

MEADOW BAY GOLD CORPORATION

Interim Consolidated Financial Statements

September 30, 2014 and 2013

(Unaudited)

In accordance with National Instrument 51-102 Part 4, *Continuous Disclosure Obligations*, subsection 4.3(3) (a), **WE HERBY GIVE NOTICE** that our consolidated financial statements for the interim period ended September 30, 2014, which follows this notice, have not been reviewed by an auditor.

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

| | Sept 30 2014 | March 31 2014 |
|---|-------------------------|--------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 53,404 | \$ 636,859 |
| Sales tax receivable | 21,468 | 17,711 |
| Prepaid expense | 73,172 | 22,970 |
| | <u>148,044</u> | <u>677,540</u> |
| Property, plant and equipment | | |
| Exploration and evaluations assets (Note 3) | 24,299,183 | 24,035,458 |
| Property plant and equipment (Note 4) | 400,456 | 351,600 |
| | <u>24,699,639</u> | <u>24,387,058</u> |
| | <u>\$ 24,847,683</u> | <u>\$ 25,064,598</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 147,400 | \$ 112,583 |
| Amounts payable to related parties (Note 6) | 49,784 | 29,842 |
| | <u>197,184</u> | <u>142,425</u> |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 5) | 30,686,439 | 30,686,439 |
| Contributed surplus | 5,986,781 | 5,812,081 |
| Accumulated other comprehensive income | 1,627,708 | 1,444,341 |
| Deficit | (13,650,429) | (13,020,688) |
| | <u>24,650,499</u> | <u>24,922,173</u> |
| | <u>\$ 24,847,683</u> | <u>\$ 25,064,598</u> |

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

Approved by:

“Robert Dinning” , Director
Robert Dinning

“Jordan Estra” , Director
Jordan Estra

MEADOW BAY GOLD CORPORATION

Interim Consolidated Statements of Loss and Comprehensive Income (Loss)

Expressed in Canadian dollars

(Unaudited – Prepared by Management)

| For the period ended September 30 | 3 months ended | | 6 months ended | |
|---|-----------------------|---------------------|-----------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Operating expenses | | | | |
| Claim maintenance | \$ 92,154 | \$ 80,819 | \$ 92,154 | \$ 80,819 |
| Consulting - general | 39,000 | 79,500 | 78,000 | 186,000 |
| Depreciation | 10,207 | 14,299 | 19,051 | 29,757 |
| Foreign exchange | - | 20,463 | - | 20,643 |
| Office and administration services | 42,530 | 85,659 | 115,283 | 149,529 |
| Professional fees | 19,049 | 19,038 | 22,276 | 23,312 |
| Stock base compensation | 174,700 | - | 174,700 | 155,058 |
| Trade shows and investor relations | 31,206 | 16,719 | 57,903 | 91,858 |
| Transfer agent and filing | 10,039 | 8,098 | 36,251 | 44,299 |
| Travel | 250 | 305 | 4,017 | 28,264 |
| Wages and benefits | (3,173) | 31,896 | 30,354 | 63,788 |
| | <u>415,962</u> | <u>356,796</u> | <u>629,989</u> | <u>873,327</u> |
| Operating loss before other items | (415,962) | (356,796) | (629,989) | (873,327) |
| Other income (expenses) | | | | |
| Interest income | 248 | - | 248 | - |
| Change in foreign currency warrant liability | - | 19,261 | - | 39,367 |
| | <u>(415,714)</u> | <u>(337,535)</u> | <u>(629,741)</u> | <u>(833,960)</u> |
| Net loss for the period | | | | |
| Other comprehensive income (loss) | | | | |
| Translation adjustment | 665,694 | (254,062) | 183,367 | 189,596 |
| | <u>\$ 249,980</u> | <u>\$ (591,597)</u> | <u>\$ (446,374)</u> | <u>\$ (644,364)</u> |
| Comprehensive income (loss) for the period | | | | |
| | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> |
| Basic and diluted loss per share | | | | |
| Weighted average number of shares outstanding | <u>59,339,795</u> | <u>49,257,479</u> | <u>59,339,795</u> | <u>47,961,220</u> |

