

MEADOW BAY GOLD CORPORATION

Interim Condensed Consolidated Financial Statements

December 31, 2013 and 2012

(Unaudited – prepared by Management)

In accordance with National Instrument 51-102 Part 4, *Continuous Disclosure Obligations*, subsection 4.3(3)(a), **WE HERBY GIVE NOTICE** that our interim condensed consolidated financial statements for the period December 31, 2013, which follows this notice, have not been reviewed by an auditor.

MEADOW BAY GOLD CORPORATION

Interim Condensed Consolidated Statements of Financial Position

Expressed in Canadian dollars

(Unaudited – Prepared by Management)

	Dec 31 2013	March 31 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 79,398	\$ 342,721
Note receivable	1,968	3,681
Sales tax receivable	52,754	21,837
Prepaid expense	3,750	10,965
	<u>137,870</u>	<u>379,204</u>
Property, plant and equipment		
Exploration and evaluations assets (Note 3)	23,429,294	22,556,442
Property plant and equipment (Note 4)	561,713	556,302
	<u>23,991,007</u>	<u>23,112,744</u>
	<u>\$ 24,128,877</u>	<u>\$ 23,491,948</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 192,520	\$ 310,468
Amounts payable to related parties (Note 7)	64,584	140,306
	<u>257,104</u>	<u>450,774</u>
Non-current liabilities		
Foreign currency warrant liability (Note 6)	-	51,645
	<u>257,104</u>	<u>502,419</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	29,884,189	28,709,300
Share subscriptions receivable	-	(75,000)
Equity reserves	5,702,140	5,493,303
Accumulated other comprehensive income	948,769	343,126
Deficit	(12,663,325)	(11,481,200)
	<u>23,871,773</u>	<u>22,989,529</u>
	<u>\$ 24,128,877</u>	<u>\$ 23,491,948</u>
Going concern (Note 1)		

Approved by:

“Robert Dinning” , Director
Robert Dinning

“Jordan Estra” , Director
Jordan Estra

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

MEADOW BAY GOLD CORPORATION

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars

(Unaudited – Prepared by Management)

For the period ended, December 31	Three Months Ended		Nine Months Ended	
	2013	2012	2013	2012
Operating expenses				
Consulting - general	\$ 46,000	\$ 44,238	\$ 232,000	\$ 173,364
Consulting - geological	-	10,800	-	13,050
Depreciation	14,251	13,424	44,008	42,373
Foreign exchange	8,320	(1,982)	28,963	4,655
Maintenance of claims	6,196	9,055	87,015	119,675
Office and administrative services	74,109	68,333	223,638	183,422
Professional fees	8,811	23,291	32,123	133,994
Repairs and maintenance	-	9,829	-	40,634
Share-based compensation	-	353,204	155,058	509,086
Trade shows and investor relations	156,025	53,040	247,883	295,332
Transfer agent and filing	10,200	10,174	54,499	102,496
Travel	8,850	22,122	37,114	67,610
Wages and benefits	27,681	30,008	91,469	161,312
	<u>360,443</u>	<u>645,536</u>	<u>1,233,770</u>	<u>1,847,003</u>
Operating loss	(360,443)	(645,536)	(1,233,770)	(1,847,003)
Change in foreign currency liability	12,278		51,645	-
Interest income	-	3,291	-	7,030
Exploration assets written off	-	-	-	(74,387)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(74,387)</u>
Net loss for the period	(348,165)	(642,245)	(1,182,125)	(1,914,360)
Other comprehensive income (loss)				
Translation adjustment	161,985	132,959	605,643	(61,516)
	<u>161,985</u>	<u>132,959</u>	<u>605,643</u>	<u>(61,516)</u>
Comprehensive loss for the period	<u>\$ (186,180)</u>	<u>\$ (509,286)</u>	<u>\$ (576,482)</u>	<u>\$ (1,975,876)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>(0.01)</u>	<u>\$ (0.04)</u>
Weighted average number of shares outstanding	<u>49,742,012</u>	<u>44,819,555</u>	<u>48,556,976</u>	<u>45,110,083</u>

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MEADOW BAY GOLD CORPORATION

Interim Condensed Consolidated Statements of Changes in Equity

Expressed in Canadian dollars

(Unaudited – Prepared by Management)

