

Consolidated Financial Statements of  
MEADOW BAY GOLD CORPORATION

As at March 31, 2017 and 2016

(Expressed in Canadian Dollars)

To the Shareholders of Meadow Bay Gold Corporation:

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

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

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

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

June 28, 2017

"Chris Crupi"  
Chief Executive Officer

"Keith Margetson"  
Chief Financial Officer

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Meadow Bay Gold Corporation:

We have audited the accompanying consolidated financial statements of Meadow Bay Gold Corporation, which comprise the consolidated statements of financial position as at March 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Meadow Bay Gold Corporation as at March 31, 2017 and 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 of these financial statements, which states that Meadow Bay Gold Corporation incurred significant losses from operations, has working capital deficiency and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Meadow Bay Gold Corporation to continue as a going concern.



Vancouver, British Columbia  
June 28, 2017

Chartered Professional Accountants

**MEADOW BAY GOLD CORPORATION**  
Consolidated Statements of Financial Position  
Expressed in Canadian dollars

<b>As at March 31</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 146,765	\$ 90,053
Other receivable	33,239	22,279
Prepaid expenses	26,742	18,971
	<u>206,746</u>	<u>131,303</u>
Property, plant and equipment		
Exploration and evaluations assets (Note 4)	27,882,150	27,322,910
Plant and equipment (Note 5)	354,116	393,332
	<u>28,236,266</u>	<u>27,716,242</u>
	<u>\$ 28,443,012</u>	<u>\$ 27,847,545</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 317,722	\$ 255,148
Amounts payable to related parties (Note 7)	112,625	89,700
	<u>430,347</u>	<u>344,848</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	33,749,895	33,073,018
Share subscriptions received but not issued	-	30,300
Contributed surplus	6,769,199	6,538,627
Accumulated other comprehensive income	4,310,178	3,881,998
Deficit	(16,816,607)	(16,021,246)
	<u>28,012,665</u>	<u>27,502,697</u>
	<u>\$ 28,443,012</u>	<u>\$ 27,847,545</u>

The consolidated financial statements were approved by the Board of Directors on June 28, 2017 and were signed on its behalf by:

“Chris Crupi” , Director  
**Chris Crupi**

“Jordan Estra” , Director  
**Jordan Estra**

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

**MEADOW BAY GOLD CORPORATION**Consolidated Statements of Loss and Comprehensive Loss  
Expressed in Canadian dollars

<b>For the Year Ended March 31</b>	<b>2017</b>	<b>2016</b>
<b>Operating expenses</b>		
Consulting - general and administration	\$ 90,000	\$ 284,500
Depreciation	48,017	47,996
Maintenance of claims	107,509	132,126
Office and administration services	165,304	216,819
Professional fees	75,961	79,849
Share-based compensation (Note 6(c))	202,540	235,135
Trade shows and investor relations	10,221	195,614
Transfer agent and filing	67,449	65,373
Travel	27,234	51,220
Wages and benefits	1,353	125,345
	<u>795,588</u>	<u>1,433,977</u>
<b>Operating loss before other items</b>	(795,588)	(1,433,977)
<b>Other income</b>		
Interest income	<u>227</u>	<u>1,800</u>
<b>Net loss for the year</b>	(795,361)	(1,432,177)
<b>Other comprehensive income</b>		
Translation adjustment	<u>428,180</u>	<u>411,198</u>
<b>Comprehensive loss for the year</b>	<u>\$ (367,181)</u>	<u>\$ (1,020,979)</u>
Basic and diluted loss per share (Note 6(f))	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding	<u>89,043,789</u>	<u>72,815,090</u>

