Interim Financial Statements of

MEADOW BAY CAPITAL CORPORATION

For the Nine Month Period Ended December 31, 2010

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

MEADOW BAY CAPITAL CORPORATION

BALANCE SHEETS
(Unaudited – Prepared by Management)

	December 31, 2010 (Un-audited)	March 31, 2010 (Audited)
ASSETS		
Current		
Cash and cash equivalents	$ 473,105	$ 59,222
Receivables	12,487	5,775
	$ 485,592	$ 64,997
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 13,681	$ 22,299
Accounts payable to related parties (Note 5)	-	1,805
	13,681	24,104
Shareholders' equity		
Capital stock (Note 4)	1,840,856	1,324,195
Contributed surplus (Note 4)	132,211	101,215
Deficit	(1,501,156)	(1,384,517)
	471,911	40,893
	$ 485,592	$ 64,997

Nature and continuance of operations (Note 1)
Subsequent events (Note 8)

n behalf of the Board:

"*Robert Dinning*" Director
Robert Dinning

"*Terry Fields*" Director
Terry Fields

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

MEADOW BAY CAPITAL CORPORATION
STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009	Nine Months Ended December 31, 2010	Nine Months Ended December 31, 2009
EXPENSES				
Accounting and administration	$ 9,150	$ 8,400	$ 26,525	$ 18,620
Consulting	4,500	4,400	7,781	4,400
Office and miscellaneous	5,408	3,596	11,474	4,417
Professional fees	2,206	14,774	16,861	36,428
Project investigation	-	-	6,146	-
Rent	2,250	2,750	6,750	8,800
Stock-based compensation	-	-	30,996	-
Transfer agent and filing fees	4,244	5,984	11,529	11,894
Travel	4,703	7,217	5,339	10,021
Loss before other items	(32,461)	(47,121)	(123,401)	(94,580)
OTHER ITEMS				
Interest income	4,335	52	5,111	76
Prior period finder's fee	-	-	(6,590)	-
Prior period mineral property cost recovery	-	-	8,241	-
Write-off of mineral property	-	(1,158,925)	-	(1,158,925)
	4,335	(1,158,873)	6,762	(1,158,849)
Net loss for the period	(28,126)	(1,205,994)	(116,639)	(1,253,429)
Deficit, beginning of period	(1,473,030)	(98,368)	(1,384,517)	(50,933)
Deficit, end of period	$ (1,501,156)	$ (1,304,362)	$ (1,501,156)	$ (1,304,362)
Basic and diluted loss per share	$ (0.00)	$ (0.23)	$ (0.01)	$ (0.40)
Weighted average number of common shares outstanding	12,803,178	5,310,149	10,986,947	3,134,393

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

MEADOW BAY CAPITAL CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009	Nine Months Ended December 31, 2010	Nine Months Ended December 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$ (28,126)	$ (1,205,994)	$ (116,639)	$ (1,253,429)
Items not affecting cash:				
Stock-based compensation	-	-	30,996	-
Prior period finder's fee	-	-	6,590	-
Write-off of mineral property	-	1,158,925	-	1,158,925
Changes in non-cash working capital items:				
Receivables	(1,645)	(3,036)	(6,712)	39,776
Prepaid expenses and deposits	-	-	-	1,000
Accounts payable and accrued liabilities	4,482	(157,582)	(2,027)	(168,087)
Accounts payable to related parties	-	-	(1,805)	-
Cash used in operating activities	(25,289)	(207,687)	(89,597)	(221,815)
CASH FLOWS FROM INVESTING ACTIVITIES				
Mineral properties	-	(62,289)	-	(62,429)
Cash used in investing activities	-	(62,289)	-	(62,429)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of capital stock	-	183,120	510,400	349,620
Share subscription proceeds received	-	-	-	-
Share issuance costs	-	-	(6,920)	-
Cash provided by financing activities	-	183,120	503,480	349,620
Change in cash and cash equivalents during the period	(25,289)	(86,856)	413,883	65,376
Cash and cash equivalents, beginning of period	498,394	177,070	59,222	24,838
Cash and cash equivalents, end of period	$ 473,105	$ 90,214	$ 473,105	$ 90,214

Supplemental disclosures with respect to cash flows (Note 6)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Meadow Bay Capital Corporation (the "Company") was incorporated under the laws of British Columbia, Canada on March 8, 2005. The Company is primarily engaged in the acquisition, exploration, development and production of mineral properties. During the year ended March 31, 2010, the Company completed a share consolidation on the basis of one new common share for every three old common shares. All share and per share amounts have been retroactively restated to reflect the share consolidation.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses of $1,501,156 since inception. In order to continue as a going concern and to meet its corporate objectives, which primarily consist of acquisition and exploration of mineral properties, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The financial statements do not include any adjustments to the recoverability and classification of reduced asset amounts and classification of liabilities that might be necessary should the Company be unable to continue operations. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These unaudited interim financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in notes to the annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the audited financial statements for the year ended March 31, 2010 together with the notes thereto. The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended March 31, 2010 except as disclosed below.

