

# **MEADOW BAY GOLD CORPORATION**

Interim Consolidated Financial Statements

September 30, 2016 and 2015

(Unaudited)

## **Notice of No Review by Auditor**

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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, 2016, 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)

	<b>September 30 2016</b>	<b>March 31 2016</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 152,127	\$ 90,053
Other receivable	27,115	22,279
Prepaid expenses	25,378	18,971
	<u>204,620</u>	<u>131,303</u>
Property, plant and equipment		
Exploration and evaluation assets (Note 3)	27,559,309	27,322,910
Plant and equipment (Note 4)	372,890	393,332
	<u>27,932,199</u>	<u>27,716,242</u>
	<u>\$ 28,136,819</u>	<u>\$ 27,847,545</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 173,031	\$ 255,148
Amounts payable to related parties (Note 6)	107,425	89,700
	<u>280,456</u>	<u>344,848</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5)	33,640,461	33,073,018
Share subscriptions received (Note 5(b)(ix))	-	30,300
Contributed surplus	6,558,443	6,538,627
Accumulated other comprehensive income	4,052,545	3,881,998
Deficit	<u>(16,395,086)</u>	<u>(16,021,246)</u>
	<u>27,856,363</u>	<u>27,502,697</u>
	<u>\$ 28,136,819</u>	<u>\$ 27,847,545</u>

Approved by:

“Christopher Crupi” , Director  
Christopher Crupi

“Jordan Estra” , Director  
Jordan Estra

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

**MEADOW BAY GOLD CORPORATION**

Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars

(Unaudited – Prepared by Management)

<b>For the Period Ended September 30</b>	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Operating expenses</b>				
Claim maintenance	\$ 107,509	\$ 123,535	\$ 107,509	\$ 123,535
Consulting	22,500	189,000	31,500	260,500
Depreciation	11,954	12,162	23,726	23,546
Office and administration services	31,848	53,409	70,945	110,000
Professional fees	8,906	24,106	60,157	43,449
Share-based compensation	-	67,290	-	67,290
Trade shows and investor relations	-	69,931	8,246	116,701
Transfer agent and filing	4,873	14,551	51,501	44,130
Travel	7,466	25,266	19,012	30,685
Wages and benefits	-	39,227	1,353	71,499
	<u>195,056</u>	<u>618,477</u>	<u>373,949</u>	<u>891,335</u>
<b>Operating loss before other items</b>	(195,056)	(618,477)	(373,949)	(891,335)
<b>Other income</b>				
Interest income	<u>83</u>	<u>248</u>	<u>109</u>	<u>396</u>
<b>Net loss for the period</b>	(194,973)	(618,229)	(373,840)	(890,939)
<b>Other comprehensive expenses</b>				
Translation adjustment	<u>267,475</u>	<u>1,355,511</u>	<u>170,547</u>	<u>873,184</u>
<b>Comprehensive loss for the period</b>	<u>\$ 72,502</u>	<u>\$ 737,282</u>	<u>\$ (203,293)</u>	<u>\$ (17,755)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>88,350,661</u>	<u>71,887,197</u>	<u>85,571,268</u>	<u>69,937,178</u>

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 September 30, 2016

(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
Issued for private placement							
at \$0.20 CDN per unit	5,720,500	1,110,495	-	33,605	-	-	1,144,100
at \$0.05 CDN per unit	5,080,000	254,000	-	-	-	-	254,000
Finders' fees paid in cash		(49,451)	-	-	-	-	(49,451)
Finders' fees paid in warrants		(27,080)		27,080			-
Shares issued to directors	1,250,000	168,750	-	-	-	-	168,750
Options exercised							
at \$.15 CDN per unit	30,000	4,500	-	-	-	-	4,500
Warrants exercised							
at \$0.25 CDN per unit	400,000	100,000	-	-	-	-	100,000
at \$0.15 CDN per unit	200,000	30,000	-	-	-	-	30,000
Share subscriptions received			30,300	-	-	-	30,300
Share-based payments	-	-	-	66,385	-	-	66,385
Net comprehensive income for the year	-	-	-	-	411,198	(1,432,177)	(1,020,979)
Balance, March 31, 2016	80,070,295	\$ 33,073,018	\$ 30,300	\$ 6,538,627	\$3,881,998	(\$16,021,246)	\$ 27,502,697
Issued for private placement							
at \$0.06 CDN per unit	10,026,517	601,591	(30,300)	-	-	-	571,291
Finders' fees paid in cash	-	(14,332)	-	-	-	-	(14,332)
Finders' fees paid in warrants	-	(19,816)	-	19,816	-	-	-
Net comprehensive loss for the period	-	-	-	-	170,547	(373,840)	(203,293)
Balance, September 30, 2016	90,096,812	\$ 33,640,461	\$ -	\$ 6,558,443	\$4,052,545	(\$16,395,086)	\$ 27,856,363

