MEADOW BAY GOLD CORPORATION

Interim Consolidated Financial Statements

September 30, 2012 and 2011

(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, 2012, 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)

	Sept 30 2012	March 31 2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 529,865	$ 1,224,142
HST receivable	18,163	157,046
	548,028	1,381,188
Property, plant and equipment		
Exploration and evaluations assets (Note 3)	21,711,034	21,443,412
Property plant and equipment (Note 4)	567,903	573,938
Reclamation deposits (Note 5)	-	178,021
	22,278,937	22,195,371
	$ 22,826,965	$ 23,576,559
LIABILITIES		
Accounts payable and accrued liabilities	$ 237,862	$ 380,249
Amounts payable to related parties	32,758	-
	270,620	380,249
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	28,582,867	27,807,057
Share subscriptions receivable	(94,000)	-
Contributed surplus	5,110,861	4,966,046
Accumulated other comprehensive loss	(43,101)	151,374
Deficit	(11,000,282)	(9,728,167)
	22,556,345	23,196,310
	$ 22,826,965	$ 23,576,559

Going concern (Note 1)

The accompanying notes are an integral part of these consolidated financial statements.

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	
	2012	**2011**	**2012**	**2011**
Operating expenses				
Administration	$ 67,038	$ 146,368	$ 115,089	$ 213,132
Consulting - general and administration	45,000	92,125	129,126	238,217
Consulting - geological	2,250	11,400	2,250	11,400
Depreciation	14,136	12,549	28,949	12,549
Maintenance of claims	110,620	217,943	110,620	267,260
Professional fees	36,574	58,539	110,703	95,733
Promotion and investor relations	105,974	159,777	242,292	209,543
Repairs and maintenance	30,805	-	30,805	-
Stock base compensation	155,882	-	155,882	-
Transfer agent and filing	23,764	37,484	92,322	46,908
Travel	29,233	56,039	45,488	93,070
Wages and benefits	66,469	139,525	131,304	230,217
Foreign exchange	4,677	(78,516)	6,637	(75,639)
	692,422	853,233	1,201,467	1,342,390
Operating loss before other items	(692,422)	(853,233)	(1,201,467)	(1,342,390)
Other income (expenses)				
Interest income	995	853	3,739	3,006
Exploration assets written off	(74,387)	-	(74,387)	-
Other sundry income	-	7,425	-	15,425
Net loss for the period	(765,814)	(844,955)	(1,272,115)	(1,323,959)
Other comprehensive income (loss)				
Translation adjustment	(411,156)	439,269	(194,475)	387,461
Comprehensive loss for the period	$ (1,176,970)	$ (405,686)	$ (1,466,590)	$ (936,498)
Basic and diluted loss per share	$ (0.03)	$ (0.01)	$ (0.03)	$ (0.02)
Weighted average number of shares outstanding	45,329,590	39,209,999	44,532,087	38,994,647

The accompanying notes are an integral part of these consolidated financial statements.

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

	Three Months Ended September 30		Six Months Ended September 30	
	2012	**2011**	**2012**	**2011**
Cash Flows from (used in) Operating Activities				
Net loss for the period	$ (765,814)	$ (844,955)	$ (1,272,115)	$ (1,323,959)
Items not affecting cash				
Depreciation	14,136	-	28,949	-
Stock based compensation	155,882	-	155,882	-
Write down of exploration asset	74,387	-	74,387	-
Net change in non-cash working capital items	-	-		
HST receivable	14,936	(28,640)	138,883	(38,963)
Prepaid expenses and advances	-	32,549	-	22,906
Accounts payable and accrued liabilities	(7,370)	(70,349)	15,332	(94,291)
Amounts payable to related parties	8,807	-	32,758	-
	(505,036)	(911,395)	(825,924)	(1,434,307)
Cash Flows from (used in) Financing Activities				
Common shares issued for cash, net	436,683	18,750	670,743	18,750
Share subscriptions received	-	555,000	-	555,000
	436,683	573,750	670,743	573,750
Cash Flows from (used in) Investing Activities				
Reclamation deposits	14,848	-	14,848	-
Exploration costs of resource properties	(226,475)	(1,293,320)	(525,273)	(1,887,852)
Costs of building and equipment	-	(61,933)	(28,671)	(265,570)
	(211,627)	(1,355,253)	(539,096)	(2,153,422)
Increase in cash and cash equivalents	(279,980)	(1,692,898)	(694,277)	(3,013,979)
Cash and cash equivalents, beginning of period	809,845	3,403,115	1,224,142	4,724,196
Cash and cash equivalents, end of period	$ 529,865	$ 1,710,217	$ 529,865	$ 1,710,217
Supplemental Disclosure of Cash Flow Information				
Shares issued for mineral claims	$ -	420,000	$ -	420,000
Warrants issued to brokers	$ 8,387	-	$ 8,387	-
Interest expense	-	-	-	-
Income taxes	-	-	-	-

The accompanying notes are an integral part of these consolidated financial statements.

