

MEADOW BAY GOLD CORPORATION

Interim Consolidated Financial Statements

June 30, 2015 and 2014

(Unaudited)

In accordance with National Instrument 51-102 Part 4, *Continuous Disclosure Obligations*, subsection 4.3(3)(a), **WE HERBY GIVE NOTICE** that our consolidated financial statements for the interim period ended June 30, 2015, which follows this notice, have not been reviewed by an auditor.

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

| | June 30 2015 | March 31 2015 |
|---|-------------------------|--------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 271,577 | \$ 218,175 |
| Other receivable | 32,830 | 28,706 |
| Prepaid expenses | 57,983 | 52,370 |
| | <u>362,390</u> | <u>299,251</u> |
| Property, plant and equipment | | |
| Exploration and evaluations assets (Note 3) | 26,138,702 | 26,341,623 |
| Property plant and equipment (Note 4) | 412,429 | 429,784 |
| | <u>26,551,131</u> | <u>26,771,407</u> |
| | <u>\$ 26,913,521</u> | <u>\$ 27,070,658</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 97,216 | \$ 124,323 |
| Amounts payable to related parties (Note 6) | 186,359 | 171,243 |
| | <u>283,575</u> | <u>295,566</u> |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 5) | 31,616,304 | 31,481,804 |
| Share subscriptions received | 225,000 | - |
| Contributed surplus | 6,411,557 | 6,411,557 |
| Accumulated other comprehensive income | 3,238,831 | 3,470,800 |
| Deficit | (14,861,746) | (14,589,069) |
| | <u>26,629,946</u> | <u>26,775,092</u> |
| | <u>\$ 26,913,521</u> | <u>\$ 27,070,658</u> |

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

Approved by:

“Christopher Crupi” , Director
Christopher Crupi

“Jordan Estra” , Director
Jordan Estra

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

| For the Three Months Ended June 30 | 2015 | 2014 |
|---|---------------------|---------------------|
| Operating expenses | | |
| Consulting - general and administration | \$ 71,500 | \$ 39,000 |
| Depreciation | 11,384 | 8,844 |
| Office and administration services | 57,090 | 72,753 |
| Professional fees | 19,343 | 3,227 |
| Trade shows and investor relations | 46,770 | 26,697 |
| Transfer agent and filing | 29,579 | 26,212 |
| Travel | 5,419 | 3,767 |
| Wages and benefits | 32,272 | 33,527 |
| Foreign exchange | (499) | - |
| | <u>272,858</u> | <u>214,027</u> |
| Operating loss before other items | (272,858) | (214,027) |
| Other income (expenses) | | |
| Interest income | 181 | 248 |
| | <u>181</u> | <u>248</u> |
| Net loss for the period | (272,677) | (213,779) |
| Other comprehensive income | | |
| Translation adjustment | (231,969) | (482,327) |
| | <u>(231,969)</u> | <u>(482,327)</u> |
| Comprehensive income (loss) for the period | <u>\$ (504,646)</u> | <u>\$ (696,106)</u> |
| | | |
| Basic and diluted loss per share | <u>\$ (0.00)</u> | <u>\$ (0.00)</u> |
| Weighted average number of shares outstanding | <u>67,533,384</u> | <u>59,339,795</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 Three Months Ended June 30 | 2015 | 2014 |
|---|-------------------|-------------------|
| Cash Flows from (used in) Operating Activities | | |
| Net loss for the period | \$ (272,677) | \$ (213,779) |
| Items not affecting cash | | |
| Depreciation | 11,384 | 8,844 |
| Net change in non-cash working capital items | | |
| Other receivable | (4,124) | 688 |
| Prepaid expenses | (5,613) | (47,823) |
| Accounts payable and accrued liabilities | (27,107) | (33,154) |
| Amounts payable to related parties | 16,302 | 306 |
| | <u>(281,835)</u> | <u>(284,918)</u> |
| Cash Flows from Financing Activities | | |
| Common shares issued for cash | 134,500 | - |
| Share subscriptions received | 225,000 | - |
| | <u>359,500</u> | <u>-</u> |
| Cash Flows used in Investing Activities | | |
| Exploration costs of resource properties | (16,516) | (58,270) |
| Costs of building and equipment | - | (25,186) |
| | <u>(16,516)</u> | <u>(83,456)</u> |
| Increase (decrease) in cash and cash equivalents | 61,149 | (368,374) |
| Effect of currency exchange on cash | (7,747) | - |
| Cash and cash equivalents, beginning of period | 218,175 | 636,859 |
| Cash and cash equivalents, end of period | <u>\$ 271,577</u> | <u>\$ 268,485</u> |
| Supplemental Disclosure of Cash Flow Information | | |
| 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