Comparative figures

Certain comparative figures have been reclassified to conform to the current period’s presentation.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Future accounting changes

International financial reporting standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with international financial reporting standards ("IFRS") for Canadian enterprises with public accountability ("PAEs"). In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of April 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended March 31, 2011. The Company is currently evaluating the impacts of the conversion on the Company's financial statements and is considering accounting policy choices available under IFRS.

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which replace CICA Handbook Sections 1581, Business Combinations, and Section 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning April 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

3. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, pursue exploration of its mineral property interest and to maintain a flexible capital structure for the benefits of its stakeholders. In the management of capital, the Company includes shareholders' equity in the definition of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets.

Management reviews the capital structure on a regular basis to ensure that the Company's capital management objectives are achieved. There was no change in the Company's approach to capital management from the prior year. The Company's capital is not subject to any external restrictions.

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares		Amount		Contributed Surplus
Authorized					
Unlimited number of common shares without par value					
Issued					
Balance, March 31, 2009	3,045,817	$	977,075	$	101,215
Private placements	3,355,400		349,620		-
Share consolidation adjustment	(8)		-		-
Share consolidation costs	-		(2,500)		-
Balance, March 31, 2010	6,401,209		1,324,195		101,215
private placements	6,380,000		510,400		-
Share issued for prior period finder's fee	21,969		13,181		-
Share issuance costs	-		(6,920)		-
Stock-based compensation	-		-		30,996
Balance, December 31, 2010	12,803,178	$	1,840,856	$	132,211

Share issuance

During the nine month period ended December 31, 2010, the Company:

a) Completed a non-brokered private placement of 6,380,000 units at the price of $0.08 per unit for gross proceeds of $510,400. Each unit is comprised of one common share and one share purchase warrant; each share purchase warrant entitles the holder to acquire one additional common share at a price of $0.10 until June 17, 2015. The Company paid costs of $6,920 in connection with the private placement.

b) Issued 21,969 common shares at a deemed value of $13,181 as a prior obligation to pay a finder's fee on the Molybdenite property acquisition.

During the year ended March 31, 2010, the Company:

a) Completed a non-brokered private placement of 2,920,000 common shares for gross proceeds of $219,000.

b) Completed a non-brokered private placement of 435,400 common shares for gross proceeds of $130,620.

c) Consolidated its common shares on a three old shares for one new share basis.

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS (Cont'd…)

Escrowed shares

As of December 31, 2010, the company had 600,000 shares held in escrow pursuant to an escrow agreement dated August 4, 2006 in which 10% would be released on August 22, 2008, the date the qualifying transaction was completed and 15% every 6 months thereafter up to August 22, 2011.

As of December 31, 2010, the company had 422,434 shares held in escrow pursuant to an escrow agreement dated August 1, 2008 in which 10% would be released on August 22, 2008, the date the qualifying transaction was completed and 15% every 6 months thereafter up to August 22, 2011.

Stock options

The Company has adopted an incentive rolling stock option plan (the "Plan") under which it is authorized to grant options to directors, officers, employees and consultants enabling them to acquire up to a maximum of 10% of the issued and outstanding common shares of the Company. Options granted under the Plan may have a maximum term of five years. The exercise price of options granted under the Plan shall 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.

Stock option transactions are summarized as follows:

		Number of Options		Weighted Average Exercise Price
Balance, March 31, 2009 and 2010		75,000	$	0.30
Options granted		450,000		0.15
Balance, December 31, 2010		525,000	$	0.17
Exercisable at December 31, 2010		525,000	$	0.17
Weighted average fair value of options granted during the period	$	0.07	(2009 - $nil)	

As at December 31, 2010 the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
75,000	$ 0.30	September 18, 2011
200,000	0.15	April 11, 2015
250,000	0.15	September 16, 2015

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS (Cont'd…)

Stock options (Cont'd…)

For stock options granted to employees, officers, directors and consultants, the Company recognizes as an expense the estimated fair value of the stock options granted. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model.