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

**MEADOW BAY GOLD CORPORATION**  
Consolidated Statements of Changes in Equity  
Expressed in Canadian dollars

	Share capital		Share		Accumulated Other		Total
	Number of	Amount	Subscriptions	Contributed	Comprehensive	Deficit	Shareholders'
	shares		Received	Surplus	Loss		Equity
			(Receivable)				
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 \$.20 CDN per unit	5,720,500	1,110,495	-	33,605	-	-	1,144,100
at \$.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 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
Shares subscriptions received			30,300	-	-	-	30,300
Share-based payments (Note 6(c))	-	-	-	66,385	-	-	66,385
Net comprehensive income (loss) 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 \$.06 CDN per unit	10,026,517	601,591	(30,300)	-	-	-	571,291
at \$.05 CDN per unit	4,113,100	205,655	-	-	-	-	205,655
Finders' fees paid in cash	-	(28,728)	-	-	-	-	(28,728)
Finders' fees paid in warrants	-	(28,032)	-	28,032	-	-	-
Legal fees incurred in issuance	-	(73,609)	-	-	-	-	(73,609)
Share-based payments (Note 6(c))	-	-	-	202,540	-	-	202,540
Net comprehensive income (loss) for the year	-	-	-	-	428,180	(795,361)	(367,181)
Balance, March 31, 2017	94,209,912	\$ 33,749,895	\$ -	\$ 6,769,199	\$ 4,310,178	\$ (16,816,607)	\$ 28,012,665

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

**MEADOW BAY GOLD CORPORATION**

Consolidated Statements of Cash Flows

Expressed in Canadian dollars

<b>For the Year Ended March 31</b>	<b>2017</b>	<b>2016</b>
<b>Cash Flows from (used in) Operating Activities</b>		
Net loss for the year	\$ (795,361)	\$ (1,432,177)
Items not affecting cash		
Depreciation	48,017	47,996
Share-based compensation	202,540	235,135
Shares issued for services - unrelated parties	-	168,439
Shares issued for services - related parties	-	59,000
Net change in non-cash working capital items		
Other receivable	(10,960)	6,427
Prepaid expenses	(7,588)	34,701
Accounts payable and accrued liabilities	64,128	164,550
Amounts payable to related parties	22,925	(51,543)
	<u>(476,299)</u>	<u>(767,472)</u>
<b>Cash Flows from (used in) Financing Activities</b>		
Common shares and warrants issued for cash	776,946	1,203,800
Share issuance costs	(102,337)	(49,451)
Share subscriptions received but not issued	-	30,300
	<u>674,609</u>	<u>1,184,649</u>
<b>Cash Flows from used in Investing Activities</b>		
Exploration costs of resource properties	(141,598)	(555,561)
	<u>(141,598)</u>	<u>(555,561)</u>
<b>Decrease in cash and cash equivalents</b>	56,712	(138,384)
<b>Effect of exchange on cash</b>	-	10,262
<b>Cash and cash equivalents, beginning of year</b>	90,053	218,175
<b>Cash and cash equivalents, end of year</b>	<u>\$ 146,765</u>	<u>\$ 90,053</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Warrants issued to brokers	\$ 28,032	\$ 27,080
Debt to related party paid in shares	\$ -	\$ 30,000
Trade payables paid in shares	\$ -	\$ 71,361
Accounts payable included in exploration and evaluation assets	\$ 112,286	\$ 110,337

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

# MEADOW BAY GOLD CORPORATION

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Notes to the Consolidated Financial Statements

March 31, 2017 and 2016

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## 1. NATURE AND CONTINUANCE OF OPERATIONS

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

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. There are conditions and events which constitute material uncertainties that may cast significant doubt on the validity of this assumption. If the going concern assumption were not appropriate for these consolidated financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used.

Management has estimated that the Company will have adequate funds from existing working capital and from anticipated financing yet to be completed that will be sufficient to meet corporate, administrative and other obligations during the year ending March 31, 2018. The Company has the ability to reduce its expenditures and therefore continue to operate with current working capital to meet administrative overhead commitments. However, to continue with exploration activities the Company will need to raise additional funds. During the year ended March 31, 2017 the Company raised \$776,946 from private placements (2016 - \$1,203,800). While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

During the years ended March 31, 2017 and 2016, the Company experienced operating losses before income taxes and negative operating cash flows with the operations of the Company having been primarily funded by the issuance of shares. The Company expects to incur further losses in the development of its business. Management has estimated that the Company will require additional financing in order to complete all planned exploration and other programs for the Atlanta Gold and Silver Mine property during the year ending March 31, 2018. If funds are unavailable on terms satisfactory to the Company some or all planned activities may be cancelled or postponed. Continued operations are dependent on the Company's ability to complete public equity financing, secure project debt financing or generate profitable operations in the future.

In the event that cash flow from operations, if any, together with the proceeds for any future financings are insufficient to meet the Company’s operating expenses, the Company will be required to re-evaluate its planned expenditures and allocate its total resources in such a manner as the Board of Directors and management deem to be in the Company’s best interest. This may result in a substantial reduction of the scope of existing and planned operations.