MEADOW BAY GOLD CORPORATION
Interim Consolidated Statements of Changes in Equity
Expressed in Canadian dollars
(Unaudited – Prepared by Management)
For the period from April 1, 2012 to September 30, 2012
and for the period from April 1, 2011 to September 30, 2011

	Share capital Number of shares	Amount	Share Subscriptions Received (Receivable)	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity
Balance, April 1, 2011	36,776,928	$ 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	37,264,428	$ 23,518,735	$ 555,000	$ 3,678,765	387,461	$ (7,076,635)	$ 21,034,526
Balance, April 1, 2012	44,086,094	$ 27,807,057	$ -	$ 4,966,046	$ 151,374	$ (9,728,167)	$ 23,196,310
Issued for private placement	1,240,000	749,988	(94,000)	-	-	-	655,988
Finders' fees paid in cash	-	(15,245)	-	-	-	-	(15,245)
Finders' fees paid in warrants	-	(8,387)	-	8,387	-	-	-
Options exercised	200,000	49,454		(19,454)	-	-	30,000
Repricing of stock options	-	0	-	155,882	-	-	155,882
Net comprehensive loss for the period	-	-	-	-	(194,475)	(1,272,115)	(1,466,590)
Balance, September 30, 2012	45,526,094	$ 28,582,867	$ (94,000)	$ 5,110,861	$ (43,101)	$ (11,000,282)	$ 22,556,345

The accompanying notes are an integral part of these consolidated financial statements.

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 changed its name from Meadow Bay Capital Corporation on April 4, 2011. The Company's common shares are traded on the TSX Exchange ("Exchange") under the symbol "MAY".

The head office, principal address and records office of the Company are located at Suite 210 – 905 West Pender Street, Vancouver, BC, Canada V6C 1L6.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts capitalized for mineral properties and related deferred exploration expenditures are dependent upon the ability of the Company to raise additional financing in order to complete the exploration and development of its resource properties, the discovery of economically recoverable reserves, the attainment of future profitable production or proceeds from disposition of the Company's resource properties. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to achieve any of the foregoing and continue as a going concern. Any adjustment required to the amounts and reclassification of assets and liabilities may be significant. At September 30, 2012, the Company had not yet achieved profitable operations and has accumulated losses of $11,000,282 (September 30, 2011 - $7,076,635).

Management has estimated that the Company will have adequate funds from existing working capital to meet corporate, administrative and other obligations during the year ending March 31, 2013. The Company will require additional financing as it determines to acquire additional properties or accelerate its work programs. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms

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").

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 14, 2012.

These consolidated financial statements include the accounts of the parent company and its wholly owned subsidiary, Desert Hawk Resources Inc. ("Desert Hawk"), a company incorporated in Nevada, USA. 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 assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

* the recoverability of the carrying value of exploration and evaluation assets;
* the estimated useful lives and residual value of PPE;
* the inputs used in the Black Scholes valuation model (volatility; interest rate; expected life and forfeiture rate) in accounting for share based payment transactions,
* tax interpretations, regulations, and legislation in the various jurisdictions operates are subject to change; and
* determination that there were no material restoration, rehabilitation and environmental exposure exists based on the facts and circumstances.

Management must also make significant judgments or assessments as to how financial assets and liabilities are categorized.

(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, 2012, the Company had cash equivalents of $331,705 ($Nil - September 30, 2011).

(d) Exploration and evaluation assets

All costs related to the acquisition of mineral properties are capitalized as exploration and evaluation assets. The recorded cost of mineral property interests is based on cash paid and the value of share consideration issued for mineral property interest acquisitions.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest, are expensed as incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred include appropriate technical and administrative overheads. Exploration and evaluation assets are carried at historical cost, less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the company stops capitalizing exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development assets according to the nature of those assets. Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. When a property is abandoned, all related costs are written off to operations.

(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 and water system - 10 years; and, furniture and vehicles - 5 years. The depreciation method, useful life and residual values are assessed annually.

The cost of replacing part of an item within property, plant and equipment is recognised when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised as an expense as incurred.

(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.

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. As at September 30, 2012 and 2011, the Company determined that it did not have material reclamation and remediation obligations.

(g) 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.