For the period from April 1, 2012 to December 31, 2012 and,

From April 1, 2013 to December 31, 2013

	Share capital		Share	Equity	Accumulated	Total	
	Number of	Amount	Subscriptions		Other		
	shares		Received	Reserves	Comprehensive	Shareholders'	
			(Receivable)		Loss	Deficit	Equity
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							
At \$.60 US per unit	1,278,333	772,988	-	-	-	-	772,988
At \$.30 CDN per unit	1,945,200	583,560	-	-	-	-	583,560
Finders' fees paid in cash	-	(54,020)	-	-	-	-	(54,020)
Finders' fees paid in warrants							
\$.60 US units	-	(38,975)	-	38,975	-	-	-
Options exercised	200,000	49,454	-	(19,454)	-	-	30,000
Repricing of stock options	-	-	-	155,882	-	-	155,882
Share-based compensation	-	-	-	353,204	-	-	353,204
Net comprehensive loss for the period	-	-	-	-	(61,516)	(1,914,360)	(1,975,876)
Balance, December 31, 2012	<u>\$ 47,509,627</u>	<u>\$ 29,120,064</u>	<u>\$ -</u>	<u>\$ 5,494,653</u>	<u>\$ 89,858</u>	<u>\$ (11,642,527)</u>	<u>\$ 23,062,048</u>
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	-	-	100,000	-	-	-	100,000
Issued for private placement							
At \$.20 CDN per unit	5,973,475	1,194,695	(25,000)	-	-	-	1,169,695
At \$.22 CDN per unit	340,910	75,000	-	-	-	-	75,000
Finders' fees paid in cash	-	(41,027)	-	-	-	-	(41,027)
Finders' fees paid in warrants	-	(53,779)	-	53,779	-	-	-
Stock based compensation	-	-	-	155,058	-	-	155,058
Net comprehensive loss for the period	-	-	-	-	605,643	(1,182,125)	(576,482)
Balance, December 31, 2013	<u>50,400,479</u>	<u>\$ 29,884,189</u>	<u>\$ -</u>	<u>\$ 5,702,140</u>	<u>\$ 948,769</u>	<u>\$ (12,663,325)</u>	<u>\$ 23,871,773</u>

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

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

For the nine month period ended, December 31

	2013	2012
Cash Flows from (used in) Operating Activities		
Net loss for the period	\$ (1,182,125)	\$ (1,914,360)
Items not affecting cash		
Depreciation	44,008	42,373
Stock based compensation	155,058	509,086
Change in foreign currency liability	(51,645)	-
Consulting fees paid for in shares	100,000	-
Write down of exploration asset	-	74,387
Net change in non-cash working capital items		
Note receivable	1,850	(3,681)
Sales tax receivable	(30,917)	149,075
Prepaid expenses and advances	7,215	-
Accounts payable and accrued liabilities	(117,948)	29,980
Amounts payable to related parties	(75,722)	63,000
	<u>(1,150,226)</u>	<u>(1,050,140)</u>
Cash Flows from (used in) Financing Activities		
Common shares issued for cash	1,169,695	1,332,528
Common shares issued for payables	75,000	-
Share issuance cost	(41,027)	-
	<u>1,203,668</u>	<u>1,332,528</u>
Cash Flows from (used in) Investing Activities		
Reclamation deposits	-	14,848
Exploration costs of resource properties	(308,745)	(893,693)
Costs of building and equipment	(33,943)	(30,630)
	<u>(342,687)</u>	<u>(909,475)</u>
Effect of translation on cash	<u>25,922</u>	<u>-</u>
Increase in cash and cash equivalents	(263,323)	(627,087)
Cash and cash equivalents, beginning of period	<u>342,721</u>	<u>1,224,142</u>
Cash and cash equivalents, end of period	<u>\$ 79,398</u>	<u>\$ 597,055</u>
Supplemental Disclosure of Cash Flow Information		
Warrants issued to brokers	\$ 53,779	\$ 38,975
Interest expense	\$ -	\$ -
Income taxes	\$ -	\$ -

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

MEADOW BAY GOLD CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2013 and 2012

Expressed in Canadian dollars

Unaudited – Prepared by Management

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 December 31, 2013, the Company had not yet achieved profitable operations and has accumulated losses of \$12,663,325 (December 31, 2012 - \$11,642,527).

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 condensed consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting of the International Financial Reporting Standards” (“IFRS”).

The interim condensed consolidated 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 condensed consolidated financial statements were authorized for issue by the Board of Directors on February 10, 2014.

These interim condensed 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.

These interim condensed consolidated financial statements do not include all of the notes required for full annual financial statements. The significant accounting policies for the periods are consistent with those disclosed in the audited annual financial statements of the Company for the year March 31, 2013 except for those policies which have changed as a result of the adoption of new and amended IFRS. (See (c) below.) The accompanying unaudited interim financial statements should be read in conjunction with the Company’s audited annual financial statements for the year ended March 31, 2013.

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(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.