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)

<b>For the Six Months Ended September 30</b>	<b>2016</b>	<b>2015</b>
<b>Cash Flows from (used in) Operating Activities</b>		
Net loss for the period	\$ (373,840)	\$ (890,939)
Items not affecting cash		
Depreciation	11,954	23,546
Consulting fees paid in shares	-	105,000
Share-based compensation	-	67,291
Net change in non-cash working capital items		
Other receivable	(4,836)	(3,853)
Prepaid expenses	(6,407)	(26,338)
Accounts payable and accrued liabilities	(71,720)	94,513
Amounts payable to related parties	17,725	(39,093)
	<u>(427,124)</u>	<u>(669,873)</u>
<b>Cash Flows from Financing Activities</b>		
Subscriptions received and issued for shares, net of costs	<u>556,959</u>	<u>969,404</u>
	<u>556,959</u>	<u>969,404</u>
<b>Cash Flows used in Investing Activities</b>		
Exploration and evaluation costs	<u>(67,780)</u>	<u>(40,671)</u>
	<u>(67,780)</u>	<u>(40,671)</u>
<b>Increase in cash and cash equivalents</b>	62,055	258,860
<b>Cash and cash equivalents, beginning of period</b>	<u>90,053</u>	<u>218,175</u>
<b>Unrestricted cash and cash equivalents, end of period</b>	<u>\$ 152,108</u>	<u>\$ 477,035</u>

**Supplemental disclosure of Cash Flow Information (Note 7)**

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, 2016 and 2015

Expressed in Canadian dollars

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## 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 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, 2016, the Company had not yet achieved profitable operations and has accumulated losses of \$16,395,086 (September 30, 2015 - \$15,412,718).

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, 2017. 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 14, 2016.

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 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, 2016. 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, 2016.

## MEADOW BAY GOLD CORPORATION

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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, 2016

Several new standards and amendments to standards and interpretations are not yet effective for the year ended March 31, 2017 and have not been applied in preparing these financial statements. Several new standards, and amendments to standards and interpretations came into effect after the annual audited statements at March 31, 2016. 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, 2016 and for the year ended March 31, 2016:

	Balance April 1, 2016	Additions	Translation	Balance Sept 30, 2016
Property	\$ 19,111,321	\$ -	\$ 86,710	\$ 19,198,031
Assaying	583,676	-	5,842	589,518
Geological consulting	2,262,448	69,119	22,365	2,353,932
Drilling	4,674,913	(2,212)	46,796	4,719,497
Exploration and sampling	394,448	854	3,961	399,263
Other	296,104	-	2,964	299,068
<b>Total</b>	<b>\$ 27,322,910</b>	<b>\$ 67,761</b>	<b>\$ 168,638</b>	<b>\$ 27,559,309</b>

	Balance April 1, 2015	Additions	Translation	Balance March 31, 2016
Property	\$ 18,897,214	\$ -	\$ 214,107	\$ 19,111,321
Assaying	511,768	58,938	12,970	583,676
Geological consulting	2,052,192	160,313	49,943	2,262,448
Drilling	4,205,703	361,327	107,883	4,674,913
Exploration and sampling	385,962	-	8,486	394,448
Other	288,784	-	7,320	296,104
<b>Total</b>	<b>\$ 26,341,623</b>	<b>\$ 580,578</b>	<b>\$ 400,709</b>	<b>\$ 27,322,910</b>



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## *Atlanta Gold and Silver Mine Property*

On March 1, 2011, the Company completed the purchase of all 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 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 six-month period ended September 30, 2016 and for year ended March 31, 2015 is as follows:

### **Costs:**

Balance, April 1, 2016	\$ 359,795	\$ 45,919	\$ 31,016	\$ 139,674	\$ 576,404
Additions	-	-	-	-	-
Translation	3,602	460	310	1,398	5,770
<b>Balance, Sept 30, 2016</b>	<b>\$363,397</b>	<b>\$46,379</b>	<b>\$ 31,326</b>	<b>\$ 141,072</b>	<b>\$ 582,174</b>

### **Depreciation**

Balance, April 1, 2016	\$ 84,345	\$ 33,634	\$ 18,900	\$ 46,193	\$ 183,072
Additions	9,015	4,603	3,108	7,000	23,726
Translation	915	372	682	517	2,486
<b>Balance, Sept 30, 2016</b>	<b>\$ 94,275</b>	<b>\$ 38,609</b>	<b>\$ 22,690</b>	<b>\$ 53,710</b>	<b>\$ 209,284</b>