As of March 31, 2017 and 2016, the Company reported the following:

	March 31, 2017	March 31, 2016
	\$	\$
Net loss for the year	(795,361)	(1,432,177)
Deficit	(16,816,607)	(16,021,246)
Working capital (deficiency)	(223,601)	(213,545)



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These factors raise significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments, which could be material, to the carrying values and classification of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were authorized for issue on June 28, 2017 by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

### (a) Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Desert Hawk Resources Inc., incorporated in Nevada. All significant intercompany balances and transactions were eliminated on consolidation.

The consolidated financial statements of the Company were prepared on the historical cost basis except for certain financial instruments which are measured at fair value as explained in Note 2(h).

### (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 consolidated 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 consolidated 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.

Significant estimates used in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

#### i) The recoverability of the carrying value of exploration and evaluation assets

The Company is required to review the carrying value of its evaluation and exploration assets for indicators of potential impairment. Impairment is indicated if the carrying value of the Company's exploration and evaluation assets is not recoverable. If impairment is indicated, the amount by which the carrying value of exploration and evaluation assets exceeds the estimated fair value is charged to the statement of loss and comprehensive loss.

Evaluating the recoverability during the exploration and evaluation phase requires judgements in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluation may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of

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geological, geophysical and seismic data, the Company's financial ability to continue exploration and evaluation activities and the impact of the current and expected future metal process to potential reserves.

- ii) The inputs used in the Black Scholes valuation model (volatility; interest rate; expected life and dividend yield) and forfeiture rates in accounting for share based payment transactions

Estimating the fair value of granted stock options and warrants issued for finders' fees requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. The estimate of share based compensation also requires determining the most appropriate inputs to the valuation model including the dividend yield, and estimating the forfeiture rate for options with vesting conditions.

- iii) Determination that there is no material restoration, rehabilitation and environmental exposure exists based on the facts and circumstances

The Company makes the determination of its obligations for future restoration, rehabilitation and environmental exposure based on factual information, circumstances and documentation provided from mining authorities in the exploration and evaluation asset's mining jurisdiction. Beyond this, if able to, management will attempt to present a reliable estimate of an obligation that is considered necessary.

Significant judgments used in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

- i) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances (Note 1).

- ii) The estimated useful lives and residual value of plant and equipment

Plant and equipment is depreciated over its useful life. Estimated useful lives are determined based on current facts and past management experience, and take into consideration the anticipated physical life of the asset, the potential for technology obsolescence and regulations.

- iii) Tax interpretations, regulations, and legislation in the various jurisdictions in which the Company operates are subject to change

The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.

### (c) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalent. As at March 31, 2017, the Company had cash equivalents of \$8,000 (2016 - \$8,000).

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### **(d) Exploration and evaluation assets**

All costs related to the acquisition of mineral properties are capitalized as exploration and evaluation assets. The recorded cost of mineral property interests is based on cash paid and the value of share consideration issued for mineral property interest acquisitions.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest, are expensed as incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred include appropriate technical and administrative overheads. Claims maintenance costs are expensed as incurred. Exploration and evaluation assets are carried at historical cost, less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the company stops capitalizing exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development assets according to the nature of those assets. Mineral properties are reviewed for indicators of impairment at each reporting period or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. When a property is abandoned, all related costs are written off.

### **(e) Plant and equipment**

Plant and equipment are initially recorded at cost. As assets are put in use, they are amortized over their estimated useful lives, using a straight line basis. All assets are being depreciated over a straight line basis as follows: building - 20 years; mine equipment and other equipment - 10 years; and, furniture and vehicles - 5 years. The depreciation method, useful life and residual values are assessed annually.

#### *Subsequent costs*

The cost of replacing part of an item within plant and equipment is recognised when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised as an expense as incurred.

### **(f) Impairment of non-current assets**

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of income.

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Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of income.

### **(g) Reclamation and Remediation Provisions**

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit of production or straight line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the statements of loss and comprehensive income/loss.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available. As at March 31, 2017 and 2016, the Company determined that it did not have material reclamation and remediation obligations.

### **(h) Financial Instruments**

#### **(i) Non-derivative financial assets**

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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### *Financial assets at fair value through profit or loss*

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company does not have any assets classified as fair value through profit or loss.

### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost. The Company currently holds no held-to-maturity investments.

### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of cash and cash equivalents and other receivables.

### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company currently holds no available-for-sale assets.

### *Impairment of financial assets*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts

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receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

### **(ii) Non-derivative financial liabilities**

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, and amounts payable to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

### **(iii) Derivative financial liabilities**

The Company initially recognizes a derivative financial liability on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a derivative financial liability when its contractual obligations are discharged or cancelled or expire.

### **(iv) Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects. The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair value on the date of issue.

### **(i) Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

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### *Current tax*

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

### *Deferred tax*

Deferred taxes are the taxes expected to be payable or recoverable on the difference between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

#### *Deferred tax liabilities:*

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

#### *Deferred tax assets:*

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of an asset.

### **(j) Foreign Currency Translation**

The functional and reporting currency of Meadow Bay Gold Corporation is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

The functional currency of the Company's wholly owned subsidiary, Desert Hawk Resources Inc. is the US dollar. The assets and liabilities arising from these operations are translated at the year end exchange rate and related revenues and expenses at the average exchange rate for the period. Resulting translation adjustments, are accumulated as a separate component of accumulated other comprehensive loss in the statement of shareholders equity.

### **(k) Loss per share**

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for

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the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

Due to the losses for the years ended March 31, 2017 and 2016, basic loss per share was equal to dilutive loss per share for the years presented.

### **(l) Comprehensive Income (Loss)**

Other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in profit or loss. The Company's only component of other comprehensive income (loss) is the gain/loss on currency translation.

### **(m) Share purchase warrants**

The Company has adopted the residual method with respect to the measurement of shares and warrants issued as private placement units. The residual method allocates the proceeds received based on the fair value of the shares, with any remaining value greater than the shares' fair value being allocated to the warrants. The fair value of the common shares is based on the opening quoted bid price on the announcement date. The fair value attributed to the warrants is recorded as contributed surplus. When warrants are exercised, the value is transferred from contributed surplus to capital stock. If the warrants expire unexercised, the related amount remains in contributed surplus.

### **(n) Stock-based Compensation**

The Company grants share-based awards to employees, directors and consultants as an element of compensation. The fair value of the awards is recognized over the vesting period as share-based compensation expense and contributed surplus. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of income with a corresponding entry within equity, against contributed surplus. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in contributed surplus, are credited to share capital.

Share-based payments arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

## **3. RECENT ACCOUNTING PRONOUNCEMENTS AND ADOPTED POLICIES**

### **Adoption of new accounting standards**

There are no new accounting standards adopted in the current year that have a material impact on the consolidated financial statements.



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### Future accounting policy changes issued but not yet in effect

The following amendments to existing standards were issued by the IASB and are effective for annual periods beginning on or after April 1, 2017. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from below:

*IFRS 9 – Financial Instruments: Classification and Measurement* applies to classification and measurement of financial assets and liabilities as well as derecognition of financial instruments. IFRS 9 will replace IAS 39. The effective date of IFRS 9 is January 1, 2018. The Company is assessing the impact of this new standard, if any, on the financial statements.

*IFRS 15 – Revenue from Contracts with Customers* ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the impact of this new standard, if any, on the financial statements.

IFRS 16 - Leases will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. The Company is assessing the impact of this new standard, if any, on the financial statements.

#### 4. EXPLORATION AND EVALUATION ASSETS

	Balance April 1, 2016	Additions	Translation	Balance March 31, 2017
Property	\$ 19,111,321	\$ -	\$ 215,441	\$ 19,326,762
Assaying	583,676	-	14,516	598,192
Geological consulting	2,262,448	142,963	54,241	2,459,652
Drilling	4,674,913	(2,245)	116,270	4,788,938
Exploration and sampling	394,448	880	9,810	405,138
Other	296,104	-	7,364	303,468
<b>Total</b>	<b>\$ 27,322,910</b>	<b>\$ 141,598</b>	<b>\$ 417,642</b>	<b>\$ 27,882,150</b>

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	Balance			Balance
	April 1, 2015	Additions	Translation	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
Total	\$ 26,341,623	\$ 580,578	\$ 400,709	\$ 27,322,910

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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 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. The property consisted of 13 patented claims and 49 unpatented lode claims, referred to as the Atlanta, Blue Bird, Bobcat and various miscellaneous Group Claims).