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

MEADOW BAY GOLD CORPORATION

Interim Consolidated Statements of Cash Flows

Expressed in Canadian dollars

(Unaudited – Prepared by Management)

| For the Six Months Ended September 30 | 2014 | 2013 |
|---|------------------|-------------------|
| Cash Flows from (used in) Operating Activities | | |
| Net loss for the period | \$ (629,741) | \$ (833,960) |
| Items not affecting cash | | |
| Depreciation | 19,051 | 29,757 |
| Stock based compensation | 174,700 | 155,058 |
| Change in foreign currency warrant liability | - | (39,367) |
| Consulting fees paid in shares | - | 100,000 |
| Net change in non-cash working capital items | | |
| Note receivable | - | 1,850 |
| Sales tax receivable | (3,757) | (23,659) |
| Prepaid expenses | (50,202) | 8,680 |
| Accounts payable and accrued liabilities | 32,971 | (176,120) |
| Amounts payable to related parties | 19,942 | (81,840) |
| | <u>(437,036)</u> | <u>(859,601)</u> |
| Cash Flows from (used in) Financing Activities | | |
| Common shares issued for cash | - | 1,001,095 |
| Share issuance costs | - | (36,225) |
| | <u>-</u> | <u>964,870</u> |
| Cash Flows used in Investing Activities | | |
| Exploration costs of resource properties | (78,601) | (181,588) |
| Costs of building and equipment | (62,426) | (32,944) |
| | <u>(141,027)</u> | <u>(214,532)</u> |
| Effect of translation on cash | <u>(5,392)</u> | <u>8,211</u> |
| Increase (decrease) in cash and cash equivalents | (583,455) | (101,052) |
| Cash and cash equivalents, beginning of period | <u>636,859</u> | <u>342,721</u> |
| Cash and cash equivalents, end of period | <u>\$ 53,404</u> | <u>\$ 241,669</u> |
| Supplemental Disclosure of Cash Flow Information | | |
| Warrants issued to brokers | \$ - | \$ 49,664 |
| Interest expense | \$ - | \$ - |
| Income taxes | \$ - | \$ - |

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

MEADOW BAY GOLD CORPORATION

Interim Consolidated Statements of Changes in Equity

Expressed in Canadian dollars

(Unaudited – Prepared by Management)

| | Share capital Number of shares | Amount | Share Subscriptions Received (Receivable) | Share Subscriptions Received (Receivable) | Contributed Surplus | Accumulated Other Comprehensive Income | Deficit | Total Shareholders' Equity |
|--|--------------------------------------|---------------------|--|--|------------------------|--|------------------------|----------------------------------|
| 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 | 4,830,475 | 966,095 | | (40,000) | - | - | - | 926,095 |
| at \$.22 CDN per unit | 340,910 | 75,000 | | - | - | - | - | 75,000 |
| Finders' fees paid in cash | - | (36,225) | - | - | - | - | - | (36,225) |
| Finders' fees paid in warrants | - | (49,664) | - | - | 49,664 | - | - | - |
| Stock based compensation | - | - | - | - | 155,058 | - | - | 155,058 |
| Net comprehensive loss for the period | - | - | - | - | - | 189,596 | (833,960) | (644,364) |
| Balance, September 30, 2013 | 49,257,479 | \$29,664,506 | \$ - | \$ (15,000) | \$5,698,025 | 532,722 | \$ (12,315,160) | \$23,565,093 |
| Balance, April 1, 2014 | 59,339,795 | \$ 30,686,439 | \$ - | \$ - | \$ 5,812,081 | \$ 1,444,341 | \$ (13,020,688) | \$ 24,922,173 |
| Stock based compensation | - | - | - | - | 174,700 | - | - | 174,700 |
| Net comprehensive loss for the period | - | - | - | - | - | 183,367 | (629,741) | (446,374) |
| Balance, September 30, 2014 | 59,339,795 | \$30,686,439 | \$ - | \$ - | \$5,986,781 | \$1,627,708 | \$ (13,650,429) | \$24,650,499 |

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

MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

September 30, 2014 and 2013

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 September 30, 2014, the Company had not yet achieved profitable operations and has accumulated losses of \$13,650,429 (September 30, 2013 - \$12,213,160).

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, 2015. The Company will require additional financing as it determines to acquire additional properties or accelerate its work programs. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting of 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 November 11, 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, 2014 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, 2014.

MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

September 30, 2014 and 2013

Expressed in Canadian dollars

Unaudited – Prepared by Management

(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, 2014

A number of new standards and amendments to standards and interpretations are not yet effective for the period ended March 31, 2015 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, 2014. 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, 2013 to September 30, 2014:

| | Atlanta Gold and Silver Mine |
|------------------------------------|---------------------------------|
| Balance, March 31, 2013 | \$ 22,556,442 |
| Foreign exchange | 1,060,147 |
| Exploration | |
| Assay costs | 2,475 |
| Geological consulting | 410,411 |
| Sampling costs | 5,983 |
| | <u>418,869</u> |
| Balance, March 31, 2014 | 24,035,458 |
| Foreign exchange | 185,124 |
| Exploration | |
| Assay costs | 1,062 |
| Geological consulting | 73,359 |
| Sampling costs | 4,180 |
| | <u>78,601</u> |
| Balance, September 30, 2014 | \$ 24,299,183 |

MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

September 30, 2014 and 2013

Expressed in Canadian dollars

Unaudited – Prepared by Management

Atlanta Gold and Silver Mine Property

On March 1, 2011 the Company completed the purchase of all of the outstanding shares of Desert Hawk Resources Inc which in turn owned the Atlanta Gold Project. The property consists of 49 unpatented lode claims located in Lincoln County Nevada, approximately 250 km northeast of Las Vegas. Desert Hawk Resources Inc completed the purchase of the Atlanta Mine by completing the purchase for the total sum of \$6,000,000US. The acquisition cost includes a 3% NSR royalty capped at 4,000 ounces. The acquisition included equipment on site, including a crusher, ball mills, solution tanks, power, and various other items.

On June 30, 2011 the Company entered into an agreement to acquire 135 unpatented mining claims contiguous with the Company's Atlanta property. A total of \$250,000 US was paid plus issuance of 400,000 shares of common stock for this acquisition. The fair value of the shares at time of the purchase was \$420,000. The agreement also includes a 3% NSR, for which the Company has the option to repurchase 15 for \$1,000,000 US for a period of five years.

During the year ended March 31, 2012, the Company staked additional claims in the Atlanta district and currently possesses a total of 655 mineral claims in and around the Atlanta mine site for a total of approximately 12,000 acres. In addition to the original 13 patented and 49 unpatented claims acquired at acquisition, and in addition to the 135 unpatented mining claims acquired in June 2011, the Company has staked 217 Lily Claim Group Claims, 4 Bluebird Claim Group, 5 NFL Claim Group, 30 PEG Claim Group, 40 SNO Claim Group and 44 C&B Claim Group, 73, LSH Claim Group, and 45 Lauren Claim Group Claims. The Company did not renew a group of claims known as Limestone Hills (LHS 1-73). These claims were staked in the previous year but subsequent testing was not satisfactory.

4. PROPERTY, PLANT AND EQUIPMENT

The change in property, plant and equipment for the six month period ended September 30, 2014 is as follows:

| | Mine Buildings | Vehicles | Furniture and fixtures | Water System | Total |
|-----------------------|-------------------|-----------|---------------------------|-----------------|------------|
| Costs: | | | | | |
| At March 31, 2014 | \$306,215 | \$ 23,965 | \$ 19,926 | \$ 77,634 | \$ 427,740 |
| Additions | - | 14,600 | 6,250 | 41,576 | 62,426 |
| Translation | 4,073 | 1,036 | 572 | 1,245 | 6,926 |
| At September 30, 2014 | \$310,288 | \$ 39,601 | \$ 26,748 | \$ 120,455 | \$ 497,092 |
| Depreciation | | | | | |
| At March 31, 2014 | \$ 41,164 | \$ 12,992 | \$ 5,528 | \$ 16,456 | \$ 76,140 |
| Additions | 7,575 | 3,868 | 2,612 | 4,996 | 19,051 |
| Translation | 729 | 265 | 136 | 315 | 1,445 |
| At September 30, 2014 | \$ 49,468 | \$ 17,125 | \$ 8,276 | \$ 21,767 | \$ 96,636 |

NET BOOK VALUE

| | | | | | |
|-----------------------|-----------|-----------|-----------|-----------|------------|
| At March 31, 2014 | \$265,051 | \$ 10,973 | \$ 14,398 | \$ 61,178 | \$ 351,600 |
| At September 30, 2014 | \$260,820 | \$ 22,476 | \$ 18,472 | \$ 98,688 | \$ 400,456 |

MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

September 30, 2014 and 2013

Expressed in Canadian dollars

Unaudited – Prepared by Management

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 September 30, 2014, there were 59,339,795 issued common shares (September 30, 2013 – 49,257,479).