## MEADOW BAY GOLD CORPORATION

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	Mine Buildings	Vehicles	Furniture and fixtures	Water System	Total
<b>Costs:</b>					
Balance, April 1, 2015	\$ 350,902	\$ 44,784	\$ 30,249	\$ 136,222	\$ 562,157
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Translation	8,893	1,135	767	3,452	14,247
<b>Balance, March 31, 2016</b>	<b>\$ 359,795</b>	<b>\$ 45,919</b>	<b>\$ 31,016</b>	<b>\$ 139,674</b>	<b>\$ 576,404</b>
<b>Depreciation</b>					
Balance, April 1, 2015	\$ 64,716	\$ 23,845	\$ 12,384	\$ 31,428	\$ 132,373
Additions	18,238	9,310	6,287	14,161	47,996
Disposals	-	-	-	-	-
Translation	1,391	479	229	604	2,703
<b>Balance, March 31, 2016</b>	<b>\$ 84,345</b>	<b>\$ 33,634</b>	<b>\$ 18,900</b>	<b>\$ 46,193</b>	<b>\$ 183,072</b>

### Carrying amounts:

September 30, 2016	\$ 269,122	\$ 7,770	\$ 8,636	\$ 87,362	\$ 372,890
March 31, 2016	\$ 275,450	\$ 12,285	\$ 12,116	\$ 93,481	\$ 393,332

## 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, 2016, there were 90,096,812 issued common shares (September 30, 2015 – 73,339,795).

During the six months ending September 30, 2016, the Company had the following share transactions:

- i) On April 29, 2016, the Company completed the first tranche of a non-brokered private placement by issuing 4,076,668 units at \$0.06 each for gross proceeds of \$244,600. 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 \$0.07 per share. The Company paid finders' fees of \$4,158 cash and issued 69,300 broker's 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 \$6,770 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 – 0.75%, expected life – 5 years, dividend nil and annualized volatility – 102.34%.

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- ii) On July 27, 2016, the Company completed the second tranche of a non-brokered private placement by issuing 5,949,849 units at \$0.06 each for gross proceeds of \$356,991. 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 \$0.07 per share. The Company paid finders' fees of \$10,149 cash and issued 169,156 broker's 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 \$13,046 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 – 0.65%, expected life – 5 years, dividend nil and annualized volatility – 104.02%.

During the year ending March 31, 2016, the Company completed the following share transactions:

- iii) On April 4, 2015, a shareholder exercised options to purchase 30,000 common shares at \$0.15 for proceeds of \$4,500.
- iv) 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.
- v) 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 – 0.46%, expected life – 2 years, dividend nil and annualized volatility – 101.86%.

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. Another \$157,300 was issued to third parties for services.

- vi) 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 – 0.39%, expected life – 2 years, dividend nil and annualized volatility – 104.84%.

\$20,000 was issued to third party for services.

- vii) On September 29, 2015, at the shareholders' annual meeting, directors were awarded a total of 1,250,000 shares at \$0.135 per share. The shares issued to directors were recorded in the statement of operations as stock-based compensation valued at \$168,750.
- viii) On March 7, 2016, the Company completed the first tranche of a non-brokered private placement by issuing 5,080,000 units at \$0.05 each for gross proceeds of \$254,000. Each unit comprised one share and one share warrant, entitling the holder to purchase one additional share for a period of 5 years from the date of closing at a price of \$0.06 per share. The Company paid finders' fees of \$6,555 cash and 128,100 brokers' warrants, with each finder's warrant entitling the holder to purchase one common share of the Company for a period of 5 years from the date of closing at a price of \$0.065 per share. The warrants were valued at \$6,761 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 – 0.66%, expected life – 5 years, dividend nil and annualized volatility – 100.95%.

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An officer of the Company participated in this private placement in the amount of \$87,500, of which \$62,500 was for services rendered and applied against amounts owing to related parties.

- ix) As at March 31, 2016, the Company had received subscriptions of \$30,300 for the April 29, 2016 private placement.

### (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 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, 2016 is as follows:

Options	Number of Shares	Exercise Price	Expiry Date
615,000	615,000	\$ 0.25	September 30, 2016
20,000	20,000	\$ 0.20	August 27, 2017
350,000	350,000	\$ 0.25	October 8, 2017
450,000	450,000	\$ 0.25	May 29, 2018
150,000	150,000	\$ 0.20	October 21, 2018
650,000	650,000	\$ 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
5,110,000	5,110,000		

The weighted average remaining life of the options as at September 30, 2016 is 2.61 years.

The following is a summary of stock option transactions during the quarter ended September 30, 2016 and the year ended March 31, 2016:

	Options Outstanding #	Weighted Average Price \$
Balance, exercisable and outstanding		
April 1, 2015	6,680,000	0.23
Granted	420,000	0.20
Exercised	(30,000)	0.15
Cancelled / Expired	(1,960,000)	0.25
Balance, exercisable and outstanding		
March 31, 2016 and September 30, 2016	5,110,000	0.22

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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, 2016. There were no options granted during the six-month period ended September 30, 2016.

