Consolidated Financial Statements of

MEADOW BAY GOLD CORPORATION

(formerly Meadow Bay Capital Corporation)

As at March 31, 2011 and 2010

To the Shareholders of Meadow Bay Gold Corporation (formerly Meadow Bay Capital Corporation):

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and the Audit Committee is composed primarily of Directors who are neither management nor employees of Meadow Bay Gold Corporation (formerly Meadow Bay Capital Corporation). The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of Meadow Bay Gold Corporation (formerly Meadow Bay Capital Corporation)'s external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

July 29, 2011

"Robert Dinning"	*"Keith Margetson"*
Chief Executive Officer	Chief Financial Officer

Independent Auditors' Report

To the Shareholders of Meadow Bay Gold Corporation (formerly Meadow Bay Capital Corporation):

We have audited the consolidated financial statements of Meadow Bay Gold Corporation (formerly Meadow Bay Capital Corporation) which comprise the consolidated balance sheets as at March 31, 2011, and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Meadow Bay Gold Corporation (formerly Meadow Bay Capital Corporation) as at March 31, 2011 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to these consolidated financial statements, which states that Meadow Bay Gold Corporation (formerly Meadow Bay Capital Corporation) incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters as described in Note 1, indicate the existence of a material uncertainty which may cast doubt about the ability of Meadow Bay Gold Corporation (formerly Meadow Bay Capital Corporation) to continue as a going concern.

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Other Matter

The consolidated financial statements as at March 31, 2010 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated July 22, 2010.

MNP LLP

MNP LLP

Vancouver, BC
July 29, 2011

MEADOW BAY GOLD CORPORATION
(formerly Meadow Bay Capital Corporation)
Consolidated Balance Sheets
March 31, 2011 and 2010
(Audited)

	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,724,196	$ 59,222
HST receivable	65,200	5,775
Prepaid expenses	22,906	-
	4,812,302	64,997
Property, plant and equipment		-
Resource property (Note 5)	21,733,300	-
Preoperty plant and equipment (Note 6)	444,192	-
	22,177,492	-
	$ 26,989,794	$ 64,997
LIABILITIES		
Accounts payable and accrued liabilities	$ 407,987	22,299
Amounts payable to related parties	-	1,805
	407,987	24,104
FUTURE INCOME TAXES PAYABLE	5,481,776	-
	5,889,763	24,104
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	23,071,329	1,324,195
Contributed surplus (Note 8)	3,687,421	101,215
Deficit	(5,658,719)	(1,384,517)
	21,100,031	40,893
	$ 26,989,794	$ 64,997

Approved by:

"Robert Dinning **, Director**
Robert Dinning

"Adrian Robertson **, Director**
Adrian Robertson

MEADOW BAY GOLD CORPORATION
(formerly Meadow Bay Capital Corporation)
Consolidated Statements of Operations, Comprehensive Loss and Deficit
For the years ended March 31, 2011 and 2010
(Audited)

	2011	2010
Operating expenses		
Administration	$ 27,460	$ 41,977
Consulting	282,809	4,400
Professional fees	501,958	34,665
Geological consulting	35,061	-
Stock base compensation	3,060,492	-
Promotion and investor relations	202,438	-
Travel	27,741	11,741
Transfer agent and filing	101,518	19,675
Foreign exchange	49,333	-
	4,288,810	112,458
Operating loss before other items	(4,288,810)	(112,458)
Other income (expenses)		
Write off of mineral properties	-	(1,221,215)
Interest income	6,617	89
Gain on debt settlement	3,296	-
Net loss before future income tax recovery	(4,278,897)	(1,333,584)
Future income tax recovery	(4,695)	-
Net loss and comprehensive loss for the year	(4,274,202)	(1,333,584)
Deficit, beginning of year	(1,384,517)	(50,933)
Deficit, end of year	($ 5,658,719)	($ 1,384,517)
Basic and diluted loss per share	($ 0.29)	($ 0.29)
Weighted average number of shares outstanding	14,741,677	4,621,455