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.

(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. The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair value on the date of issue.

(h) 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.

(i) 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.

The functional currency of the Company's 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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, 2012, 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.

Expressed in Canadian dollars

3. EXPLORATION AND EVALUATION ASSETS

The following is a recap of exploration and evaluation assets from March 31, 2011 to September 30, 2012:

	Atlanta Gold and Silver Mine	Colorback Gold	Spruce Mountain	Total
Balance, March 31, 2011	16,279,792	49,930	39,332	16,369,054
Foreign exchange	169,425	70	56	169,551
Acquisition costs	669,775	50,000	35,000	754,775
Exploration				
Assay costs	335,907	-	-	335,907
Geological consulting	506,635	-	-	506,635
Drilling costs	3,180,335	-	-	3,180,335
Sampling costs	227,155	-	-	227,155
	4,250,032			4,250,032
Exploration costs written off	-	(100,000)	-	(100,000)
Balance, March 31, 2012	21,369,024	-	74,388	21,443,412
Foreign exchange	(183,264)	-	(1,250)	(184,514)
Exploration				
Assay costs	51,924	-	-	51,924
Geological consulting	206,127	-	-	206,127
Sampling costs	43,052	-	-	43,052
Geophysical consulting	224,170			224,170
	525,273	-		525,273
Balance, September 30, 2012	21,711,033	-	73,138	21,784,171

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 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.

On June 30, 2011 the Company entered into an agreement to acquire 135 unpatented mining claims contiguous with the Company's Atlanta property. A total of $250,000 US was paid plus issuance of 400,000 shares of common stock for this acquisition. The fair value of the shares at time of the purchase was $420,000. The agreement also includes a 3% NSR, for which the Company has the option to repurchase 1% for $1,000,000 US for a period of five years.

During the year ended March 31, 2012, the Company staked additional claims in the Atlanta district and currently possesses a total of 655 mineral claims in and around the Atlanta mine site for a total of approximately 12,000 acres. In addition to the original 13 patented and 49 unpatented claims acquired at acquisition, and in addition to the 135 unpatented mining claims acquired in June 2011, the Company has staked 217 Lily Claim Group Claims, 4 Bluebird Claim Group, 5 NFL Claim Group, 30 PEG Claim Group, 40 SNO Claim Group and 44 C&B Claim Group, 73, LSH Claim Group, and 45 Lauren Claim Group Claims. The Company did not renew a group of claims known as

Expressed in Canadian dollars

Limestone Hills (LHS 1–73). These claims were staked in the previous year but subsequent testing was not satisfactory.

Colorback Gold and Spruce Mountain Gold and Silver Properties

The Company had the option of acquiring the mineral rights to these properties through the payment of royalty fees that commenced in 2011 and would have been carried on for a further 5 to 19 years. In fiscal 2012, management decided it no longer intended to explore the Colorback property and it was classified as impaired and written off to operation as at March 31, 2012. Management also decided it no longer wished to explore the Spruce Mountain property and this property was similarly classified as impaired and written off to operation effective September 30, 2012. Subsequent to the period end of September 30, 2012, the Company declined to make the required royalty payments for both properties, thereby extinguishing any future mineral claims.

4. PROPERTY PLANT AND EQUIPMENT

	Mine Equipment	Mine Buildings	Vehicles	Furniture and fixtures	Water System	Total
Costs:						
Balance, April 1, 2012	$ 293,167	$ 244,098	$ 36,708	$ 8,208	$ 32,899	$ 615,080
Additions	-	-	-	-	29,160	29,160
Translation	-	(4,101)	(618)	(137)	(1,042)	(5,898)
Balance,Sept 30, 2013	$ 293,167	$ 239,997	$ 36,090	$ 8,071	$ 61,017	$ 638,342
Depreciation						
Balance, April 1, 2012	$ 21,987	$ 11,598	$ 5,505	$ 1,230	$ 822	$ 41,142
Additions	14,808	6,102	3,670	820	3,532	28,932
Translation	-	215	102	22	26	365
Balance, Sept 30, 2012	$ 36,795	$ 17,915	$ 9,277	$ 2,072	$ 4,380	$ 70,439

	Mine Equipment	Mine Buildings	Vehicles	Furniture and fixtures	Water System	Total
Costs:						
Balance, April 1, 2011	$ 293,167	$ -	$ -	$ -	$ -	$ 293,167
Additions	-	231,456	38,135	8,528	-	278,119
Translation	-	6,761	-	-	-	6,761
Balance, Sept 30, 2011	$ 293,167	$ 231,456	$ 38,135	$ 8,528	$ -	$ 571,286
Depreciation						
Balance, April 1, 2011	$ -	$ -	$ -	$ -	$ -	$ -
Additions	-	2,866	1,835	410	-	5,111
Translation	-	112	71	16	-	199
Balance, Sept 30, 2011	$ 7,239	$ 2,978	$ 1,906	$ 426	$ -	$ 12,549