For the period from April 1, 2015 to June 30, 2015 and

from April 1, 2014 to June 30, 2014

(Unaudited – Prepared by Management)

| | Share capital Number of shares | Amount | Share Subscriptions Received | Contributed Surplus | Accumulated Other Comprehensive Loss | Deficit | Total Shareholders' Equity |
|---|--------------------------------------|----------------------|------------------------------------|------------------------|--|------------------------|----------------------------------|
| Balance, April 1, 2015 | 67,389,795 | \$ 31,481,804 | \$ - | \$ 6,411,557 | \$ 3,470,800 | \$ (14,589,069) | \$ 26,775,092 |
| Share subscriptions received at \$.20 CDN per unit | - | - | 225,000 | - | - | - | 225,000 |
| Options exercised at \$.15 CDN per unit | 30,000 | 4,500 | - | - | - | - | 4,500 |
| Warrants exercised at \$.25 CDN per unit | 400,000 | 100,000 | - | - | - | - | 100,000 |
| at \$.15 CDN per unit | 200,000 | 30,000 | - | - | - | - | 30,000 |
| Net comprehensive income for the period | - | - | - | - | (231,969) | (272,677) | (504,646) |
| Balance, June 30, 2015 | <u>68,019,795</u> | <u>\$ 31,616,304</u> | <u>\$ 225,000</u> | <u>\$ 6,411,557</u> | <u>\$ 3,238,831</u> | <u>\$ (14,861,746)</u> | <u>\$ 26,629,946</u> |
| Balance, April 1, 2014 | 59,339,795 | \$ 30,686,439 | \$ - | \$ 5,812,081 | \$ 1,444,341 | \$ (13,020,688) | \$ 24,922,173 |
| Net comprehensive loss for the period | - | - | - | - | (482,327) | (213,779) | (696,106) |
| Balance, June 30, 2014 | <u>59,339,795</u> | <u>\$ 30,686,439</u> | <u>\$ -</u> | <u>\$ 5,812,081</u> | <u>\$ 962,014</u> | <u>(\$ 13,234,467)</u> | <u>\$ 24,226,067</u> |

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

MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

June 30, 2015 and 2014

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 June 30, 2015, the Company had not yet achieved profitable operations and has accumulated losses of \$14,861,746 (June 30, 2014 - \$13,234,467).

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, 2016. 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 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 August 13, 2015.

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, 2015. 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, 2015.

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(b) Use of Estimates and Judgments

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

(c) Accounting Standards, amendments and interpretations adopted April 1, 2015

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended March 31, 2016 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, 2015. 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 summary of changes in exploration and evaluation assets from the three months ended June 30, 2015 and for the year ended March 31, 2015:

| | Balance April 1, 2015 | Additions | Translation | Balance June 30, 2015 |
|--------------------------|--------------------------|------------------|---------------------|--------------------------|
| Property | \$ 18,897,214 | \$ - | \$ (117,392) | \$ 18,779,822 |
| Assaying | 511,768 | - | (7,111) | 504,657 |
| Geological consulting | 2,052,192 | 16,516 | (27,118) | 2,041,590 |
| Drilling | 4,205,703 | - | (58,440) | 4,147,263 |
| Exploration and sampling | 385,962 | - | (5,363) | 380,599 |
| Other | 288,784 | - | (4,013) | 284,771 |
| Total | \$ 26,341,623 | \$ 16,516 | \$ (219,437) | \$ 26,138,702 |