On June 30, 2011, the Company entered into an agreement to acquire 135 unpatented mining claims (the NBI Claim Group) 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 13 patented and 492 unpatented mineral claims in and around the Atlanta mine site for a total of approximately 12,000 acres. The Company's claims consist of the original 13 patented claims and the 49 Atlanta Claims, 135 NBI Claim Group, 188 Lily Claim Group Claims, 4 additional Bluebird Claim Group, 5 NFL Claim Group, 30 PEG Claim Group, 13 SNO Claim Group, 27 C&B Claim Group, 31 Julie Claim Group and 10 Lauren Claim Group Claims.

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**5. PLANT AND EQUIPMENT****For the Year Ended March 31, 2017:**

	Mine Buildings	Vehicles	Furniture and fixtures	Water System	Total
<b>Costs:</b>					
Balance, April 1, 2016	\$ 359,795	\$ 45,919	\$ 31,016	\$ 139,674	\$ 576,404
Disposals	-	-	-	-	-
Translation	8,949	1,142	771	3,474	14,336
Balance, March 31, 2017	\$ 368,744	\$ 47,061	\$ 31,787	\$ 143,148	\$ 590,740

**Depreciation**

Balance, April 1, 2016	\$ 84,345	\$ 33,634	\$ 18,900	\$ 46,193	\$ 183,072
Additions	18,245	9,315	6,290	14,167	48,017
Translation	2,290	934	1,012	1,299	5,535
Balance, March 31, 2017	\$ 104,880	\$ 43,883	\$ 26,202	\$ 61,659	\$ 236,624

**For the Year Ended March 31, 2016:**

	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
Translation	8,893	1,135	767	3,452	14,247
Balance, March 31, 2016	\$ 359,795	\$ 45,919	\$ 31,016	\$ 139,674	\$ 576,404

**Depreciation**

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
Translation	1,391	479	229	604	2,703
Balance, March 31, 2016	\$ 84,345	\$ 33,634	\$ 18,900	\$ 46,193	\$ 183,072

**Carrying amounts:**

March 31, 2017	\$ 263,864	\$ 3,178	\$ 5,585	\$ 81,489	\$ 354,116
March 31, 2016	\$ 275,450	\$ 12,285	\$ 12,116	\$ 93,481	\$ 393,332

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### 6. 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 March 31, 2017, there were 94,209,912 issued common shares (March 31, 2016 – 80,070,295).

During the year ending March 31, 2017, the Company completed the following share transactions:

- i) On April 28, 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 broker's 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%.
- 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 broker's 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%.
- iii) On December 16, 2016, the Company completed a non-brokered private placement by issuing 4,113,100 units at \$0.05 each for gross proceeds of \$205,655. 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 \$14,396, incurred legal costs of \$16,380 and issued 287,917 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 broker's warrants were valued at \$8,216 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 – 1.21%, expected life – 5 years, dividend nil and annualized volatility – 104.49%.

During the year ending March 31, 2016, the Company completed 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 broker's warrants were valued at \$6,995 using a Black Scholes option pricing model, as the value of the services performed was

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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.

- 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 broker's 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.

- v) 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.

- vi) 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 broker's 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%.

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.

- vii) As at March 31, 2016, the Company had received subscriptions of \$30,300 for a non-brokered private placement which was completed in the year ending March 31, 2017.

### (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 implementation of the Plan. Options granted under the Plan may have a maximum term of five (5) years. The exercise price of options granted under the Plan will not be less than the closing price of the Company's shares on the TSX Venture Exchange (the "Exchange") on the trading day immediately before the date of grant, less the discount permitted under the Exchange's policies. The following stock options were granted in the past two years:

- i) 2,950,000 options were granted to consultants and officers effective July 27, 2016. The option granted the recipient the right to purchase shares at a price of \$0.085 for a period of 5 years. The cost of this grant as recorded in the statement of operations was \$177,640 using the Black Scholes pricing model and inputs as noted below.
- ii) 500,000 options were granted to consultants effective June 10, 2016. The option granted the recipient the right to purchase shares at a price of \$0.105 for a period of 3 years. The cost of this grant as recorded

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in the statement of operations was \$24,900 using the Black Scholes pricing model and inputs as noted below.

