

# **MEADOW BAY GOLD CORPORATION**

Interim Consolidated Financial Statements

June 30, 2018 and 2017

(Unaudited)

In accordance with National Instrument 51-102 Part 4, *Continuous Disclosure Obligations*, subsection 4.3(3)(a), **WE HERBY GIVE NOTICE** that our consolidated financial statements for the interim period ended June 30, 2018, 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>June 30 2018</b>	<b>March 31 2018</b>
<b>ASSETS</b>		
Current assets		
Cash	\$ 362,049	\$ 508,434
Other receivable	20,432	12,974
Prepaid expenses	18,741	30,646
	<u>401,222</u>	<u>552,054</u>
Property, plant and equipment		
Exploration and evaluations assets (Note 3)	27,798,315	27,439,005
Plant and equipment (Note 4)	305,047	302,830
	<u>28,103,362</u>	<u>27,741,835</u>
	<u>\$ 28,504,584</u>	<u>\$ 28,293,889</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 142,216	\$ 118,610
Amounts payable to related parties (Note 6)	7,725	4,725
	<u>149,941</u>	<u>123,335</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5)	35,048,332	35,048,332
Contributed surplus	7,140,174	7,140,174
Accumulated other comprehensive income	4,129,421	3,760,470
Deficit	(17,963,284)	(17,778,422)
	<u>28,354,643</u>	<u>28,170,554</u>
	<u>\$ 28,504,584</u>	<u>\$ 28,293,889</u>

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

Approved by:

“Robert Dinning” , Director  
**Robert Dinning**

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

**MEADOW BAY GOLD CORPORATION**

Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars

(Unaudited – Prepared by Management)

<b>For the Three Months Ended June 30</b>	<b>2018</b>	<b>2017</b>
<b>Operating expenses</b>		
Consulting - general and administration	\$ 31,000	\$ 22,500
Depreciation	8,102	11,827
Office and administration services	42,404	28,114
Professional fees	88,863	10,305
Trade shows and investor relations	-	6,048
Transfer agent and filing	10,021	16,745
Travel	4,472	756
	<u>184,862</u>	<u>96,295</u>
<b>Operating loss before other items</b>	(184,862)	(96,295)
<b>Other income</b>		
Interest income	<u>-</u>	<u>764</u>
<b>Net loss for the period</b>	(184,862)	(95,531)
<b>Other comprehensive income (loss)</b>		
Translation adjustment	<u>368,951</u>	<u>(440,159)</u>
<b>Comprehensive income (loss) for the period</b>	<u>\$ 184,089</u>	<u>\$ (535,690)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding	<u>50,056,229</u>	<u>23,552,479</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 March 31, 2017 to June 30, 2018

(Unaudited – Prepared by Management)

	Share capital		Accumulated Other			Total Shareholders' Equity
	Number of shares	Amount	Contributed Surplus	Comprehensive Loss	Deficit	
Balance, March 31, 2017	23,552,479	\$ 33,749,895	\$ 6,769,199	\$ 4,310,178	\$ (16,816,607)	\$ 28,012,665
Net comprehensive loss for the period	-	-	-	(440,159)	(95,531)	(535,690)
Balance, June 30, 2017	23,552,479	33,749,895	6,769,199	3,870,019	(16,912,138)	27,476,975
Issued for cash at \$0.05 per unit	24,010,000	1,200,500	-	-	-	1,200,500
Issued for debt at \$0.05 per unit	2,000,000	100,000	-	-	-	100,000
Issued for debt at \$0.20 per share	475,000	95,000	-	-	-	95,000
Finders' fees paid in cash	-	(43,050)	-	-	-	(43,050)
Finders' fees paid in warrants	-	(34,528)	34,528	-	-	-
Legal fees incurred in issuance	-	(24,735)	-	-	-	(24,735)
Warrants exercised	18,750	5,250	-	-	-	5,250
Share-based payments	-	-	336,447	-	-	336,447
Net comprehensive loss for the period	-	-	-	(109,549)	(866,284)	(975,833)
Balance, March 31, 2018	50,056,229	35,048,332	7,140,174	3,760,470	(17,778,422)	28,170,554
Net comprehensive income (loss) for the period	-	-	-	368,951	(184,862)	184,089
Balance, June 30, 2018	50,056,229	\$ 35,048,332	\$ 7,140,174	\$ 4,129,421	\$ (17,963,284)	\$ 28,354,643

