MEADOW BAY GOLD CORPORATION

Interim Consolidated Financial Statements

June 30, 2013 and 2012

(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 June 30, 2013, 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)

	June 30 2013	March 31 2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 673,709	$ 342,721
Note receivable	1,945	3,681
Sales tax receivable	38,957	21,837
Prepaid expense	6,625	10,965
	721,236	379,204
Property, plant and equipment		
Exploration and evaluations assets (Note 3)	23,084,793	22,556,442
Property plant and equipment (Note 4)	553,167	556,302
	23,637,960	23,112,744
	$ 24,359,196	$ 23,491,948
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 159,607	$ 310,468
Amounts payable to related parties (Note 7)	48,860	140,306
	208,467	450,774
Non-current liabilities		
Foreign currency warrant liability (Note 6)	31,539	51,645
	240,006	502,419
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	29,664,506	28,709,300
Share subscriptions receivable	(52,500)	(75,000)
Contributed surplus	5,698,025	5,493,303
Accumulated other comprehensive income	786,784	343,126
Deficit	(11,977,625)	(11,481,200)
	24,119,190	22,989,529
	$ 24,359,196	$ 23,491,948

Going concern (Note 1)

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

Approved by:

"Robert Dinning" **, Director** *"Jordan Estra"* **, Director**
Robert Dinning **Jordan Estra**

MEADOW BAY GOLD CORPORATION

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

For the Three Months Ended June 30	2013	2012
Operating expenses		
Consulting - general	$ 106,500	$ 84,126
Depreciation	15,458	14,813
Office and administration services	63,870	48,051
Professional fees	4,274	74,129
Trade shows and investor relations	75,137	136,318
Stock base compensation	155,058	-
Transfer agent and filing	36,201	68,558
Travel	27,959	16,255
Wages and benefits	31,892	64,835
Foreign exchange	182	1,960
	516,531	509,045
Operating loss before other items	(516,531)	(509,045)
Other income (expenses)		
Interest income	-	2,744
Change in foreign currency warrant liability	20,106	-
Net loss for the period	(496,425)	(506,301)
Other comprehensive income		
Translation adjustment	443,658	216,681
Comprehensive loss for the period	$ (52,767)	$ (289,620)
Basic and diluted loss per share	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding	46,650,716	41,192,213

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)

For the Three Months Ended June 30	2013	2012
Cash Flows from (used in) Operating Activities		
Net loss for the period	$ (496,425)	$ (506,301)
Items not affecting cash		
Depreciation	15,458	14,813
Stock based compensation	155,058	-
Change in foreign currency warrant liability	(20,106)	-
Services paid for in shares	62,500	-
Net change in non-cash working capital items		
Note receivable	1,850	-
Sales tax receivable	(17,120)	123,947
Prepaid expenses	4,340	-
Accounts payable and accrued liabilities	(149,738)	29,073
Amounts payable to related parties	(91,446)	11,964
	(535,629)	(326,504)
Cash Flows from (used in) Financing Activities		
Common shares issued for cash	1,001,095	254,080
Share issuance costs	(36,225)	(20,020)
	964,870	234,060
Cash Flows from (used in) Investing Activities		
Exploration costs of resource properties	(98,253)	(274,658)
Costs of building and equipment	-	(47,195)
	(98,253)	(321,853)
Increase in cash and cash equivalents	330,988	(414,297)
Cash and cash equivalents, beginning of period	342,721	1,224,142
Cash and cash equivalents, end of period	$ 673,709	$ 809,845
Supplemental Disclosure of Cash Flow Information		
Warrants issued to brokers	$ 49,664	$ 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)