Risk free interest rate	0.72%
Expected life of options	2 - 5 years
Annualized volatility of common shares	104.8% - 114.4%
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 September 30, 2016 is as follows:

Warrants	Number of Shares	Exercise Price	Expiry Date
4,762,200	4,762,200	\$ 0.15	December 19, 2016
1,700,000	1,700,000	\$ 0.15	February 11, 2017
2,625,410	2,625,410	\$ 0.40	April 29, 2017
2,727,100	2,727,100	\$ 0.40	June 3, 2017
3,439,530	3,439,530	\$ 0.25	July 10, 2017
2,495,450	2,495,540	\$ 0.25	August 27, 2017
1,167,010	1,167,010	\$ 0.25	November 22, 2018
5,128,352	5,128,352	\$ 0.25	February 28, 2018
5,208,100	5,508,100	\$ 0.25	March 7, 2021
4,145,968	4,145,968	\$ 0.07	April 29, 2021
6,119,005	6,119,005	\$ 0.07	July 27, 2021
39,518,125	39,518,125		

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The following is a summary of warrant transactions for the period from April 1, 2015 to September 30, 2016:

	Warrants Outstanding #	Weighted Average Exercise Price \$
Balance, exercisable and outstanding, April 1, 2015	20,787,236	0.27
Sold with share units	10,800,500	0.16
Granted	342,580	0.16
Expired	(2,077,164)	0.75
Exercised	(600,000)	0.22
Balance, exercisable and outstanding, March 31, 2016	29,253,152	0.26
Sold with share units	10,026,517	0.07
Granted	238,456	0.07
Balance, exercisable and outstanding, September 30, 2016	39,518,125	0.21

The weighted average remaining life of warrants as at September 30, 2015 is 2.31 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 ended September 30, 2016 and the fiscal year ended March 31, 2016:

	6 months Ending September 30, 2016	Year Ending March 31, 2016
Risk-free interest rate	0.65% - 0.75%	1.46% - 0.66%
Expected life of warrants	5 years	2 – 5 years
Annualized volatility of common shares	102.34% - 104.02%	100.9% - 104.8%
Dividend rate	0%	0%

### (f) Loss per share

Basic loss per share is computed by dividing net loss for the year, applicable to common shareholders, by the weighted average number of common shares outstanding for the year, including contingently issuable shares when the conditions necessary for the issuance have been met. Diluted loss per share is calculated in a similar number except that the weighted average number of common shares outstanding is increased to include potential common shares from the assumed exercise of options, warrants and convertible securities, if dilutive.

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### 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 September 30, 2016 and 2015.

For the six months ended September 30	2016	2015
Consulting fees paid or accrued to -	\$	\$
Chairman of the board (former CEO)	7,500	90,000
CEO	7,500	60,500
CFO	16,500	15,000

Balances due to related parties of \$107,425 (March 31, 2016 - \$89,700) 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.

During the year ended March 31, 2006, the Company settled outstanding accounts payable and accrued liabilities of \$151,500 with directors and key management through the issuance of common shares

### 7. SUPPLEMENTARY CASH FLOW INFORMATION

The following events did not result in cash outflows or inflows during the six months ended September 30, 2016:

- (a) Included in accounts payable at September 30, 2016, were \$94,716 in costs for exploration and evaluation assets.
- (b) The Company issued 238,456 brokers' warrants valued at \$19,816.

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

- (c) Included in accounts payable at September 30, 2015, were \$94,735 in costs for exploration and evaluation assets.
- (d) 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.
- (e) The Company issued 214,480 brokers' warrants valued at \$20,319.

### 8. FINANCIAL INSTRUMENTS

#### (a) Fair values

The Company's financial instruments include cash and cash equivalents, accounts payable and accrued liabilities and amounts payable to related parties. Cash and cash equivalents are classified as financial assets at fair value through profit and loss ("FVTPL") and carried at fair value, receivables and are carried at their amortized costs. Accounts payable and accrued liabilities and amounts payable to related parties 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.

Cash and cash equivalents is measured at fair value using level 1 inputs.

### **(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, 2016, \$56,167 cash and cash equivalents were over the federally insured limit (September 30, 2015 – \$245,201).

### **(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 favorable 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, 2016, the Company had unrestricted cash and cash equivalents of \$152,127 to settle accounts payable of \$280,456 which fall due for payment within twelve months of the balance sheet date. All 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, 2016, approximately \$15,000 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 \$1,500 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.



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### **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 adjusts it considering 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, 2016.

### **10. SEGMENTED INFORMATION**

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