- iii) 20,000 were granted to a consultant effective August 27, 2015. The option granted the recipient the right to purchase shares at a price of \$0.20 for a period of 2 years. The cost of this grant as recorded in the statement of operations was \$2,180 using the Black Scholes pricing model and inputs as noted below.
- iv) 400,000 options were granted to consultants and officers effective August 17, 2015. The option granted the recipient the right to purchase shares at a price of \$0.20 for a period of 5 years. The cost of this grant as recorded in the statement of operations was \$64,205 using the Black Scholes pricing model and inputs as noted below.

The Company used the following inputs when calculating the value of options:

	Year ending March 31, 2017	Year ending March 31, 2016
Risk-free interest rate	0.53% - 0.65%	0.72%
Expected life of options	3 yrs - 5 yrs	2 yrs - 5 yrs
Annualized volatility	104.2% - 111.6%	104.8% - 114.4%
Dividend Rate	0%	0%

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

A summary of the status of the Company's outstanding stock options as a March 31, 2017 is as follows:

Options	Number of Shares	Exercise Price	Expiry Date
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
500,000	500,000	\$ 0.105	June 10, 2019
650,000	650,000	\$ 0.25	July 15, 2019
2,475,000	2,475,000	\$ 0.19	March 11, 2020
400,000	400,000	\$ 0.20	August 17, 2020
2,950,000	2,950,000	\$ 0.085	July 27, 2021
7,945,000	7,945,000		

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The following is a summary of stock option issues and outstanding is as follows:

	Options Outstanding #	Weighted Average Exercise 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	5,110,000	0.22
Granted	3,450,000	0.09
Expired	(615,000)	0.25
Balance, exercisable and outstanding, March 31, 2017	7,945,000	0.16

The weighted average remaining life of options as at March 31, 2017 is 3.14 years.

**(e) Warrants**

A summary of the status of the Company's outstanding warrants as at March 31, 2017 is as follows:

Warrants	Number of shares upon exercise	Exercise Price	Expiry Date
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	5,208,100	\$ 0.06	March 7, 2021
4,145,968	4,145,968	\$ 0.07	April 29, 2021
6,119,005	6,119,005	\$ 0.07	July 25, 2021
4,401,017	4,401,017	\$ 0.06	December 16, 2021
37,456,942	37,456,942		

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The following is a summary of warrants transactions for the years ended March 31, 2017 and 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)	0.40
Exercised	(600,000)	0.22
Balance, exercisable and outstanding, March 31, 2016	29,253,152	0.22
Sold with share units	14,139,617	0.07
Granted	526,373	0.06
Expired	(6,462,200)	0.15
Balance, exercisable and outstanding, March 31, 2017	37,456,942	0.17

The weighted average remaining life of warrants as at March 31, 2016 is 2.51 years

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

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

For the year ended March 31	2017	2016
Risk-free interest rate	0.75% - 1.21%	0.46% - 0.66%
Expected life of options	5 years	2 - 5 years
Annualized volatility	102.3% - 104.5%	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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Year ended March 31	2017	2016
Loss per share - basic and diluted	\$ (0.01)	\$ (0.02)
Loss for the year	\$ (795,361)	\$ (1,432,177)
Weighted average number of shares outstanding:	# of sh	# of sh
issued common shares, beginning of year	80,070,295	67,389,795
Warrants exercised	-	588,493
Options exercised	-	29,753.00
Shares issued to directors	-	630,137.00
Private placements	8,973,494	4,176,912
	89,043,789	72,815,090

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### 7. RELATED PARTY BALANCES AND TRANSACTIONS

The following table summarizes services provided by directors and officers of the Company and balances due to them, not otherwise noted in the consolidated financial statements for the years ended March 31, 2017 and 2016.

Services provided by directors and officers:

For the year ended March 31	2017	2016
	\$	\$
Consulting fees paid or accrued to president / CEO	30,000	63,500
Investor relation fees paid to president / CEO	-	59,000
Consulting fees paid or accrued to a director	30,000	90,000
Consulting fees paid or accrued to CFO	30,000	36,000

Balances due to related parties representing amounts owing or accrued to companies owned by officers and directors and amounts owing or accrued to officers and directors are \$112,625 (2016 – \$89,700). 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, 2016, the Company settled outstanding accounts payable and accrued liabilities of \$151,500 with directors and key management through the issuance of common shares.