	Share capital Number of shares	Amount	Share Subscriptions Received (Receivable)	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
Balance, April 1, 2012	44,086,094	$ 27,807,057	$ -	$ 4,966,046	$ 151,374	$ (9,728,167)	$ 23,196,310
Shares issued for private placement							
at $.60 US per unit	415,000	254,080	-	-	-	-	254,080
Finders' fees paid in cash	-	(20,020)	-	-	-	-	(20,020)
Finders' fees paid in warrants	-	(8,387)	-	8,387	-	-	-
Net comprehensive income (loss) for the period	-	-	-	-	216,681	(506,301)	(289,620)
Balance, June 30, 2012	44,501,094	$ 28,032,730	$ -	$ 4,974,433	368,055	$ (10,234,468)	$ 23,140,750
Balance, April 1, 2013	44,086,094	$ 28,709,300	$ (75,000)	$ 5,493,303	$ 343,126	$ (11,481,200)	$ 22,989,529
Services rendered for subscriptions receivable			62,500				62,500
Issued for private placement							
at $.20 CDN per unit	4,830,475	966,095	(40,000)	-	-	-	926,095
at $.22 CDN per unit	340,910	75,000	-	-	-	-	75,000
Finders' fees paid in cash	-	(36,225)	-	-	-	-	(36,225)
Finders' fees paid in warrants	-	(49,664)	-	49,664	-	-	-
Stock based compensation	-	-	-	155,058	-	-	155,058
Net comprehensive income (loss) for the period	-	-	-	-	443,658	(496,425)	(52,767)
Balance, June 30, 2013	49,257,479	$ 29,664,506	$ (52,500)	$ 5,698,025	$ 786,784	$ (11,977,625)	$ 24,119,190

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 June 30, 2013, the Company had not yet achieved profitable operations and has accumulated losses of $11,977,625 (June 30, 2012 - $10,234,468).

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, 2014. 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 August 14, 2013.

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 these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant estimates used in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

i) The recoverability of the carrying value of exploration and evaluation assets.

The Company is required to review the carrying value of its evaluation and exploration assets for potential impairment. Impairment is indicated if the carrying value of the Company's exploration and evaluation assets is not recoverable. If impairment is indicated, the amount by which the carrying value of exploration and evaluation assets exceeds the estimated fair value is charged to the statement of loss and comprehensive loss.

Evaluating the recoverability during the exploration and evaluation phase requires judgements in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluation may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's financial ability to continue exploration and evaluation activities and the impact of the current and expected future metal process to potential reserves.

ii) The inputs used in the Black Scholes valuation model (volatility; interest rate; expected life and dividend yield) and forfeiture rates in accounting for share based payment transactions.

Estimating the fair value of granted stock options, warrants issued for finders' fees and the warrant liability required determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. The estimate of share based compensation also requires determining the most appropriate inputs to the valuation model including the dividend yield, and estimating the forfeiture rate for options with vesting conditions.

iii) Determination that there no material restoration, rehabilitation and environmental exposure exists based on the facts and circumstances.

The Company makes the determination of its obligations for future restoration, rehabilitation and environmental exposure based on factual information, circumstances and documentation provided from mining authorities in the exploration and evaluation asset's mining jurisdiction. Beyond this, if able to, management will attempt to present a reliable estimate of an obligation that is considered necessary.

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

Significant judgments used in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

i) Going concern.

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances (Note 1).

ii) The estimated useful lives and residual value of property, plant and equipment.

Equipment is depreciated over its useful life. Estimated useful lives are determined based on current facts and past management experience, and take into consideration the anticipated physical life of the asset, the potential for technology obsolescence and regulations.

iii) Tax interpretations, regulations, and legislation in the various jurisdictions operates are subject to change
The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws

in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.

(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 June 30, 2013, the Company had no cash equivalents ($381,186 as at June 30, 2012).

(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.

Subsequent costs

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 June 30, 2013 and June 30 2012, the Company determined that it did not have material reclamation and remediation obligations.

(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.

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) Derivative financial liabilities

The Company initially recognizes a derivative financial liability on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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

The Company has the following derivative financial liabilities: foreign currency warrant liability.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured fair value through profit or loss (Note 2(m)).

(iv) 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.

(i) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on the difference between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of an asset.

(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.

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.

(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 Income/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 incomes is the gain on currency translation.

(m) Share purchase warrants

The Company has adopted the residual method with respect to the measurement of shares and warrants issued as private placement units. The residual method allocates the proceeds received based on the fair value of the shares, with any remaining value greater than the shares' fair value being allocated to the warrants. The fair value of the common shares is based on the opening quoted bid price on the announcement date. The fair value attributed to the warrants is recorded as contributed surplus. When warrants are exercised, the value is transferred from contributed surplus to capital stock. If the warrants expire unexercised, the related amount remains in contributed surplus.