MEADOW BAY GOLD CORPORATION
(formerly Meadow Bay Capital Corporation)
Consolidated Statements of Cash Flows
For the years ended March 31, 2011 and 2010
(Audited

	2011	2010
Cash Flows from (used in) Operating Activities		
Net loss for the year	($ 4,274,202)	($ 1,333,584)
Items not affecting cash		
Write off of mineral property	-	1,158,786
Stock based compensation	3,060,492	-
Gain on debt settlement	(3,296)	-
Future income tax recovery	(4,695)	-
Net change in non-cash working capital items		
HST receivable	(59,425)	38,798
Prepaid expenses	(22,906)	-
Prepaid expenses	-	1,000
Accounts payable and accrued liabilties	392,279	(178,785)
Amounts payable to related parties	(1,805)	1,049
	(913,558)	(312,736)
Cash Flows from (used in) Financing Activities		
Common shares issued for cash	12,321,077	349,620
Share issuance costs paid	(851,524)	-
Advances to related party	(52,692)	-
Share consolidation costs	-	(2,500)
	11,416,861	347,120
Cash Flows from (used in) Investing Activity		
Cash upon acquisition of Desert Hawk Resources Inc.	110,533	-
Acquisition costs of resource properties	(5,948,862)	-
	(5,838,329)	-
Increase in cash and cash equivalents	4,664,974	34,384
Cash and cash equivalents, beginning of year	59,222	24,838
Cash and cash equivalents, end of year	$ 4,724,196	$ 59,222
Supplemental Disclosure of Cash Flow Information		
Shares issed for shares in subsidiary	$ 10,800,000	-
Warrants issued to brokers	$ 592,532	-
Shares issued on debt settlement	$ 3,295	-
Interest expense	-	-
Income taxes	-	-

1. NATURE AND CONTINUANCE OF OPERATIONS

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

The Company's principal business plan is to acquire, explore and develop mineral properties and either develop these properties further, or dispose of them when the evaluation is completed (Note 3). At March 31, 2011, the Company is an exploration stage company.

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

The financial statements have been prepared using Canadian generally accepted accounting principles applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. As at March 31, 2011, the Company had working capital of $4,404,315 and accumulated losses of $5,658,719 since inception. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

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

(b) 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 March 3 1, 2011, the Company had no cash equivalents. ($58,852 were held in cash equivalents in 2010).

(c) Mineral properties

The Company is in the exploration stage with respect to its mineral properties interests and defers all expenditures related to its mineral properties interests until such time as the property to which they relate is put into commercial production, sold or abandoned. Under this method all costs related to the exploration for and development of the properties are capitalized and the carrying values do not necessarily reflect current or future values. If the properties are put into commercial production, the expenditures will be charged to operations by depletion based upon the proven reserves available. If the properties are sold or abandoned, the expenditures will be written off. The Company does not accrue the estimated future costs of maintaining in good standing its resource properties.

(d) Property, plant and equipment

Property, plant and equipment are initially recorded at cost. When the assets are put in production, they will be amortized over their estimated useful lives, using a straight line basis. No assets have been put in production as yet and as a result, no amortization has been recorded. Similarly, the estimated useful lives have yet to be determined.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Impairment of long-lived assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company, be reviewed for possible impairment, whenever events or changes in circumstances indicated that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the company's long-lived assets as at March 31, 2011.

(f) Environmental costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier completion of a feasibility study or the Company's commitment of a plan of action based on the then known facts. Management believes there are no material environmental liabilities as at March 31, 2011.

(g) Asset Retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

(h) Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Such estimates relate mainly to stock base compensation, valuation of agent warrants and fair value of resource properties and mill equipment acquired through acquisition of Desert Hawk. Actual results may differ from those estimates.

(i) Basic and diluted loss per share

Basic loss per share is computed by dividing the loss from the period by the weighted average number of common shares outstanding during the period.