(c) Accounting Standards, amendments and interpretations adopted April 1, 2013

A number of new standards and amendments to standards and interpretations are not yet effective for the period ended December 31, 2013 and have not been applied in preparing these financial statements. A number of new standards, and amendments to standards and interpretations came into effect subsequent to the annual audited statements at March 31, 2013. However, none of these new accounting pronouncements had any impact on the preparation of these financial statements.

3. EXPLORATION AND EVALUATION ASSETS

The following is a recap of exploration and evaluation assets from March 31, 2011 to December 31, 2013:

	Atlanta Gold and Silver Mine	Spruce Mountain	Total
	\$	\$	\$
Balance, March 31, 2011	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 costs	142,374	-	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, 2012	22,556,442	-	22,556,442
Foreign exchange	564,107	-	564,107
Exploration			
Assay costs	2,310	-	2,310
Geological consulting	306,435	-	306,435
	308,745	-	308,745
Balance, December 31, 2013	23,429,294	-	23,429,294

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

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 moly 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	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	-	34,209	-	-	-	34,209
Translation	-	11,898	1,032	391	3,343	16,664
Balance, Dec 31, 2013	\$ 293,167	\$294,111	\$ 23,061	\$ 8,731	\$ 74,705	\$ 693,775
Depreciation						
Balance, April 1, 2013	\$ 43,974	\$ 24,183	\$ 7,537	\$ 2,916	\$ 7,990	\$ 86,600
Additions	21,987	9,977	3,252	1,230	5,268	41,714
Translation	-	2,428	505	194	621	3,748
Balance, Dec 31, 2013	\$ 65,961	\$ 36,588	\$ 11,294	\$ 4,340	\$ 13,879	\$ 132,062

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	Mine Equipment	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	-	-	-	-	37,339	37,339
Disposals	-	-	(14,625)	-	-	(14,625)
Translation	-	(1,245)	(588)	(41)	(316)	(2,190)
Balance, Dec 31, 2012	\$ 293,167	\$242,853	\$ 21,495	\$ 8,167	\$ 69,922	\$ 635,604

Depreciation

Balance, April 1, 2012	\$ 21,987	\$ 11,598	\$ 5,505	\$ 1,230	\$ 822	\$ 41,142
Additions	21,987	9,153	4,754	1,230	5,287	42,411
Disposals	-	-	(3,925)	-	-	(3,925)
Translation	-	183	92	18	16	309
Balance, Dec 31, 2012	\$ 43,974	\$ 20,934	\$ 6,426	\$ 2,478	\$ 6,125	\$ 79,937

Carrying amounts:

Dec 31, 2013	\$ 227,206	\$257,523	\$ 11,767	\$ 4,391	\$ 60,826	\$ 561,713
Dec 31, 2012	\$ 249,193	\$221,919	\$ 15,069	\$ 5,689	\$ 63,797	\$ 555,667

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 December 31, 2013, there were 50,400,479 issued common shares (December 31, 2012 – 47,509,627).

During the nine months ending December 31, 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. The assumptions used for in the model were as follows: risk free interest rate – 1.128%, expected life – 4 years, dividend nil and volatility 135.27%.

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- 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. The assumptions used for in the model were as follows: risk free interest rate – 1.3743%, expected life – 4 years, dividend nil and volatility 134.34%
- iii) On November 22, 2013, the Company completed a private placement by issuing 1,143,000 units at \$0.20 CDN for gross proceeds of \$228,600. Each unit comprised one share and one share warrant, entitling the holder to purchase one additional share for a period of 5 years from the date of closing at a price of \$0.25 CDN per share. The Company paid finders' fees of \$4,802 cash and 24,010 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 \$4,115 using a Black Scholes option pricing model, as the value of the services performed was not readily verifiable. The assumptions used for in the model were as follows: risk free interest rate – 1.73%, expected life – 5 years, dividend nil and volatility 130.113%

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

- iv) 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 finder's 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.
- v) 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.
- vi) 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.
- 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 December 31, 2013 is as follows:

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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
<hr/> 5,080,000 <hr/>			

The following is a summary of stock option transactions during the nine months ended December 31, 2013 and the year ended March 31, 2013:

	Options Outstanding #	Weighted Average Exercise Price \$
Balance, exercisable and outstanding, March 31, 2012	4,365,000	1.08
Granted	-	-
Forfeited	810,000	1.16
Exercised	200,000	0.15
<hr/> before re-pricing	<hr/> 3,355,000	<hr/> 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
<hr/> Balance, December 31, 2013	<hr/> 5,080,000	<hr/> 0.46

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 December 31, 2013 and for the year ended March 31, 2013:

	For the nine months ended December 31, 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%

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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 December 31, 2013 is as follows:

# of warrants	# of shares	Exercise Price	Expiry Date
1,524,900	1,524,900	\$ 0.75 US	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
1,167,010	1,167,010	\$ 0.25	November 22, 2018
<u>10,121,584</u>	<u>10,121,584</u>		

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 December 31, 2013:

	Warrants Outstanding #	Weighted Average Exercise Price \$
Balance, exercisable and outstanding, March 31, 2012	857,113	1.00
Sold with share units	3,445,200	0.55
Granted	156,864	0.96
Exercised	-	1.00
Expired	857,113	1.00
Balance, exercisable and outstanding, March 31, 2013	3,602,064	0.55
Sold with share units	6,314,385	0.37
Granted	205,135	0.38
Balance, exercisable and outstanding, December 31, 2013	<u>10,121,584</u>	<u>0.43</u>

6. FOREIGN CURRENCY WARRANT LIABILITY

As the exercise price of 1,524,900 warrants is in US dollars, the Company recorded a foreign currency warrant liability in the amount of \$543,765 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, September 30, 2013 and December 31, 2013, the warranty was re-valued and reduced to \$51,645 as at March 31, 2013, \$12,278 as at September 30, 2013 and \$nil as at

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December 31, 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 non-operating income in the statement of loss.

	December 31, 2013	September 30, 2013	March 31, 2013	June 19, 2012
Risk-free interest rate	0.97%	1.19%	0.95%	0.99%
Expected life of options	0.463	0.773	1.216 Years	2 years
Annualized volatility	95.16%	101.85%	85.93%	128.62%
Dividend Rate	0.00%	0.00%	0.00%	0.00%

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 and nine month periods ended December 31, 2013 and 2012.

	3 months ended December 31		9 months ended December 31	
	2013	2012	2013	2012
Consulting fees paid or accrued to director, CEO	\$ 37,500	\$ 30,000	\$ 97,500	\$ 75,000
Consulting fees paid or accrued to a director	-	30,000	-	30,000
Consulting fees paid or accrued to CFO	9,000	9,000	27,000	23,000
Consulting fees paid or accrued to a director	-	1,500	-	1,500
Geological fees paid or accrued to director	-	1,500	-	1,500
Geological fees paid or accrued to an officer	23,150	2,400	55,400	10,800

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, due on demand and bear no specific terms of repayment.

The Company paid or accrued the following compensation to key management during the nine months ended December 31, 2013 and 2012:

Key management	2013	2012
	\$	\$
Fees / Salaries / Bonuses	179,900	141,800
Share-based payments	85,032	176,602
Total compensation	264,932	318,402

8. FINANCIAL INSTRUMENTS

(a) Fair values

The Company's financial instruments consists of cash and cash equivalents, notes receivable, accounts payable and accrued liabilities, due to related parties and foreign currency warranty liability. 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. Foreign currency warrant liability is classified as fair value through profit and loss and is carried at fair value.

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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	December 31, 2013	
			Amount	Fair value hierarchy
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 79,398	N/A
Note receivable	Loans and receivables	Amortized cost	\$ 1,968	N/A
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	\$ 192,520	N/A
Amounts payable to related parties	Other financial liabilities	Amortized cost	\$ 64,584	N/A
Foreign currency warrant liability	Other financial liabilities	Fair value	\$ -	level 2

Account	Category	Carrying value	December 31, 2012	
			Amount	Fair value hierarchy
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 597,055	N/A
Note receivable	Loans and receivables	Amortized cost	\$ 3,681	N/A
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	\$ 276,410	N/A
Accounts payable to related parties	Other financial liabilities	Amortized cost	\$ 33,000	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 December 31, 2013, \$4,240 cash equivalents were not federally insured. (December 31, 2012 – \$497,055).

(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 December 31, 2013, the Company had cash and cash equivalents of \$79,398 to settle accounts payable of \$257,104 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.

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(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 December 31, 2013, approximately \$7,000 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 \$700 on net income.

(e) Interest rate risk

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

(f) Price risk

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

9. CAPITAL MANAGEMENT

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

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

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended March 31, 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 December 31,	2013	2012
	\$	\$
Canada	-	-
USA	<u>561,713</u>	<u>555,667</u>
Total	<u>561,713</u>	<u>555,667</u>

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

As at December 31	2013	2012
	\$	\$
Canada	-	-
USA	<u>23,429,294</u>	<u>21,443,412</u>
Total	<u>23,429,294</u>	<u>21,443,412</u>

The Company's reclamation deposits by geographic location are as follows:

As at December 31	2013	2012
	\$	\$
Canada	-	-
USA	<u>-</u>	<u>178,021</u>
Total	<u>-</u>	<u>178,021</u>