MEADOW BAY GOLD CORPORATION

Interim Consolidated Financial Statements

September 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 September 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

	September 30 2015	March 31 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 477,035	$ 218,175
Sales tax receivable	32,559	28,706
Prepaid expense	78,707	52,370
	588,301	299,251
Long term assets		
Exploration and evaluations assets (Note 3)	27,328,387	26,341,623
Plant and equipment (Note 4)	428,500	429,784
	27,756,887	26,771,407
	$ 28,345,188	$ 27,070,658
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 182,707	$ 124,323
Amounts payable to related parties (Note 6)	102,150	171,243
	284,857	295,566
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	32,697,189	31,481,804
Contributed surplus	6,499,166	6,411,557
Accumulated other comprehensive income	4,343,984	3,470,800
Deficit	(15,480,008)	(14,589,069)
	28,060,331	26,775,092
	$ 28,345,188	$ 27,070,658

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
For the three and six month periods ended September 30, 2015 and 2014
Expressed in Canadian dollars
Unaudited – Prepared by Management

	3 months ended		6 months ended	
For the period ended September 30	**2015**	**2014**	**2015**	**2014**
Operating expenses				
Claim maintenance	$ 123,535	$ 92,154	$ 123,535	$ 92,154
Consulting	189,000	39,000	260,500	78,000
Depreciation	12,162	10,207	23,546	19,051
Foreign exchange	210	-	(289)	-
Office and administration services	53,199	42,530	110,289	115,283
Professional fees	24,106	19,049	43,449	22,276
Share-based compensation	67,290	174,700	67,290	174,700
Trade shows and investor relations	69,931	31,206	116,701	57,903
Transfer agent and filing	14,551	10,039	44,130	36,251
Travel	25,266	250	30,685	4,017
Wages and benefits	39,227	(3,173)	71,499	30,354
Operating loss before other items	(618,477)	(415,962)	(891,335)	(629,989)
Other items				
Interest income	396	248	396	248
Net loss for the period	(618,081)	(415,714)	(890,939)	(629,741)
Other comprehensive income				
Translation adjustment	1,355,511	665,694	873,184	183,367
Comprehensive income (loss) for the period	$ 737,430	$ 249,980	$ (17,755)	$ (446,374)
Basic and diluted loss per share	$ (0.01)	$ 0.00	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding	71,887,197	59,339,795	69,937,178	59,339,795

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

MEADOW BAY GOLD CORPORATION
Interim Consolidated Statements of Changes in Equity
For the period from April 1, 2014 to September 30, 2015
Expressed in Canadian dollars
Unaudited – Prepared by Management

	Share capital Number of shares	Amount	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
Balance, April 1, 2014	59,339,795	$ 30,686,439	$ 5,812,081	$ 1,444,341	$ (13,020,688)	$ 24,922,173
Share-based compensation	-	-	174,700	-	-	174,700
Net comprehensive income 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
Issued for private placement						
at $0.10 CDN per unit	7,200,000	720,000	-	-	-	720,000
Finders' fees paid in cash	-	(31,549)	-	-	-	(31,549)
Finders' fees paid in warrants	-	(20,586)	20,586	-	-	-
Warrants exercised	850,000	127,500		-	-	127,500
Share-based payments	-	-	404,190	-	-	404,190
Net comprehensive income for the period	-	-		1,843,092	(938,640)	904,452
Balance, March 31, 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	5,720,500	1,144,100	-	-	-	1,144,100
Finders' fees paid in cash	-	(42,896)				(42,896)
Finders' fees paid in warrants	-	(20,319)	20,319			-
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
Share-based payments	-		67,290	-	-	67,290
Net comprehensive income for the period	-	-	-	873,184	(890,939)	(17,755)
Balance, September 30, 2015	73,740,295	$ 32,697,189	$ 6,499,166	$ 4,343,984	$ (15,480,008)	$ 28,060,331

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

MEADOW BAY GOLD CORPORATION
Interim Consolidated Statements of Cash Flows
For the three and six month periods ended September 30, 2015 and 2014
Expressed in Canadian dollars
Unaudited – Prepared by Management