Share purchase warrants with an exercise price denominated in a foreign currency are accounted for as financial liabilities classified as fair value through profit or loss, and are recorded at fair value as estimated using the Black Scholes valuation model. Fair value changes on these liabilities are recognized in net loss. As these warrants are exercised, the fair value of the recorded warrant liability on the date of exercise is included in share capital along with the proceeds from the exercise. If these warrants expire, the related decrease in warrant liability is recognized in net loss.

(n) 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.

(o) 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 June 30, 2013, 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. EXPLORATION AND EVALUATION ASSETS

The following is a recap of exploration and evaluation assets from March 31, 2012 to June 30, 2013:

Expressed in Canadian dollars

	Atlanta Gold and Silver Mine $	Spruce Mountain $	Total $
Balance, March 31, 2012	21,369,024	74,388	21,443,412
Foreign exchange	174,536	-	174,536
Exploration			
Assay costs	65,947	-	65,947
Geological consulting	526,875	-	526,875
Drilling	142,374		-
Sampling costs	46,038	-	46,038
Other	231,648	-	231,648
	1,012,882		1,012,882
Exploration costs written off	-	(74,388)	(74,388)
Balance, March 31, 2013	22,556,442	-	22,556,442
Foreign exchange	430,098	-	430,098
Exploration			
Assay costs	1,052	-	1,052
Geological consulting	97,201	-	97,201
	98,253		98,253
Balance, June 30, 2013	23,084,793	-	23,084,793

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

Colorback Gold Lease/purchase Property

This property is a disseminated gold exploration project located on the east slope of the Shoshone Range, 16 kms southwest of Crescent Valley. It contains 120 unpatented lode claims in the Cortez - Battle Mountain Trend, 12 miles north of the Pipeline deposit. The Colorback property is host to both surface gold targets and a lower-plate Carlinstyle gold system. Effective March 31, 2012, the Company determined it had no immediate plans to explore further on this property and, it was deemed to be impaired and written it off to operations.

Expressed in Canadian dollars

Spruce Mountain Gold and Silver Project

This property is located in Elko County, Nevada and is comprised of 63 unpatented lode claims adjacent and overlapping with a 100-million ton copper-molybdenum resource. The property is a porphyry mily deposit with a silver skarn on the west side and a porphyry copper deposit in the centre of the project. The silver skarn and the copper deposit are untested to date. 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 and writing them off to operations.

4. PROPERTY PLANT AND EQUIPMENT

	Mine Equipment	Mine Buildings	Vehicles	Furniture and fixtures	Water System	Total
Costs:						
Balance, April 1, 2013	$ 293,167	$248,004	$ 22,029	$ 8,340	$ 71,362	$ 642,902
Additions	-	-	-	-	-	-
Translation	-	8,739	776	294	2,514	12,323
Balance, June 30, 2013	$ 293,167	$256,743	$ 22,805	$ 8,634	$ 73,876	$ 655,225
Depreciation						
Balance, April 1, 2013	$ 43,974	$ 24,183	$ 7,537	$ 2,916	$ 7,990	$ 86,600
Additions	7,329	3,051	1,085	410	1,756	13,631
Translation	-	1,010	321	124	372	1,827
Balance, June 30, 2013	$ 51,303	$ 28,244	$ 8,943	$ 3,450	$ 10,118	$ 102,058
Costs:						
Balance, April 1, 2012	$ 293,167	$244,098	$ 36,708	$ 8,208	$ 32,899	$ 615,080
Additions	-	244,098	36,707	8,209	47,195	336,209
Translation	-	4,418	665	149	594	5,826
Balance, June 30, 2013	$ 293,167	$488,196	$ 73,415	$ 16,417	$ 80,094	$ 951,289
Depreciation						
Balance, April 1, 2012	$ 21,987	$ 11,598	$ 5,505	$ 1,230	$ 822	$ 41,142
Additions	7,404	3,107	1,868	417	2,017	14,813
Translation	-	210	100	22	15.00	347
Balance, June 30, 2012	$ 29,391	$ 14,915	$ 7,473	$ 1,669	$ 2,854	$ 56,302
Carrying amounts:						
June 30, 2013	$ 241,864	$228,499	$ 13,862	$ 5,184	$ 63,758	$ 553,167
June 30, 2012	$ 263,776	$473,281	$ 65,942	$ 14,748	$ 77,240	$ 894,987

5. 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 June 30, 2013, there were 49,257,479 issued common shares (June 30, 2012 – 44,501,094).