Diluted loss per share is computed using the "Treasury Stock" method. Under this method, diluted loss per share reflects the dilution that may occur if potentially dilutive securities, warrants or options are exercised or converted to cash. For the period presented, this calculation proved to be anti-dilutive.

(j) Income taxes

The Company uses the asset and liability method of accounting for income taxes whereby future tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to the taxable income in the years in which those temporary differences are expected to be settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. Due to the uncertainty regarding the Company's future profitability, the future tax benefits of its losses have been fully reserved for and no net tax benefit has been recorded in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Share purchase warrants

The Company bifurcates units consisting of common shares and share purchase warrants using the fair value approach whereby it measures the common share component of the unit at fair value using market prices and then measures the warrant value as calculated by a Black Scholes pricing model. The unit value is then allocated proportionately to both the common share and the warrant based on the relative fair value of the two components. The value of the warrant component is credited to contributed surplus. When warrants are exercised, the corresponding residual value is transferred from contributed surplus to capital stock.

(l) Stock-based compensation

In accordance with *CICA Handbook Section 3870 ("Section 3870*"), *Stock-Based Compensation and Other Stock-Based Payments*, the Company recognizes stock-based compensation expense for the estimated fair value of equity-based instruments granted to both employees and non-employees. Compensation costs attributable to stock options or similar equity instruments granted to employees are measured at the fair value at the grant date, and expensed over the expected vesting period. Transactions in which goods or services are received from non-employees in exchange for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

(m) Financial instruments

Financial instruments – recognition and measurement

This Section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available for sale, held to maturity, loans and receivables, or other liabilities.

Financial assets and liabilities classified as held for trading are measured at fair value, with gains and losses recognized in net earnings.

Financial assets classified as held to maturity, loans and receivables and financial liabilities (other than those held for trading) are measured at amortized cost using the effective interest method of amortization.

The criteria for designating items as held for trading include financial assets that were acquired principally with the intention of generating a profit from price fluctuation. Available for sale assets are all financial assets not classified as either held for trading, accounts receivable, or held to maturity.

Available for sale financial assets are measured at fair value, with unrealized gains and losses recognized in other comprehensive income. Investments in equity instruments classified as available for sale that do not have a quoted market price in an active market are measured at cost.

The Company has classified its financial instruments as follows:

(a) Cash and cash equivalents are classified as held for trading.

(b) HST receivable is classified as loans and receivable

(c) Accounts payable and accrued liabilities and accounts payable to related parties are classified as other liabilities.

Amended CICA Section 3862 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities;
Cash and cash equivalents, HST receivable, accounts payable and accrued liabilities, and amount payable to related parties are valued using quoted market prices and have been included in Level 1 of the fair value hierarchy.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial instruments - continued

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3 - inputs for the asset or liability that are not based upon observable market data.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2010:

		Level 1		Level 2		Level 3		Total
Financial assets:								
Cash and cash equivalents	$	4,724,196	$	-	$	-	$	4,724,196
HST receivable		65,200		-		-		65,200
Financial liabilities:								
Accounts payable and accrued liabilities	$	407,987	$	-	$	-	$	407,987

Categories of financial assets and liabilities

	March 31, 2011		March 31, 2010	
	Carrying Amount $	Fair Value $	Carrying Amount $	Fair Value $
Cash and cash eqivalents	4,724,196	4,724,196	59,222	59,222
HST receivable	65,200	65,200	5,775	5,775
Accounts payable and accrued liabilities	407,987	407,987	22,299	22,299
Amounts payable to related parties	-	-	1,805	1,805

Comprehensive income

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources, such as any unrealized gains and losses in financial assets classified as available for sale. In accordance with this new standard, the Company reports a statement of comprehensive income and a new category, accumulated other comprehensive income, is added to the shareholders' equity section of the balance sheet. The Company had no "other comprehensive income or loss" transactions during the period ended March 31, 2011 and no opening or closing balances for "accumulated other comprehensive income or loss".