For the Six Months Ended Sepember 30	2015	2014
Cash Flows from (used in) Operating Activities		
Net loss for the period	$ (823,649)	$ (629,741)
Items not affecting cash		
Depreciation	23,546	19,051
Stock based compensation	-	174,700
Consutling fees paid in shares	105,000	-
Net change in non-cash working capital items		
Sales tax receivable	(3,853)	(3,757)
Prepaid expenses	(26,337)	(50,202)
Accounts payable and accrued liabilities	94,513	32,971
Amounts payable to related parties	(39,093)	19,942
	(669,873)	(437,036)
Cash Flows from (used in) Financing Activities		
Common shares issued for cash	1,012,300	-
Share issuance costs	(42,896)	-
	969,404	-
Cash Flows used in Investing Activities		
Exploration costs of resource properties	(40,671)	(78,601)
Property and equipment purchases	-	(62,426)
	(40,671)	(141,027)
Effect of translation on cash	-	(5,392)
Increase (decrease) in cash and cash equivalents	258,860	(583,455)
Cash and cash equivalents, beginning of period	218,175	636,859
Cash and cash equivalents, end of period	$ 477,035	$ 53,404

Supplemental Disclosure of Cash Flow Information (Note 7)

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

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, 2015, the Company had not yet achieved profitable operations and has accumulated losses of $15,412,718 (March 31, 2015 - $14,589,069).

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 November 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.

Expressed in Canadian dollars

(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 six months ended September 30, 2015 and for the year ended March 31, 2015:

	Balance April 1, 2015	Additions	Translation	Balance September 30 , 2015
Property	$ 18,897,214	$ -	$ 452,893	$ 19,350,107
Assaying	511,768	616	27,447	539,831
Geological consulting	2,052,192	66,674	108,044	2,226,910
Drilling	4,205,703	69,422	226,828	4,501,953
Exploration and sampling	385,962	- 1,305	20,664	405,321
Other	288,784	-	15,481	304,265
Total	$ 26,341,623	$ 135,407	$ 851,357	$ 27,328,387

	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

Expressed in Canadian dollars

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 located in Lincoln County Nevada, approximately 250 km northeast of Las Vegas. Desert Hawk Resources Inc completed the purchase of the Atlanta Mine for the total sum of $6,000,000US. The acquisition cost includes a 3% NSR capped at 4,000 ounces.

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.

4. PLANT AND EQUIPMENT

The change in plant and equipment for the year ended March 31, 2015 and the six month period ended September 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	18,811	2,401	1,622	7,303	30,137
Balance, September 30, 2015	$ 369,713	$ 47,185	$31,871	$ 143,525	$ 592,294
Depreciation					
Balance, April 1, 2015	$ 64,716	$ 23,845	$12,384	$ 31,428	$ 132,373
Additions	8,948	4,567	3,084	6,947	23,546
Translation	3,764	1,430	766	1,915	7,875
Balance, September 30, 2015	$ 77,428	$ 29,842	$16,234	$ 40,290	$ 163,794

Expressed in Canadian dollars

	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	2,695	1,347	3,450	15,066
Balance, March 31, 2015	$ 64,716	$ 23,845	$12,384	$ 31,428	$ 132,373
Carrying amounts:					
September 30, 2015	$ 292,285	$ 17,343	$15,637	$ 103,235	$ 428,500
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 September 30, 2015, there were 73,740,295 issued common shares (September 30, 2014 – 59,339,795).

During six months ending September 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) On July 10, 2015, the Company completed the first tranche of a non-brokered private placement by issuing 3,360,500 units at $0.20 each for gross proceeds of $672,100. 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. The Company paid finders' fees of $15,806 cash and 79,030 brokers' warrants, with each finder's warrant entitling the holder to purchase one common share of the Company under the same conditions as the warrants issued with the unit. The warrants were valued at $6,995 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 – .05%, expected life – 2 years, dividend nil and annualized volatility – 101.86%.

iv) On August 27, 2015, the Company completed the second and final tranche of the non-brokered private placement issuing 2,360,000 units for gross proceeds of $472,000. The Company paid finders' fees of $27,090 cash and 135,450 brokers' warrants, with each finder's warrant entitling the holder to purchase one common share of the Company under the same conditions as the warrants issued with the unit. The warrants were valued at $13,324 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 – .04%, expected life – 2 years, dividend nil and annualized volatility – 104.84%.

Certain officers of the Company participated in this private placement in the amount of $189,000, of which $89,000 was for services rendered and applied against amounts owing to related parties.

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. The 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.

ii) 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 September 30, 2015 is as follows:

Expressed in Canadian dollars

Options	Number of Shares	Exercise Price	Expiry Date
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
400,000	400,000	$ 0.20	August 17, 2020
20,000	20,000	$ 0.20	August 27, 2017
	7,020,000		

The weighted average remaining life of the options as at September 30, 2015 is 2.84 years.