| | Balance April 1, 2014 | Additions | Translation | Balance March 31, 2015 |
|--------------------------|--------------------------|-------------------|---------------------|---------------------------|
| Property | \$ 17,821,343 | \$ - | \$ 1,075,871 | \$ 18,897,214 |
| Assaying | 445,495 | 1,093 | 65,180 | 511,768 |
| Geological consulting | 1,539,314 | 265,614 | 247,264 | 2,052,192 |
| Drilling | 3,670,112 | - | 535,591 | 4,205,703 |
| Exploration and sampling | 307,186 | 33,627 | 45,149 | 385,962 |
| Other | 252,008 | - | 36,776 | 288,784 |
| Total | \$ 24,035,458 | \$ 300,334 | \$ 2,005,831 | \$ 26,341,623 |

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Atlanta Gold and Silver Mine Property

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

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

During the year ended March 31, 2012, the Company staked additional claims in the Atlanta district and currently possesses a total of 556 mineral claims in and around the Atlanta mine site for a total of approximately 12,000 acres. The Company's claims consist of 204 Lily Claim Group Claims, 11 Bluebird Claim Group, 5 NFL Claim Group, 30 PEG Claim Group, 40 SNO Claim Group and 44 C&B Claim Group, 177 other Claim Group, and 45 Lauren Claim Group Claims.

In the year ended March 31, 2014, the additions to the geological consulting expenses include \$81,545 of the fair value of share based compensation granted to geologists.

4. PROPERTY, PLANT AND EQUIPMENT

The change in property, plant and equipment for the year ended March 31, 2015 and the three month period ended June 30, 2015 is as follows

| | Mine Buildings | Vehicles | Furniture and fixtures | Water System | Total |
|------------------------|-------------------|-----------|---------------------------|-----------------|------------|
| Costs: | | | | | |
| Balance, April 1, 2015 | \$ 350,902 | \$ 44,784 | \$30,249 | \$ 136,222 | \$ 562,157 |
| Additions | - | - | - | - | - |
| Translation | (4,876) | (622) | (420) | (1,893) | (7,811) |
| Balance, June 30, 2015 | \$346,026 | \$ 44,162 | \$29,829 | \$ 134,329 | \$ 554,346 |
| Depreciation | | | | | |
| Balance, April 1, 2015 | \$ 64,716 | \$ 23,845 | \$12,384 | \$ 31,428 | \$ 132,373 |
| Additions | 4,326 | 2,208 | 1,491 | 3,359 | 11,384 |
| Translation | (900) | (331) | (172) | (437) | (1,840) |
| Balance, June 30, 2015 | \$ 68,142 | \$ 25,722 | \$13,703 | \$ 34,350 | \$ 141,917 |

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| | Mine Buildings | Vehicles | Furniture and fixtures | Water System | Total |
|--------------------------|-------------------|-----------|---------------------------|-----------------|------------|
| Costs: | | | | | |
| Balance, April 1, 2014 | \$ 306,215 | \$ 23,965 | \$19,926 | \$ 77,634 | \$ 427,740 |
| Additions | - | 14,600 | 6,250 | 41,576 | 62,426 |
| Disposals | - | - | - | - | - |
| Translation | 44,687 | 6,219 | 4,073 | 17,012 | 71,991 |
| Balance, March 31, 2015 | \$ 350,902 | \$ 44,784 | \$30,249 | \$ 136,222 | \$ 562,157 |
| Depreciation | | | | | |
| Balance, April 1, 2014 | \$ 41,164 | \$ 12,992 | \$ 5,528 | \$ 16,456 | \$ 76,140 |
| Additions | 15,978 | 8,158 | 5,509 | 11,522 | 41,167 |
| Disposals | - | - | - | - | - |
| Translation | 7,574.00 | 2,695 | 1,347 | 3,450 | 15,066 |
| Balance, March 31, 2015 | \$ 64,716 | \$ 23,845 | \$12,384 | \$ 31,428 | \$ 132,373 |
| Carrying amounts: | | | | | |
| June 30, 2015 | \$ 277,884 | \$ 18,440 | \$16,126 | \$ 99,979 | \$ 412,429 |
| March 31, 2015 | \$ 286,186 | \$ 20,939 | \$17,865 | \$ 104,794 | \$ 429,784 |

5. SHARE CAPITAL

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

Unlimited number of common shares without par value.