Expressed in Canadian dollars

	Mine Equipment	Mine Buildings	Vehicles	Furniture and fixtures	Water System	Total
Carrying amounts:						
Sept 30, 2012	$ 256,372	$ 222,082	$ 26,813	$ 5,999	$ 56,637	$ 567,903
Sept 30, 2011	$ 285,928	$ 228,478	$ 36,229	$ 8,102	$ -	$ 558,737

5. RECLAMATION DEPOSITS

In July 2012, the Company arranged with an insurance company to provide for a reclamation bond with the Bureau of Land Management with regard to the Atlanta Gold and Silver Mine property. The premium of $7,121 provides for the required bond deposit of $178,021

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:

As at September 30, 2012, there were 45,526,094 issued common shares (September 30, 2011 – 39,264,428), of which 156,667 were paid for subsequent to the period end.

During the period ending September 30, 2012, the Company completed the following share transactions:

i) On June 19, 2012, The Company completed the first tranche of a private placement by issuing 415,000 units at US$0.60 per unit for gross proceeds of US$249,000. Each unit comprised one share and one share warrant, entitling the holder to purchase one additional share for a period of 2 years from the date of closing at a price of US$0.75 per share. The Company paid finders' fees of US$14,940 cash and 24,900 finders' warrants, with each finder's warrant entitling the holder to purchase one common share of the Company for a period of 2 years at an exercise price of US$0.75 per share. The warrants were valued at $8,387 using a Black Scholes option pricing model, as the value of the services performed was not readily verifiable.

ii) Further tranches of 668,333 units for gross proceeds of $396,938 were also received during the period. A further 156,667 units for gross proceeds of $94,000 were received subsequent to the period. There were no finders' fees incurred nor finders' warrants issued with respect to these issuances.

During the year ended March 31, 2012, the Company completed the following share transactions:

i) On June 30, 2011, the Company issued 400,000 common shares at a fair value of $420,000 pursuant to an agreement in which it obtained 135 unpatented mining claims contiguous with claims of the Atlanta Gold Mine.

ii) On October 6, 2011, The Company completed a private placement by issuing 2,286,066 shares at $0.90 per share for gross proceeds of $2,057,460. The Company paid finders' fees of $54,000 cash and 60,000 finders' warrants, with each finder's warrant entitling the holder to purchase one common share of the Company for a period of 2 years at an exercise price of $0.90 per share. The warrants were valued at $43,968 using a Black Scholes option pricing model, as the value of the services performed was not readily verifiable.

iii) On November 14, 2011, The Company completed a private placement by issuing 2,366,000 shares at $1.00 per share for gross proceeds of $2,366,000. The Company paid finders' fees of $144,200 cash and 97,200 finders' warrants, with each finder's warrant entitling the holder to purchase one common share of the Company for a period of 1 year at an exercise price of $1.00 per share. The warrants were valued at $72,089 using a Black Scholes option pricing model, as the value of the services performed was not readily verifiable.

Expressed in Canadian dollars

iv) During the year, 185,000 options were exercised for gross proceeds of $55,600. Previously calculated and recorded benefits on those options of $25,351 were eliminated from contributed surplus and credited to share capital.

v) During the year, 72,100 broker warrants were exercised for gross proceeds of $72,100. Previously calculated and recorded benefits on those warrants of $53,474 were eliminated from contributed surplus and credited to share capital

(c) 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.

Effective July 11, 2012, the Board of Directors approved a re-pricing to $.45 of 3,275,000 previously granted options. The re-pricing resulted in a charge to operation of $155,882. The amount was determined by using the Black Scholes option model using inputs as noted below.