During the quarter ending June 30, 2013, the Company completed the following share transactions:

i) On April 29, 2013, the Company completed the first tranche of a private placement by issuing 2,530,910 units of which 2,190,000 were issued at $0.20 CDN and 340,910 were issued at $0.22 CDN per unit for gross proceeds of $513,000. 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 $0.30 per share, for the third year at $0.35 per share and for the fourth year at $0.40 per share.. The Company paid finders' fees of $18,900 cash and 94,500 finders' warrants, with each finder's warrant entitling the holder to purchase one common share of the Company under the same conditions as the unit holders.. The warrants were valued at $22,221 using a Black Scholes option pricing model, as the value of the services performed was not readily verifiable.

ii) On June 3, 2013, the Company completed the second and final tranche of the same private placement by issuing 2,640,475 units at $0.20 CDN for gross proceeds of $528,095. The Company paid finders' fees of $17,325 cash and 86,625 finders' warrants,. The warrants were valued at $27,443 using a Black Scholes option pricing model, as the value of the services performed was not readily verifiable.

During the year ended March 31, 2013, the Company completed the following share transactions:

iii) On November 30 2012, the Company completed private placement by issuing 1,945,200 units at $0.30 per unit for gross proceeds of $583,560. Each unit comprised one share and one share warrant, entitling the holder to purchase one additional share for a period of 3 years from the date of closing at a price of $0.40 per share. The Company paid finders' fees of $38,940 cash and 131,964 finders' warrants, with each finders' warrant entitling the holder to purchase one common share of the Company for a period of 3 years at an exercise price of $0.40 per share. The finders' warrants were valued at $38,940 using a Black Scholes option pricing model, as the value of the services performed was not readily verifiable.

iv) 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. Although shares were issued, one investor's payment remains outstanding. The finders' warrants were valued at $8,387 using a Black Scholes option pricing model, as the value of the services performed was not readily verifiable.

v) Further tranches of 918,333 units for gross proceeds of $551,910 were also received during the year. There were no finders' fees incurred or finders' warrants issued with respect to these issuances.

vi) As the exercise price of the warrants is in a currency other than the Company's functional currency, the Company allotted $147,985 of the proceeds to foreign currency warrant liability, which represents the estimated fair value of the foreign currency based warrants issued in the brokered/non-brokered private placement. The fair value of the warrants has been estimated using the Black-Scholes option pricing model with the following assumptions as at the date of issuance:

Expressed in Canadian dollars

Risk free interest rate .99%
Expected life of warrants 2 years
Annualized volatility 128.62%
Dividend rate 0.00%

vii) On July 18, 2012, 200,000 options were exercised for gross proceeds of $30,000. Previously calculated and recorded benefits on those options of $19,454 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.

A summary of the status of the Company's outstanding stock options as a June 30, 2013 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
1,100,000	1,100,000	$ 0.45	March 13,2016
690,000	690,000	$ 0.45	September 30, 2016
25,000	25,000	$ 0.45	November 14, 2014
315,000	315,000	$ 0.45	January 24, 2014
800,000	800,000	$ 0.55	October 8, 2017
150,000	150,000	$ 0.45	January 14, 2015
775,000	150,000	$ 0.25	May 29, 2018
	5,080,000		

The following is a summary of stock option transactions during the quarter ended June 30, 2013 and the year ended March 31, 2013

Expressed in Canadian dollars

	Options Outstanding #	Weighted Average Exercise Price $
Balance, excercisable and outstanding, March 31, 2012	4,365,000	1.08
Granted	-	-
Expired	810,000	1.16
Exercised	200,000	0.15
Balance, excercisable and outstanding, before re-pricing	3,355,000	1.11
After re-pricing	3,355,000	0.44
Granted	800,000	0.55
Granted	150,000	0.45
Balance, March 31, 2013	4,305,000	0.46
Granted	775,000	0.25
Balance, June 30, 2013	5,080,000	0.43

:

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, 2013 to June 30, 2013 and for the year ended March 31, 2013:

	For the three months ended June 30, 2013	Year ended March 31 2013
Risk-free interest rate	1.09%	.95% -1.12%
Expected life of options	4 years	2 - 5 years
Annualized volatility	101.69%	92.53% - 142.4%
Dividend rate	0%	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 June 30, 2013 is as follows:

# of warrants	# of shares	Exericise Price	Expiry Date
1,524,900	1,524,900	$ 0.75	June 19, 2014
2,077,164	2,077,164	$ 0.40	November 27, 2015
2,625,410	2,625,410	see below	April 29, 2017
2,727,100	2,727,100	see below	June 3, 2017
8,954,574	8,954,574		

Expressed in Canadian dollars

The warrants noted above have the following exercise prices over their four year term: $0.30 during the first and second years, $0.35 during the third year and $0.40 during the fourth year.