Hedges

This Section establishes standards for how hedge accounting may be applied. The Company currently does not have any hedges in place, and therefore this standard has no impact on its financial statements.

Financial instruments – disclosure and presentation

(i) Fair value of financial instruments

The Company's financial instruments include cash and cash equivalents, HST receivable and accounts payable and accrued liabilities and accounts payable to related parties. The fair values of these financial instruments approximate their carrying values because of their short term nature.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial instruments - continued

(ii) 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 March 31, 2011 the Company had $4,624,000 over the federally insured limit.

(iii) 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 March 31, 2011, the Company had cash and cash equivalents of $4,724,196 to settle accounts payable of $407,987 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.

(iv) 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 March 31, 2011, $4,541,263 of the Company's cash and cash equivalents were denominated in U.S. dollars. A 10% variation in the U.S. dollar would result in an impact of approximately $454,000 on net income.

(v) 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.

Capital management

The Company's objective in managing its capital, which is comprised of cash, common shares, warrants and options, is to safeguard all cash resources by investing in government or bank instruments which can be liquidated promptly and which yield acceptable rates of return, and also to issue from its treasury shares, warrants and options which can be converted to cash. Treasury issuances of shares, options and warrants are part of the Company's capital raising process and are issued when cash is required, ideally under favorable market conditions, and with regard to dilution of the Company's capital structure. The exercise of warrants and options are not under the control of the Company's management. All capital transactions are subject to approval of the Company's directors. The Company is not subject to externally imposed capital transactions.

Below is summary quantitative data regarding what the Company managed as capital at March 31, 2011 and March 31, 2010:

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial instruments - continued

Capital management -continued

	March 31, 2011	March 31, 2010
	$	$
Cash	(4,724,196)	(59,222)
Share capital	23,071,329	1,324,195
Contributed surplus	3,687,421	101,215
	22,034,554	1,366,188

(n) Foreign currency translation

The functional currency of the Company is Canadian dollars. The functional currency of Desert Hawk is US dollars. Management has determined that Desert Hawk is an integrated operation as at March 31, 2011.

The Company has used the temporal method in accounting for foreign currency translations of Desert Hawk. Under this method, subsidiary foreign currency monetary assets and liabilities are translated into the functional currency of the parent at the exchange rates prevailing at the balance sheet date. Non Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange at the transaction date (the historical rate). Foreign currency transactions are translated at the function currency's rate prevailing at the transactions dates. Gains and losses on translation are included in the determination of earnings.

3. ADOPTION OF NEW ACCOUNTING POLICIES

The CICA issued Handbook Sections – 1582 Business Combinations, 1601 – consolidated Financial Statements, and 1602 – Non-Controlling Interest, Section 1582 replaces Section 1581 – Business Combinations and establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Sections 1601 and 1602 replace Section 1600 – Consolidated Financial Statements. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011. The Company has early adopted these policies and as a result of adopting this standard the Company expensed $258,355 in transaction costs which previously would have been capitalized. If the Company had applied Section 1581 to the business combination the common shares issued would have been valued at the time of the date of the business combination announcement and not at the closing date. This difference in the valuation dates of the common shares would have resulted in a different value attributed to the purchase price. If the Company would have applied Section 1581 the value of the purchase price would have been increased.

Canadian public companies will be required to prepare their financial statements in accordance with IFRS, as issued by the by the International Accounting Standards Board, for financial years beginning on or after January 1, 2011. Effective January 1, 2011, the Company will adopt IFRS as the basis for preparing its financial statements. The Company will issue its first IFRS annual consolidated financial statements for the fiscal year ending March 31, 2012, with restatement of comparative balance sheets as at March 31, 2011 and April 1, 2010 and statement of earnings for the year ended March 31, 2011. During the year ending March 31, 2012, the Company will issue interim consolidated IFRS financial statements prepared in accordance with IAS 34 – Interim Financial Reporting for the periods ending June 30, 2011, September 30, 2011 and December 31, 2011, with restatement of comparative balance sheets as at March 31, 2011 and April 1, 2010 and statements of operations for the comparative periods presented. Management is in the process of determining the impact on the financial statements of the change to IFRS.