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

As at June 30, 2015, there were 69,019,795 issued common shares (June 30, 2014 – 59,339,795).

During the quarter ending June 30, 2015, the Company had the following share transactions:

- i) On April 4, 2015, a shareholder exercised options to purchase 30,000 common shares at \$0.15 for proceeds of \$4,500.
- ii) On April 8, 2015, 600,000 warrants were exercised; 400,000 at \$0.25 and 200,000 at \$0.15 for total proceeds of \$130,000.
- iii) There were \$225,000 in subscriptions received for units at \$0.20 per shares. The shares were issued on July 10, 2015. See subsequent events, Note 10.

During the year ended March 31, 2015, the Company completed the following share transactions:

- i) On February 11, 2015, the Company completed a non-brokered private placement by issuing 1,700,000 units issued for \$0.10 for gross proceeds of \$170,000. 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 \$0.15 per share.

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Notes to the Interim Consolidated Financial Statements

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- ii) On December 19, 2014, the Company completed a non-brokered private placement by issuing 5,500,000 units issued for \$0.10 for gross proceeds of \$550,000. 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 \$0.15 per share. The Company paid finders' fees of \$31,549 cash and 312,200 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 \$20,586 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 – 1.01%, expected life – 2 years, dividend nil and annualized volatility 103.54%.

Certain officers of the Company participated in this private placement in the amount of \$55,000, which was applied against amounts owing to related parties.

- iii) Shareholders exercised the following warrants:

- 500,000 warrants were exercised on February 24, 2015 at \$0.15 per share
- 350,000 warrants were exercised on March 10, 2015 at \$0.15 per share

(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 (the "Exchange") on the trading day immediately before the date of grant, less the discount permitted under the Exchange's policies.

A summary of the status of the Company's outstanding stock options as a June 30, 2015 is as follows:

| Options | Number of Shares | Exercise Price | Expiry Date |
|-----------|------------------|----------------|--------------------|
| 50,000 | 50,000 | \$ 0.15 | September 16, 2015 |
| 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 |
| 600,000 | 600,000 | \$ 0.25 | October 8, 2017 |
| 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 |
| 2,475,000 | 2,475,000 | \$ 0.19 | March 20, 2020 |
| | 6,650,000 | | |

The weighted average remaining life of the options as at June 30, 2015 is 2.95 years.

The following is a summary of stock option transactions during the quarter ended June 30, 2015 and the year ended March 31, 2015:

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| | Options Outstanding # | Weighted Average Price \$ |
|--------------------------------------|-----------------------------|---------------------------------|
| Balance, exercisable and outstanding | | |
| April 1, 2014 (re-priced) | 4,305,000 | 0.25 |
| Granted | 3,175,000 | 0.20 |
| Cancelled / Expired | (1,410,000) | 0.25 |
| March 31, 2015 | 6,680,000 | 0.23 |
| Exercised | (30,000) | 0.15 |
| June 30, 2015 | 6,650,000 | 0.23 |

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 year ended March 31, 2015. There were no options granted in the three month period ended June 30, 2015.

| | |
|--|--------------|
| Risk free interest rate | 0.07% - 1.1% |
| Expected life of options | 5 years |
| Annualized volatility of common shares | 126.0% |
| 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.

(e) Warrants

A summary of the status of the Company's outstanding warrants as at June 30, 2015 is as follows:

| Warrants | Number of Shares | Exercise Price | Expiry Date |
|------------|---------------------|-------------------|-------------------|
| 2,077,164 | 2,077,164 | \$ 0.40 | November 30, 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 |
| 4,962,200 | 4,962,200 | \$ 0.15 | December 19, 2016 |
| 1,700,000 | 1,700,000 | \$ 0.15 | February 11, 2017 |
| 20,787,236 | 20,787,236 | | |

MEADOW BAY GOLD CORPORATION

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The following is a summary of warrant transactions for the period from April 1, 2014 to June 30, 2015:

| | Warrants Outstanding # | Weighted Average Exercise Price \$ |
|---|------------------------------|--|
| Balance, exercisable and outstanding, April 1, 2014 | 15,649,936 | 0.37 |
| Sold with share units | 7,200,000 | 0.15 |
| Granted | 312,200 | 0.15 |
| Expired | (1,524,900) | 0.75 |
| Exercised | (850,000) | 0.15 |
| Balance, exercisable and outstanding, March 31, 2015 and June 30, 2015 | 20,787,236 | 0.27 |

The weighted average remaining life of warrants as at June 30, 2015 is 1.91 years.