The following is a summary of warrant transactions for the period from April 1, 2012 to June 30, 2013:

	Warrants Outstanding	Weighted Average Exercise Price
	#	$
Balance, exercisable and outstanding, April 30, 2012	857,113	1.00
Sold with share units	3,445,200	0.55
Granted	156,864	0.46
Exercised	-	-
Expired	857,113	1.00
Balance, exercisable and outstanding, March 31, 2013	3,602,064	0.55
Sold with share units	5,171,385	0.34
Granted	181,125	0.34
Balance, exercisable and outstanding, June 30, 2013	8,954,574	0.42

6. FOREIGN CURRENCY WARRANT LIABILITY

As disclosed above in Note 5(b)(vi), the Company recorded a foreign currency warrant liability in the amount of $147,985 at the time of share issuance on June 19, 2012. The liability is required to be re-valued at each recording period. Accordingly as at March 31, 2013 and at June 30, 2013, the warranty was re-valued and reduced to $51,645 as at March 31, 2013 and $31,539 as at June 30, 2013. The valuation was determined using Black Scholes option pricing model using inputs as noted below. The reduction in the liability has been recorded as other income in the statement of loss.

	June 30, 2013	March 31, 2013
Risk-free interest rate	1.22%	0.95%
Expected life of options	.964 years	1.216 Years
Annualized volatility	99.46%	85.93%
Dividend Rate	0%	0%

7. RELATED PARTY BALANCES AND TRANSACTIONS

The following table summarizes services provided by directors and officers of the Company not otherwise noted in the financial statements for the three month periods ended June 30, 2013 and 2012.

For the three months ending June 30,	2013	2012
	$	$
Consulting fees paid to president / CEO	30,000	45,000
Consulting fees paid to CFO	9,000	11,000
Geological fees paid to an officer	16,750	-
Geological fees paid to a director	-	5,400

Expressed in Canadian dollars

Balances due to related parties represent amounts owing to officers and directors and companies owned by officers and directors. Balances due to related parties are non-interest bearing, are due on demand and bear no specific terms of repayment.

The Company paid or accrued the following compensation to key management during the three months ended June 30, 2013and 2012:

Key management	2013	2012
	$	$
Fees / Salaries / Bonuses	55,750	61,400
Share-based payments	85,032	-
Total compensation	140,782	64,400

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.

Account	Category	Carrying value	Amount	June 30, 2013 Fair value hiearchy
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 673,709	N/A
Note receivable	Loans and receivables	Amortized cost	$ 1,945	N/A
Accounts payable and accrued liabilities	Other financial liabilties	Amortized cost	$ 159,607	N/A
Amounts payable to related parties	Other financial liabilties	Amortized cost	$ 48,860	N/A
Foreign currency warrant liability	Other financial liabilties	Fair value	$ 31,539	level 2

Account	Category	Carrying value	Amount	June 30, 2013 Fair value hiearchy
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 809,845	N/A
Accounts payable and accrued liabilities	Other financial liabilties	Amortized cost	$ 412,804	N/A
Amounts payable to related parties	Other financial liabilties	Amortized cost	$ 11,964	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 June 30, 2013 $513,110 cash equivalents were over the federally insured limit (June 30, 2012 – $663,112.

(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 June 30, 2013, the Company had cash and cash equivalents of $673,709 to settle accounts payable of $208,467 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 June 30, 2013, approximately $60,599 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 $6,500 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.

Expressed in Canadian dollars

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, 2013.

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 property, plant and equipment by geographic location are as follows:

As at June 30,	2013	2012
	$	$
Canada	-	-
USA	553,167	611,799

The Company's exploration and evaluation assets by geographic location are as follows:

As at June 30,	2013	2012
	$	$
Canada	-	-
USA	23,084,793	21,853,799

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date these financial statements were issued, and determined that there were no other subsequent events or transactions that require recognition or disclosures in the financial statements.