4. ACQUISITION OF DESERT HAWK RESOURCES INC. AND CHANGE OF NAME

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

The transaction has been accounted for as a business combination under the acquisition method, with Meadow Bay as the acquirer of Desert Hawk. The Company included the operation of Desert Hawk in its consolidated financial statements commencing on March 1, 2011. As described above, the Company has adopted Section 1582 of the CICA Handbook regarding business combinations and as such has applied Section 1582 to the purchase consideration and preliminary purchase price allocations below.

	$
Total consideration	10,800,000
Net assets acquired:	
Cash	110,533
Mineral properties	21,733,300
Mine equipment	444,192
Demand loan payable	(305,187)
Intercompany advance from Meadow Bay	(5,696,366)
Future income tax liabilities	(5,486,472)
	10,800,000

The Company has included in the consolidated statement of loss and comprehensive loss, a loss of $ 13,808 from the date of acquisition to March 31, 2011 from Desert Hawk. The transaction costs of $258,355 were incurred and were expensed in the period incurred.

Performa Information (unaudited)

The net loss for the consolidated Company would have been $4,366,152 as though the business combination for Desert Hawk had occurred on April 1, 2010. Desert Hawk has no revenue during 2010.

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

5. RESOURCE PROPERTY INTERESTS

	As At March 31 2011 $	**As At March 31 2010 $**
Atlanta Gold and Silver Mine	21,644,038	nil
Colorback Gold	49,930	nil
Spruce Mountain	39,332	nil
	21,733,300	nil

5. RESOURCE PROPERTY INTERESTS - continued

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.

During the year ended March 31, 2011, the company paid acquisition costs of $21,644,038 (2010 - $nil) and incurred no exploration costs (2010 - $nil).

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 Carlin-style gold system.

The lease agreement includes a 2.5% NSR royalty and calls for advanced royalty payments of $50,000US per year for the first five years, $75,000US per year for the next 5 years, and $100,000US per year for the final 10 years. During the first five years of the agreement, the property may be purchased for $1 million US, including any advanced royalty payments paid. Following the first 5 years, the property may be purchased for $5 million US, including any advanced royalty payments. If the Company purchases the property, the NSR royalty decreases to 2%.

During the year ended March 31, 2011, the company paid acquisition costs of $49,930 ($50,000 USD) (2010 - $nil) and incurred no exploration costs (2010 - $nil).

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.

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.

The lease agreement includes a 3% NSR royalty and calls for advanced royalty payments as follows (in US dollars):

2011	$ 39,387
2012	35,000
2013	40,000
2014	45,000
2015	50,000
2016 to 2030 (total)	1,350,000

During the year ended March 31, 2011, the company paid acquisition costs of $39,332 ($40,000 USD) (2010 - $nil) and incurred no exploration costs (2010 - $nil).

6. PROPERTY PLANT AND EQUIPMENT

March 31, 2011

	Cost	Accumulated Amortization	Net Book Value
Mine equipment	$ 444,208	$ -	$ 444,208

March 31, 2010

	Cost	Accumulated Amortization	Net Book Value
Mine equipment	$ -	$ -	$ -

7. SHARE CAPITAL

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

Unlimited number of common shares without par value.