During the quarter ending September 30, 2014, the Company had no share transactions

During the year ended March 31, 2014, 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 \$17,684 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 – 1.137%, expected life – 4 years, dividend nil and volatility 135.27%.
- 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 \$22,325 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. As the fair value of the shares were lower than the unit price at the measurement date, \$22,860 was allocated to share purchase warrants and the rest of the proceeds from the above private placement have been allocated to the common shares. 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 \$3,612 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 130.11%
- iv) On February 28, 2014, the Company completed a private placement by issuing 5,294,116 units at \$0.17 CDN for gross proceeds of \$900,000. Each unit comprised one share and one share warrant, entitling the holder to purchase one additional share for a period of 4 years from the date of closing at a price of \$0.25 CDN per share. The Company paid finders' fees of \$39,820 cash and 234,236 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 \$45,228 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 – 1.16%, expected life – 4 years, dividend nil and volatility 129.30%.

MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

September 30, 2014 and 2013

Expressed in Canadian dollars

Unaudited – Prepared by Management

During the year ended March 31, 2014, the officers of the Company participated in the private placements. \$95,400 of subscription receivable incurred upon these private placements and the amounts were offset against accounts payable to related parties.

As at March 31, 2013, the Company had \$100,000 of subscription receivable from a third party and it was settled by receiving promotion services during the year ended March 31, 2014.

(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.

700,000 options were granted to consultants and officers effective July 15, 2014. The option granted the recipient the right to purchase shares at a price of \$0.25 for a period of 5 years. The cost of this grant as recorded in the statement of operations was \$90,070 using the Black Scholes pricing model and inputs as noted below.

Also effective July 15, 2014, the Board of Directors approved a re-pricing to \$0.25 of 3,450,000 previously granted options. The re-pricing resulted in a charge to operations of \$84,000 and was determined by using the Black Scholes option model using inputs noted below.

A summary of the status of the Company's outstanding stock options as a September 30, 2014 is as follows:

| Options | Number of Shares | Exercise Price | Expiry Date |
|---------|---------------------|-------------------|--------------------|
| 50,000 | 50,000 | \$ 0.15 | September 16, 2015 |
| 30,000 | 30,000 | \$ 0.15 | January 11, 2016 |
| 660,000 | 660,000 | \$ 0.25 | January 27, 2016 |
| 900,000 | 900,000 | \$ 0.25 | March 13, 2016 |
| 615,000 | 615,000 | \$ 0.25 | September 30, 2016 |
| 25,000 | 25,000 | \$ 0.25 | November 14, 2014 |
| 600,000 | 600,000 | \$ 0.25 | October 8, 2017 |
| 150,000 | 150,000 | \$ 0.25 | January 14, 2015 |
| 500,000 | 500,000 | \$ 0.25 | May 29, 2018 |
| 150,000 | 150,000 | \$ 0.20 | October 21, 2018 |
| 700,000 | 700,000 | \$ 0.25 | July 15, 2019 |
| | 4,380,000 | | |

The weighted average remaining life of the options as at September 30, 2014 is 2.44 years.

MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

September 30, 2014 and 2013

Expressed in Canadian dollars

Unaudited – Prepared by Management

The following is a summary of stock option transactions during the six months ended September 30, 2014 and the year ended March 31, 2014:

| | Options Outstanding # | Weighted Average Exercise Price \$ |
|---|-----------------------------|--|
| Balance, exercisable and outstanding, March 31, 2013 | 4,305,000 | 0.46 |
| Granted | 925,000 | 0.24 |
| Expired | 315,000 | 1.16 |
| Balance, exercisable and outstanding, March 31, 2014 | 4,915,000 | 0.42 |
| After re-pricing, July 15, 2014 | 4,915,000 | 0.25 |
| Granted | 700,000 | 0.25 |
| Cancelled | 1,235,000 | 0.25 |
| Balance, September 30, 2014 | 4,380,000 | 0.25 |

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 the re-pricing of options and options granted during the six months ended September 30, 2014 and for the year ended March 31, 2014:

| | Repricing option July 15, 2014 | 6 months ending September 30, 2014 | Year ending March 31, 2014 |
|--------------------------|-----------------------------------|---------------------------------------|-------------------------------|
| Risk-free interest rate | 1.10% | 1.10% | 1.09%-1.68% |
| Expected life of options | 1/2 yr - 3-1/4yrs | 4 yrs | 4 yrs |
| Annualized volatility | 92.04% - 101.86% | 126.45% | 130.93%-134.48% |
| Dividend Rate | 0% | 0% | 0% |