A summary of the status of the Company's outstanding stock options as at September 30, 2012, after giving effect to the re-pricing, is as follows:

Options	Number of Shares	Exercise Price	Expiry Date
50,000	50,000	$ 0.15	September 16, 2015
30,000	30,000	$ 0.15	January 11, 2016
1,145,000	1,145,000	$ 0.45	January 27, 2016
1,650,000	1,110,000	$ 0.45	March 13,2016
690,000	690,000	$ 0.45	September 30, 2016
25,000	25,000	$ 0.45	November 14, 2014
325,000	315,000	$ 0.45	January 24, 2014

The following is a summary of stock option transactions during the period ended September 30, 2012 and the year ended March 31, 2012:

Expressed in Canadian dollars

	Options Outstanding #	Weighted Average Exercise Price $
Balance, excercisable and outstanding, April 1, 2011	3,660,000	1.07
Granted	1,460,000	1.00
Exercised	185,000	0.30
Forfeited	570,000	1.17
Balance, excercisable and outstanding, March 31, 2012	4,365,000	1.08
Granted	-	-
Forfeited	810,000	1.16
Exercised	200,000	0.15
Balance, excercisable and outstanding, September 30, 2012		
before re-pricing	3,355,000	1.11
After re-pricing	3,355,000	0.44

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, 2012 to September 30, 2012 and for the year ended March 31, 2012. (There were no options granted during the six month period ended September 30, 2011.)

	For the six months ended September 30, 2012	Year ended March 31 2012
Risk-free interest rate	.99% - $1.04%	.88% -2.51%
Expected life of options	2 – 3 years	2 - 5 years
Annualized volatility	183% - 251%	132.3% - 273.7%
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, 2012 is as follows:

# of warrants	# of shares		Exericise Price	Expiry Date
60,000	60,000	$	0.90	October 15, 2012
97,200	97,200	$	1.00	November 13, 2012
699,913	699,913	$	1.00	December 31, 2012
1,108,233	1,108,233	$	0.75	June 19, 2014
1,965,346	1,965,346			

Expressed in Canadian dollars

The following is a summary of warrant transactions for the period from April 1, 2011 to September 30, 2012:

	Warrants Outstanding #	Weighted Average Exercise Price $
Balance, exercisable and outstanding, April 1, 2011	772,013	1.00
Granted	157,200	0.96
Exercised	72,100	1.00
Forfeited	-	-
Balance, exercisable and outstanding, March 31, 2012	857,113	1.00
Sold with share units	1,083,333	0.75
Granted	24,900	0.75
Exercised	-	-
Forfeited	-	-
Balance, exercisable and outstanding, September 30, 2012	1,965,346	0.86

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 three and six month periods ended September 30, 2012 and 2011.

	3 months ended Sept 30		6 months ended Sept 30	
	2012	2011	2012	2011
	$	$	$	$
Consulting fees paid to director CEO	30,000	30,000	75,000	60,000
Consulting fees paid to CFO	9,000	10,000	20,000	14,000
Consulting fees paid to director	-	-	-	1,000
Geological fees paid to director	3,000	20,400	8,400	33,000
Rent paid to an officer	-	2,750	-	2,750

8. FINANCIAL INSTRUMENTS

(a) **Fair values**

The Company's financial instruments include cash and cash equivalents and accounts payable and accrued liabilities. Cash and cash equivalents are classified as loans and receivables and are carried at their amortized costs. Accounts payable and accrued liabilities are classified as other financial liabilities and are carried at their amortized cost.

The carrying value of the Company's financial assets and liabilities approximates their fair value due to the relatively short periods to maturity of these investments. Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. These estimates are subjective and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

				September 30, 2012
Account	Category	Carrying value	Amount	Fair value hiearchy
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 529,865	N/A
Accounts payable and accrued liabilities	Other financial liabilties	Amortized cost	$ 397,947	N/A
Accounts payable to related parties	Other financial liabilties	Amortized cost	$ 32,758	N/A

				September 30, 2011
Account	Category	Carrying value	Amount	Fair value hiearchy
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 1,710,217	N/A
Accounts payable and accrued liabilities	Other financial liabilties	Amortized cost	$ 313,696	N/A

(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, 2012 all 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, 2012, the Company had cash and cash equivalents of $529,865 to settle accounts payable of $270,620 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, 2012, approximately $30,000 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 $3,000 on net income.

Expressed in Canadian dollars

(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, 2012.

10. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the properties purchased from Desert Hawk, which are in Nevada USA.

The Company's capital assets by geographic location are as follows:

The Company capital assets by geographic location are:

	September 30	
	2012 $	2011 $
Canada	-	-
USA	567,903	558,737
Total	567,903	558,737

11. SUBSEQUENT EVENTS

The following events happened after September 30, 2012:

(a) The Company received a further US$94,000 of gross proceeds on its private placement, representing 156,667 units at US$0.60 per unit. Each unit comprised one share and one share warrant, entitling the holder to purchase one additional share for a period of 2 years from the date of closing at a price of US$0.75 per share.

(b) Effective October 8, 2012 the Board of Directors granted 800,000 stock options to officers, directors and contractors. Each option allows the holder to purchase one common share for $0.55 for a period of 5 years.