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

	Number of Common Shares	Amount
Balance, March 31, 2009	3,045,817	$ 977,075
Issued for Private Placement	2,920,000	219,000
Issued for Private Placement	435,400	130,620
Cost of consolidation		(2,500)
Adjustment for share consolidation	(8)	-
Balance, March 31, 2010	6,401,209	$ 1,324,195
Issued for Private Placement	17,693,750	11,566,077
Cost of issue	-	(1,444,056)
Issued on Exercise of Warrants	6,380,000	638,000
Issued for Debt	21,969	3,295
Issued on Exercise of Options	780,000	183,818
Issue for shares of Desert Hawk Resources Inc.	7,500,000	10,800,000
Balance, March 31, 2011	38,776,928	$ 23,071,329

During the fiscal year ended March 31, 2010, the Company completed the following share transactions:

i) On October 2, 2009, completed a private placement by issuing 2,920,000 shares for proceeds of $219,000.

ii) On December 15, 2009, completed a private placement by issuing 435,400 shares for proceeds of $130,620.

iii) In February 2010, the Company completed a consolidation of its common shares on a three old shares for one new share basis. All balances in these financial statements have been retroactively adjusted for this share consolidation.

7. SHARE CAPITAL -continued

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

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

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

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

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

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

(c) Escrow shares

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

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

(d) Stock Options

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

A summary of the status of the Company's outstanding stock options as a March 31, 2011 and 2010 is as follows:

Options	Number of Shares	Exercise Price	Expiry Date
As At March 31, 2010			
75,000	75,000	$ 0.30	September 18, 2011
As At March 31, 2011			
75,000	75,000	$ 0.30	September 18, 2011
80,000	80,000	$ 0.15	April 12, 2015
50,000	50,000	$ 0.15	September 16, 2015
240,000	240,000	$ 0.15	January 11, 2016
1,365,000	1,365,000	$ 1.16	January 27, 2016
1,850,000	1,850,000	$ 1.24	March 13,2016

7. SHARE CAPITAL -continued

(d) Stock Options - continued

The following is a summary of stock option transactions during the years ended March 31, 2011 and 2010:

	Number of Options	Weighted Average Exercise Price
Exercisable and outstanding as at March 31, 2010 and 2009	75,000	$ 0.30
Granted	4,365,000	$ 1.05
Exercised	780,000	$ 0.15
Expired/cancelled	-	-
Exercisable and outstanding as at March 31, 2011	3,660,000	$ 1.07

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, 2010 to March 31, 2011

	Stock options
Risk-free interest rate	1.7%
Expected life of options	2.5 years and 4 years
Annualized volatility	104.9% - 123.5%
Dividend rate	0%

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

(f) Warrants

A summary of the status of the Company's outstanding warrants as at March 31, 2011 is as follows:

Warrants	Number of Shares	Exercise Price	Expiry Date
772,013	772,013	$ 1.00	December 31, 2012

There were nil warrants outstanding and exercisable as at March 31, 2010.

7. SHARE CAPITAL -continued

(f) Warrants -continued

The following is a summary of warrant transactions during the years ended March 31, 2010 and 2009:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at March 31, 2010 and 2009	-	
Sold with units	6,380,000	$ 0.10
Exercised	(6,380,000)	$ 0.10
Granted	772,013	$ 1.00
Outstanding at March 31, 2011	772,013	$ 1.00

The agents of the private placement completed March 1, 2011 were granted non-transferable warrants entitling them to acquire up to 772,013 common shares at a prices of $1.00 per share on or before December 31, 2012. The Company recognized $592,532 of stock based compensation on the granting of these warrants as share issuance costs, with the credit being allocated to contributed surplus (see further Note 8).