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

Options Weighted	Outstanding #	Average Price $
Balance, exercisable and outstanding		
April 1, 2014	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
Expired	(50,000)	0.15
Granted	420,000	0.20
September 30, 2015	7,020,000	0.22

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 six months ended September 30, 2015 and for year ended March 31, 2015:

	Six Months September 30, 2015	Year March 31, 2015
Risk free interest rate	0.4% - 0.71%	0.7% - 1.1%
Expected life of options	2-5 years	5 years
Annualized volatility of common shares	114.36% – 114.70%	126.50%
Dividend rate	0%	0%

Expressed in Canadian dollars

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, 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
5,128,352	5,528,352	$ 0.25	February 28, 2018
4,762,200	4,962,200	$ 0.15	December 19, 2016
1,700,000	1,700,000	$ 0.15	February 11, 2017
3,495,950	3,495,950	$ 0.25	July 10, 2017
2,495,450	2,495,450	$ 0.25	August 27,2017
26,122,216	26,122,216		

The following is a summary of warrant transactions for the period from April 1, 2014 to September 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	20,787,236	0.27
Exercised	(400,000)	0.25
Exercised	(200,000)	0.15
Sold with share units	5,720,500	0.25
Issued to brokers	214,480	0.25
Balance, exercisable and outstanding, September 30, 2015	26,122,216	0.21

The weighted average remaining life of warrants as at September 30, 2015 is 1.69 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 six months ending September 30, 2015 and the year ended March 31, 2015:

Expressed in Canadian dollars

	Six Months September 30, 2015	Year March 31, 2015
Risk-free interest rate	.04% - .05%	1.01%
Expected life of warrants	2 years	2 year
Annualized volatility of common shares	101.86% - 104.84%	103.54%
Dividend rate	0%	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 six month periods ended September 30, 2015 and 2014.

For the six months ended September 30	2015	2014
Consulting fees paid or accrued to key management personnel	$ 165,500	$ 78,000

Balances due to related parties of $102,150 (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, due on demand and bear no specific terms of repayment.

7. SUPPLEMENTARY CASH FLOW INFORMATION

The following events did not result in cash outflows or inflows during the six months ended September 30, 2015:

(a) Included in accounts payable at September 30, 2015, were $94,735 in costs for exploration and evaluation assets.
(b) Included in the gross proceeds from the private placements were 1,331,500 units worth $266,300 that were not issued for cash. Of that amount, $131,300 was for trade payables, $30,000 for related party debt and $105,000 for services incurred during the period.
(c) The Company issued 214,480 brokers' warrants valued at $20,319.
(d) There were no payments for taxes or interest.

There were no payments for taxes or interest during the six months ended September 30, 2014.

8. 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.

Expressed in Canadian dollars

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 six levels in the fair value hierarchy according to the relative reliability of the inputs used estimate the fair values. The six 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.

			September 30, 2015	
Account	Category	Carrying value	Amount	Fair value hiearchy
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 477,035	N/A
Accounts payable and accrued liabilities	Other financial liabilties	Amortized cost	$ 182,707	N/A
Amounts payable to related parties	Other financial liabilties	Amortized cost	$ 102,150	N/A

			March 31, 2015	
Account	Category	Carrying value	Amount	Fair value hiearchy
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 218,175	N/A
Accounts payable and accrued liabilities	Other financial liabilties	Amortized cost	$ 124,323	N/A
Amounts payable to related parties	Other financial liabilties	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 September 30, 2015 $245,201 cash and cash equivalents were over the federally insured limit (March 31, 2015 – $113,598).

(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, 2015, the Company had cash and cash equivalents of $477,035 to settle accounts payable of $284,857which 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.

(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, 2015, approximately $135,200 cash was denominated in U.S. dollars and approximately $130,000 of accounts payable were payable in U.S. dollars. A 10% variation in the U.S. dollar would result in an impact of approximately $520 on net income.

(e) Interest rate risk

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

(f) Price risk

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

9. CAPITAL MANAGEMENT

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

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

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended March 31, 2015.

10. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the properties, plant and equipment owned by Desert Hawk, which are in Nevada USA.

11. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Subsequent to September 30, 2015, the Company issued 1,250,000 shares to directors of the Company, which was approved by the shareholders at the annual general meeting. At the same time, the Company cancelled 1,200,000 options to directors and officers.