,757)		20,977,274
	$ 26,989,794	$ (5,604,533)		$ 21,385,261

11. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Reconciliation of statements of loss and comprehensive loss for the year ended March 31, 2011 is as follows:

	Canadian GAAP	Effect of Transition to IRFS	Note	IRFS
Operating expenses				
Administration	$ 27,460	$ -		$ 27,460
Consulting	282,809	-		282,809
Professional fees	501,958	-		501,958
Geological consulting	35,061	-		35,061
Stock base compensation	3,060,492	-		3,060,492
Option payments on claims		89,262	(2)	89,262
Promotion and investor relations	202,438	-		202,438
Travel	27,741	-		27,741
Transfer agent and filing	101,518	-		101,518
Foreign exchange	49,333	-		49,333
	4,288,810	89,262		4,378,072
Operating loss before other items	(4,288,810)	(89,262)		(4,378,072)
Other income (expenses)				
Interest income	6,617	-		6,617
Gain on debt settlement	3,296	-		3,296
Net loss before future income tax recovery	(4,278,897)	(89,262)		(4,368,159)
Future income tax recovery	(4,695)	4,695	(1)	-
Net loss and comprehensive loss for the year	$ (4,274,202)	$ (93,957)		$ (4,368,159)