The following assumptions were used for the Black-Scholes valuation of compensatory warrants granted during the periods ended:

	Agents Warrants
Risk-free interest rate	1.79%
Expected life of options	1.79 years and 1.84 years
Annualized volatility	95%
Dividend rate	0%

8. CONTRIBUTED SURPLUS

	March 31 2011	**March 31 2010**
Balance, beginning of year	$ 101,215	101,215
Fair value of agent's warrants	592,532	-
Fair value of stock base compensation	3,060,492	-
Fair value of options exercised	(66,818)	
Balance, end of year	$ 3,687,421	$ 101,215

9. INCOME TAXES

The components of the future tax asset, the statutory tax rate, the effective tax rate and the elected amount of the valuation allowance are as follows as at March 31, 2011 and 2010:

	2011	2010
Statutory rate	28%	30%
Expected income taxes recovery at the statutory rate	$ (1,198,091)	$ (395,000)
Tax benefit from share issuance costs not recognized	(212,881)	-
Stock based compensation note deductible for tax purposes	856,938	-
Write down of acquisition costs of mineral property	-	85,000
Permanent differences	80,800	269,000
Effect of change in tax rate	61,017	8,000
Revision to tax account estimates	(14,785)	-
Benefit not recognized through increase in valuation allowance	422,308	33,000
Income tax (recovery) expense recognized in the year	$(4,695)	$ -

The approximate tax effects of each type of temporary difference that gives rise to future tax assets (liabilities) are as follows as at March 31, 2011 and 2010:

	2011	2010
Canada		
Non-capital loss carry forwards	$ 390,878	$ 134,000
Exploration expenditure tax pools	71,886	85,000
Tax value of share issuance costs in excess of book value	178,545	-
	641,308	219,000
Less: Valuation allowance	(641,308)	(219,000)
Future tax assets (liabilities) - Canada	$ -	$ -
US		
Net operating loss carry forwards	$ 35,957	$ -
Mineral properties	(5,366,708)	-
Property Plant & Equipment	(151,025)	-
Future tax assets (liabilities) - US	(5,481,776)	-
Total future tax assets (liabilities)	$ (5,481,776)	-

As at March 31, 2011, the Company has Canadian accumulated non-capital losses for tax purposes of approximately $1,821,865 (2010 - $451,000) that may be applied against future taxable income for Canadian income tax purposes. The potential future tax benefits of these losses have not been recorded in these financial statements. The losses expire as follows:

9. INCOME TAXES - continued

2026	$ 21,704
2027	76,500
2028	22,000
2029	188,500
2030	139,000
2031	1,115,806
	$ 1,563,510

The Company has approximately $287,400 (2010 - $287,400) of Canadian Exploration Expenses, Canadian Development Expenses, Canadian Oil & Gas Property Expenses and Foreign Exploration & Development Expenses that may be carried forward and deducted from income indefinitely.

The Company has not recognized any future benefit for these tax losses as it is not considered likely that they will be utilized.

The Company's US subsidiary carried net operating losses for US income tax purposes of $105,757 (2010- $nil), which may be carried forward to apply against future income tax in US, expiring in the year of 2031.

10. RELATED PARTY BALANCES AND TRANSACTIONS

The following table summarizes services provided by directors and officers of the Company and balances due to them, not otherwise noted in the financial statements.

	March 31 2011	**March 31 2010**
	$	$
Due to the former president for reimbursement of expenses		1,805
Paid rent to the current secretary	9,000	
Consulting fees paid and payable to the current president	25,000	
Consulting fees and expense reimbursements paid or accrued to the former president		6,219
Paid for financial accounting and consulting services to former directors and officers	11,781	

These related party transactions have been recorded at their exchange amounts.

11. SEGMENTED INFORMATION

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

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

	March 31 2011	March 2010
	$	$
Canada	-	-
USA	444,192	-
	444,192	-

12. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the presentation adopted for the current year.

13. SUBSEQUENT EVENTS

Stock Options

The Company granted 100,000 stock options that are exercisable at $1.03 for a period of five years from May 6, 2011.

Acquisition of Mineral Property

On June 30, 2011, the Company entered into an agreement to acquire 135 unpatented mining claims contiguous with the Company's Atlanta property. The agreement required a $150,000US payment and the issuance of 400,000 shares at the agreement date. A second payment of $100,000US is due on the first anniversary of the agreement. The agreement also includes a 3% NSR, for which the Company has the option to repurchase 1% for $1 million US for a period of five years.