The Company paid or accrued the following compensation to key management during the years ended March 31, 2017 and 2016:

Key management	2017	2016
	\$	\$
Fees / Salaries / Bonuses	90,000	248,500
Share-based payments	151,046	224,930
Total compensation	241,046	473,430

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Share-based payments represent the cost of shares issued to directors and the cost of key management's participation in the incentive stock option plan, as measured by the fair value of instruments granted accounted for in accordance with IFRS 2 *Share-based payments*. Refer to note 6 (c) for details of this plan.

During the year ended March 31, 2016, 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.

### 8. INCOME TAXES

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended March 31, 2017 and 2016:

	2017	2016
Statutory tax rate	26%	26%
Expected income taxes recovery at the statutory rate	\$ (206,794)	\$ (372,834)
Non-deductible items	52,878	62,521
Foreign tax rate difference	(20,240)	(34,816)
Change in deferred tax asset not recognized	174,156	345,129
Income tax (recovery) expense recognized in the year	\$ -	\$ -

The unrecognized deductible temporary differences as at March 31, 2017 and 2016 are as follows:

	2017	2016
Canada		
Non-capital loss carry forwards	\$ 8,049,011	\$ 7,560,986
Exploration and evaluation assets	205,997	205,857
Property and equipment	187,627	234,534
Financing costs	205,007	178,983
	\$ 8,647,642	\$ 8,180,360
US		
Net operating loss carry forwards	\$ 4,084,472	\$ 3,863,567
Property and equipment	52,880	46,940
Exploration and evaluation assets	2,384,604	2,324,158
	\$ 6,521,956	\$ 6,234,665

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As at March 31, 2017, the Company has non-capital loss carry forwards for Canadian tax purposes of approximately \$8,049,011 (2016: \$7,560,986) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination of taxation authorities, expiring in the following years:

2026	\$ 23,046
2027	76,450
2028	21,828
2029	188,541
2030	138,549
2031	1,113,095
2032	1,711,980
2033	1,070,638
2034	1,306,195
2035	1,033,935
2036	921,321
2037	443,433
	<u>\$ 8,049,011</u>

As at March 31, 2017, the Company has non-capital loss carry forwards for US income tax purposes of approximately \$4,084,472 (2016: \$3,863,567) from the Company's US subsidiary, Desert Hawk Resources Inc., which is available to reduce taxable income in the US and expires in various years from 2031 to 2037:

2031	\$ 64,142
2032	1,511,508
2033	978,845
2034	477,965
2035	383,419
2036	447,688
2037	220,905
	<u>\$ 4,084,472</u>

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### 9. FINANCIAL INSTRUMENTS

#### (a) Fair values

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, and amounts payable to related parties. Cash and cash equivalents are classified as loans and 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.

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.

There has been no changes between levels during the year.

#### (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 March 31, 2017, \$Nil of cash and cash equivalents were over the federally insured limit (\$Nil at March 31, 2016).

#### (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 March 31, 2017, the Company had current assets of \$206,746 to settle current liabilities of \$430,347 which fall due for payment within twelve months of the balance sheet date. All of the Company's contractual obligations are current and due within one year.

#### (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 fairly stable when compared to the Canadian dollar and therefore management considers the foreign exchange risk to be minimal.

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At March 31, 2017, approximately \$10,000 of the Company's cash and cash equivalents were denominated in U.S. dollars. A 10% variation in the U.S. dollar would result in an impact of approximately \$1,000 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.

## 10. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares or debt or sell assets to settle liabilities.

The properties in which the Company currently has an interest in are in the exploration stage, as such, the Company does not recognize revenue from its exploration properties. The Company's historical sources of capital have consisted of the sale of equity securities and interest income. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

The Company has no debt and is not subject to externally imposed capital requirements.

There were no changes in the Company's management of capital during the year ended March 31, 2017.

## 11. COMMITMENTS

The Company entered into a lease January 1, 2016 to March 31, 2017 for a net rent of \$1,500 per month and it was renewed for an additional year. Total future rental commitments for fiscal 2018 are \$18,000.

## 12. SEGMENTED INFORMATION

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

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### 13. SUBSEQUENT EVENTS

The following warrants expired subsequent to the year end:

On April 29, 2017 -	2,625,410	exercise price of \$ 0.40
On June 3, 2017 -	<u>2,727,100</u>	exercise price of \$ 0.40
Total expired unexercised	<u>5,352,510</u>	