For the nine months ended December 31, 2010 an expense of $30,996 (2009 - $nil) was recorded in the financial statements of the Company as stock-based compensation and the offset was credited to contributed surplus. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the nine months ended December 31:

	2010	2009
Risk-free interest rate	2.66%	-
Expected life of options	5 Years	-
Annualized volatility	100%	-
Dividend rate	Nil	-

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, March 31, 2009	695,811	$	1.26
Warrants expired	(695,811)		1.26
Balance, March 31, 2010	-		-
Warrants granted	6,380,000		0.10
Balance, December 31, 2010	6,380,000	$	0.10
Exercisable at December 31, 2010	6,380,000	$	0.10

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS (Cont'd…)

Warrants (Cont'd…)

The following warrants to acquire common shares were outstanding at December 31, 2010:

Number of Shares	Exercise Price	Expiry Date
6,380,000	$ 0.10	June 17, 2015

5. RELATED PARTY TRANSACTIONS

Accounts payable to related parties were for services rendered to the Company and are unsecured, non-interest bearing, and have no specific terms of repayment.

The Company entered into the following transactions with related parties during the nine month period ended December 31, 2010:

a) Paid or accrued consulting fees of $2,844 (2009 - $nil) to the CFO of the Company.

b) Paid or accrued consulting fees of $437 (2009 - $nil) to a company controlled by the former President of the Company.

c) Paid or accrued consulting fees of $4,500 (2009 - $nil) to a director of the Company.

These transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

6. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2010	2009
Cash paid for income taxes during the period	$ -	$ -
Cash paid for interest during the period	$ -	$ -

There were no significant non-cash financing and investing transactions during the nine month period ended December 31, 2009 and 2010.

7. FINANCIAL INSTRUMENTS

The Company classified its cash and cash equivalents as held for trading, which are measured at fair value. Receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and accounts payable to related parties are classified as other financial liabilities, which are measured at amortized cost. The carrying values of accounts payable and accrued liabilities, and accounts payable to related parties approximate their fair values due to the relatively short period to maturity of these financial instruments. The fair value of cash and cash equivalents is measured using level 1 inputs.

The Company's financial instruments and risk exposures are summarized below.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk with respect to its cash and cash equivalents is minimal as they are held with a high-credit quality financial institution. As at December 31, 2010, the Company had $373,105 over the federally insured limit. Receivables mainly consist of harmonized sale tax due from the provincial government of British Columbia, Canada.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, the Company had a cash balance of $473,105 to settle current liabilities of $13,681. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) 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 interest rate risks on cash and cash equivalents are not considered significant.

(b) Foreign exchange rate 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 does not have material transactions designated in a foreign currency and therefore management considers the foreign exchange risk to be minimal.

7. FINANCIAL INSTRUMENTS (Cont'd…)

Fair Value

CICA Handbook Section 3862 "Financial Instruments – disclosures" establishes a fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 – inputs for the asset or liability that are not based on observable market data.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 473,105	$ -	$ -	$ 473,105
Total	$ 473,105	$ -	$ -	$ 473,105

8. SUBSEQUENT EVENTS

Subsequent to December 31, 2010, the Company:

(a) Granted incentive stock options to directors and officers of the Company to purchase an aggregate of 700,000 common shares at an exercise price of $0.15 per share, expiring on January 11, 2016.

(b) Granted incentive stock options to directors and officers of the Company to purchase an aggregate of 1,365,000 common shares at an exercise price of $1.16 per share, expiring on January 27, 2016.

(c) Entered into a Letter of Intent ("LOI") to acquire all of the issued and outstanding common stock of Desert Hawk Resources Inc. ("Desert Hawk"), a private Delaware corporation. Under the terms of the LOI, the Company will pay Desert Hawk US$100,000 of a non-refundable deposit and upon closing of the transaction, issue 7,500,000 common shares of the Company to the shareholders of Desert Hawk, make a further payment of US$237,500 and pay a consulting fee of US$200,000. The transaction is subject to certain conditions including, but not limited to, the approval of the TSX Venture Exchange and entering into a definitive agreement.

(d) Engaged Casimir Capital Ltd. (the "Broker") as a placement agent to complete a brokered equity financing up to US$10,000,000. Pursuant to the engagement letter, the Company agreed to pay the Broker a cash fee equal to 7% of the gross proceeds, reimburse the Broker for its reasonable legal fees up to US$25,000, and issue broker's warrants to acquire common shares of the Company equal to 7% of the common shares sold under the financing at an exercise price of $1 per share exercisable until December 31, 2012.

8. SUBSEQUENT EVENTS (Cont'd…)

(e) Issued 780,000 common shares for gross proceeds of $117,000 pursuant to the exercise of stock options at an exercise price of $0.15 per share.

(f) Issued 6,380,000 common shares for gross proceeds of $638,000 pursuant to the exercise of warrants at an exercise price of $0.10 per share.

(g) On February 9, 2011, the Company entered into a promissory note whereby the Company advanced US$700,000 to Desert Hawk at an interest rate of 5% per annum and to mature on February 9, 2012.