The warrants issues are described above under (b) capital stock.

The following assumptions were used for the Black-Scholes valuation of compensatory warrants granted during the fiscal year ended March 31, 2015. There were no warrants issued in the quarter ending June 30, 2015.

| | |
|--|---------|
| Risk-free interest rate | 1.01% |
| Expected life of warrants | 2 years |
| Annualized volatility of common shares | 103.54% |
| Dividend rate | 0% |

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 three month periods ended June 30, 2015 and 2014.

| For the three months ended June 30 | 2015 | 2016 |
|---|--------|--------|
| Consulting fees paid or accrued to - | \$ | \$ |
| Chairman of the board and former CEO | 45,000 | 30,000 |
| CEO | 17,500 | - |
| CFO | 9,000 | 9,000 |
| Geological fees paid or accrued to a former officer | - | 24,695 |

Balances due to related parties of \$186,359 (March 31, 2015 - \$171,243) represent amounts owing to officers and directors and companies owned by officers and directors. Balances due to related parties are non-interest bearing, are due on demand and bear no specific terms of repayment.

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.

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The carrying value of the Company's financial assets and liabilities approximates their fair value due to the relatively short periods to maturity of these investments. Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. These estimates are subjective and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

| Account | Category | Carrying value | June 30, 2015 | |
|--|-----------------------------|----------------|---------------|----------------------|
| | | | Amount | Fair value hierarchy |
| Cash and cash equivalents | Loans and receivables | Amortized cost | \$ 271,577 | N/A |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost | \$ 97,216 | N/A |
| Amounts payable to related parties | Other financial liabilities | Amortized cost | \$ 186,359 | N/A |

| Account | Category | Carrying value | March 31, 2015 | |
|--|-----------------------------|----------------|----------------|----------------------|
| | | | Amount | Fair value hierarchy |
| Cash and cash equivalents | Loans and receivables | Amortized cost | \$ 218,175 | N/A |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost | \$ 124,323 | N/A |
| Amounts payable to related parties | Other financial liabilities | Amortized cost | \$ 171,243 | N/A |

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents as low as its funds are held in highly rated Canadian financial institutions. As at June 30, 2015 \$159,875 cash equivalents were over the federally insured limit (June 30, 2014 – \$168,485).

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by maintaining adequate cash balances and by raising equity financing. The Company has no assurance that such financing will be available on favourable terms. The Company believes it is subject to liquidity risk through its working capital. In general, the Company attempts to avoid exposure to liquidity risk by obtaining corporate financing through the issuance of common shares. As at June 30, 2015, the Company had cash and cash equivalents of \$271,577 to settle accounts payable of \$283,575 which fall due for

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payment within twelve months of the balance sheet date. All of the Company's contractual obligations are current and due within one year.

(d) Foreign exchange risk

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

At June 30, 2015, approximately \$21,500 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 \$2,150 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, 2015.

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 June 30, | 2015 | 2014 |
|----------------|----------------|----------------|
| | \$ | \$ |
| Canada | - | - |
| USA | <u>412,429</u> | <u>427,740</u> |

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

| As at June 30, | 2015 | 2014 |
|----------------|-------------------|-------------------|
| | \$ | \$ |
| Canada | - | - |
| USA | <u>26,138,702</u> | <u>23,631,772</u> |

10. EVENT SUBSEQUENT TO THE REPORTING PERIOD

On July 10, 2015, the Company closed the last tranche of a private placement financing consisting of 3,360,500 units for gross proceeds of \$672,100 priced at \$0.20 per unit. 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 \$0.25 per share. Total insider participation was 945,000 with the CEO subscribing for 759,000 units of the offering. The Company paid finder's fees of \$15,806 cash and 79,030 finder's 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.