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

(e) Warrants

A summary of the status of the Company's outstanding warrants as at September 30, 2014 is as follows:

| # of warrants | # of shares | Exercise Price | Expiry Date |
|-------------------|-------------------|-------------------|-------------------|
| 2,077,164 | 2,077,164 | \$ 0.40 | November 27, 2015 |
| 2,625,410 | 2,625,410 | \$ 0.40 | April 29, 2017 |
| 2,727,100 | 2,727,100 | \$ 0.40 | June 3, 2017 |
| 1,167,010 | 1,167,010 | \$ 0.25 | November 22, 2018 |
| 5,528,352 | 5,528,352 | \$ 0.25 | February 28, 2018 |
| 14,125,036 | 14,125,036 | | |

MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

September 30, 2014 and 2013

Expressed in Canadian dollars

Unaudited – Prepared by Management

The following is a summary of warrant transactions for the period from April 1, 2013 to September 30, 2014:

| | Warrants Outstanding # | Weighted Average Exercise Price \$ |
|--|------------------------------|--|
| Balance, exercisable and outstanding, April 1, 2013 | 3,602,064 | 0.55 |
| Sold with share units | 11,608,501 | 0.32 |
| Granted | 439,371 | 0.32 |
| Balance, exercisable and outstanding, March 31, 2014 | 15,649,936 | 0.37 |
| Expired | (1,524,900) | 0.75 |
| Balance, exercisable and outstanding, September 30, 2014 | 14,125,036 | 0.33 |

6. 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 six month periods ended September 30, 2014 and 2013.

| For the six months ending September 30, | 2014 | 2013 |
|--|--------|--------|
| | \$ | \$ |
| Consulting fees paid or accrued to president / CEO | 60,000 | 60,000 |
| Consulting fees paid or accrued to CFO | 18,000 | 18,000 |
| Geological fees paid or accrued to an officer | 26,967 | 32,250 |

Balances due to related parties of \$49,784 (March 31, 2014 - \$29,842) 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 six months ended September 30, 2014 and 2013:

| For the six months ending September 30, | 2014 | 2013 |
|---|---------|---------|
| | \$ | \$ |
| Fees / Salaries / Bonuses | 104,967 | 110,250 |
| Share-based payments | 70,769 | 85,032 |

7. FINANCIAL INSTRUMENTS

(a) Fair values

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

MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

September 30, 2014 and 2013

Expressed in Canadian dollars

Unaudited – Prepared by Management

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 | September 30, 2014 | |
|--|-----------------------------|----------------|--------------------|----------------------|
| | | | Amount | Fair value hierarchy |
| Cash and cash equivalents | Loans and receivables | Amortized cost | \$ 53,403 | N/A |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost | \$ 147,400 | N/A |
| Amounts payable to related parties | Other financial liabilities | Amortized cost | \$ 49,784 | N/A |

| Account | Category | Carrying value | March 31, 2014 | |
|--|-----------------------------|----------------|----------------|----------------------|
| | | | Amount | Fair value hierarchy |
| Cash and cash equivalents | Loans and receivables | Amortized cost | \$ 636,859 | N/A |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost | \$ 112,583 | N/A |
| Amounts payable to related parties | Other financial liabilities | Amortized cost | \$ 29,842 | N/A |

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents as low as its funds are held in highly rated Canadian financial institutions. As at September 30, 2014 \$Nil cash equivalents were over the federally insured limit (September 30, 2013 – \$125,021).

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by maintaining adequate cash balances and by raising equity financing. The Company has no assurance that such financing will be available on favourable terms. The Company believes it is subject to liquidity risk through its working capital. In general, the Company attempts to avoid exposure to liquidity risk by obtaining corporate financing through the issuance of common shares. As at September 30, 2014, the Company had cash and cash equivalents of \$53,404 to settle accounts payable of \$197,184 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.

MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

September 30, 2014 and 2013

Expressed in Canadian dollars

Unaudited – Prepared by Management

(d) Foreign exchange risk

Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has material transactions designated in a foreign currency. However, the foreign currency has been very stable when compared to the Canadian dollar and therefore management considers the foreign exchange risk to be minimal.

At September 30, 2014, only approximately \$4,900 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 \$500 on net income.

(e) Interest rate risk

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

(f) Price risk

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

8. 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, 2014.

9. 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 September 30, | 2014 | 2013 |
|---------------------|----------------|----------------|
| | \$ | \$ |
| Canada | - | - |
| USA | <u>400,456</u> | <u>566,500</u> |

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

| As at September 30, | 2014 | 2013 |
|---------------------|-------------------|-------------------|
| | \$ | \$ |
| Canada | - | - |
| USA | <u>24,299,183</u> | <u>23,913,299</u> |