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 Three-Month Period Ended June 30</b>	<b>2018</b>	<b>2017</b>
<b>Cash Flows from (used in) Operating Activities</b>		
Net loss for the period	\$ (184,862)	\$ (95,531)
Items not affecting cash		
Depreciation	8,102	11,827
Net change in non-cash working capital items		
Other receivable	(7,458)	6,191
Prepaid expenses	11,905	9,724
Accounts payable and accrued liabilities	32,958	(66,255)
Amounts payable to related parties	3,000	20,000
	<u>(136,355)</u>	<u>(114,044)</u>
<b>Cash Flows used in Investing Activities</b>		
Exploration costs of resource properties	(10,030)	-
	<u>(10,030)</u>	<u>-</u>
<b>Decrease in cash and cash equivalents</b>	(146,385)	(114,044)
<b>Cash, beginning of period</b>	508,434	146,765
<b>Cash, end of period</b>	<u>\$ 362,049</u>	<u>\$ 32,721</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Warrants issued to brokers	\$ -	\$ 6,770
Decrease in accounts payable included in exploration and evaluation assets	\$ 10,030	\$ 17,066

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

# MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

June 30, 2018 and 2017

Expressed in Canadian dollars

Unaudited – Prepared by Management

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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 Canadian Securities Exchange (“Exchange”) under the symbol “MAY”.

The head office, principal address and records office of the Company are located at Suite 210 – 905 West Pender Street, Vancouver, BC, Canada V6C 1L6.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The Company’s ability to continue as a going concern and the recoverability of the amounts capitalized for mineral properties and related deferred exploration expenditures are dependent upon the ability of the Company to raise additional financing in order to complete the exploration and development of its resource properties, the discovery of economically recoverable reserves, the attainment of future profitable production or proceeds from disposition of the Company’s resource properties. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to achieve any of the foregoing and continue as a going concern. Any adjustment required to the amounts and reclassification of assets and liabilities may be significant. At June 30, 2018, the Company had not yet achieved profitable operations and has accumulated losses of \$17,963,284 (June 30, 2017 - \$16,912,138).

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, 2019. The Company will require additional financing to meet administrative overhead commitments and to continue with exploration activities. During the year ended March 31, 2018 the Company raised a net of \$1,137,965 from private placements (2017 - \$674,609). While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

These interim consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting of the International Financial Reporting Standards” (“IFRS”).

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss. The financial statements are presented in Canadian dollars, which is the Company’s functional currency.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 29, 2018.

These interim condensed consolidated financial statements include the accounts of the parent company and its wholly owned subsidiary, Desert Hawk Resources Inc. (“Desert Hawk”), a company incorporated in Nevada, USA. All significant intercompany balances and transactions have been eliminated.

These interim condensed consolidated financial statements do not include all of the notes required for full annual financial statements. The significant accounting policies for the periods are consistent with those disclosed in the audited annual financial statements of the Company for the year March 31, 2018. 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, 2018.

# MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

June 30, 2018 and 2017

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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, 2017

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended March 31, 2019 and have not been applied in preparing these financial statements. There were no new accounting standards adopted in the year ended March 31, 2018 that had a material impact on the consolidated financial statements

## 3. EXPLORATION AND EVALUATION ASSETS

The following is summary of changes in exploration and evaluation assets from the three months ended June 30, 2018 and for the year ended March 31, 2018:

	Balance April 1, 2018	Additions	Translation	Balance June 30, 2018
Property	\$ 19,049,289	\$ -	\$ 182,759	\$ 19,232,048
Assaying	579,496	-	12,315	591,811
Geological consulting	2,484,500	-	51,063	2,535,563
Drilling	4,639,262	-	98,585	4,737,847
Exploration and sampling	392,475	-	8,341	400,816
Other	293,983	-	6,247	300,230
<b>Total</b>	<b>\$ 27,439,005</b>	<b>\$ -</b>	<b>\$ 359,310</b>	<b>\$ 27,798,315</b>

	Balance April 1, 2017	Additions	Translation	Balance March 31, 2018
Property	\$ 19,326,762	\$ -	\$ (277,473)	\$ 19,049,289
Assaying	598,192	-	(18,696)	579,496
Geological consulting	2,459,652	97,224	(72,376)	2,484,500
Drilling	4,788,938	-	(149,676)	4,639,262
Exploration and sampling	405,138	-	(12,663)	392,475
Other	303,468	-	(9,485)	293,983
<b>Total</b>	<b>\$ 27,882,150</b>	<b>\$ 97,224</b>	<b>\$ (540,369)</b>	<b>\$ 27,439,005</b>



## MEADOW BAY GOLD CORPORATION

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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 49Atlanta 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

#### 4. PLANT AND EQUIPMENT

The change in plant and equipment for the three-month period ended June 30, 2018 and for year ended March 31, 2018 is as follows:

	Mine Buildings	Vehicles	Furniture and fixtures	Water System	Total
<b>Costs:</b>					
Balance, April 1, 2018	\$357,219	\$ 45,590	\$ 30,794	\$ 138,674	\$ 572,277
Translation	7,591	-	-	6,830	14,421
<b>Balance, June 30, 2018</b>	<b>\$364,810</b>	<b>\$ 45,590</b>	<b>\$ 30,794</b>	<b>\$ 145,504</b>	<b>\$ 586,698</b>
<b>Depreciation</b>					
Balance, April 1, 2018	\$119,463	\$ 45,590	\$ 30,794	\$ 73,600	\$ 269,447
Additions	4,561	-	-	3,541	8,102
Translation	2,538	-	-	1,564	4,102
<b>Balance, June 30, 2018</b>	<b>\$126,562</b>	<b>\$ 45,590</b>	<b>\$ 30,794</b>	<b>\$ 78,705</b>	<b>\$ 281,651</b>

## MEADOW BAY GOLD CORPORATION

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	Mine Buildings	Vehicles	Furniture and fixtures	Water System	Total
<b>Costs:</b>					
Balance, April 1, 2017	\$364,810	\$ 45,590	\$ 30,794	\$ 145,504	\$ 586,698
Translation	(7,591)	-	-	(6,830)	(14,421)
<b>Balance, March 31, 2018</b>	<b>\$357,219</b>	<b>\$ 45,590</b>	<b>\$ 30,794</b>	<b>\$ 138,674</b>	<b>\$ 572,277</b>
<b>Depreciation</b>					
Balance, April 1, 2017	\$126,562	\$ 45,590	\$ 30,794	\$ 78,705	\$ 281,651
Additions	17,625	3,060	5,329	13,686	39,700
Translation	(24,724)	(3,060)	(5,329)	(18,791)	(51,904)
<b>Balance, March 31, 2018</b>	<b>\$119,463</b>	<b>\$ 45,590</b>	<b>\$ 30,794</b>	<b>\$ 73,600</b>	<b>\$ 269,447</b>
<b>Carrying amounts:</b>					
June 30, 2018	\$238,248	\$ -	\$ -	\$ 66,799	\$ 305,047
March 31, 2018	\$237,756	\$ -	\$ -	\$ 65,074	\$ 302,830

### 5. SHARE CAPITAL

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

Unlimited number of common shares without par value.

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

As at June 30, 2018, there were 50,056,229 issued common shares (June 30, 2017 – 23,552,479).

The Company did not have any share transactions during the three months ended June 30, 2018

During the year ended March 31, 2018, the Company had the following share transactions:

- i) On November 10, 2017, the Company completed the first tranche of a non-brokered private placement by issuing 16,330,000 units at \$0.05 each for gross proceeds of \$816,500. Each unit comprised one share and one-half share warrant, with each whole warrant entitling the holder to purchase one additional share for a period of 2 years from the date of closing at a price of \$0.10 per share. The Company paid finders' fees of \$43,050 cash and issued 861,000 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 \$34,528 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 – 1.44%, expected life – 2 years, dividend nil and annualized volatility – 105.85%.
- ii) On November 16, 2017, the Company completed the second and final tranche of a non-brokered private placement by issuing 9,680,000 units at \$0.05 each for gross proceeds of \$484,000. Each unit comprised one share and one-half share warrant, with each whole warrant entitling the holder to purchase one additional share for a period of 2 years from the date of closing at a price of \$0.10 per share.
- iii) On December 8, 2017, the Company completed a share for services and debt transaction, issuing 475,000 shares at \$0.20.

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Notes to the Interim Consolidated Financial Statements

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Unaudited – Prepared by Management

- iv) On February 1, 2018, a warrant holder exercised his warrants by purchasing 18,750 common shares at \$0.28 for gross proceeds of \$5,250.

### (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.

There were no stock options granted during the three months ended June 30, 2018.

The following stock options were granted in the year ended March 31, 2018:

- i) 2,000,000 options were granted to consultants and officers effective December 7, 2017. The option granted the recipient the right to purchase shares at a price of \$0.20 for a period of 3 years. The cost of this grant as recorded in the statement of operations was \$292,447 using the Black Scholes pricing model and inputs as noted below. The options vested upon grant.
- ii) 7000,000 options were granted to a consultant effective November 17, 2017. The option granted the recipient the right to purchase shares at a price of \$0.08 for a period of 3 years. The cost of this grant as recorded in the statement of operations was \$44,000 using the Black Scholes pricing model and inputs as noted below. The options vested upon grant.

The following are the weighted average assumption used for options granted during the year ended March 31, 2018:

Risk-free interest rate	1.34%
Expect life of options	3 years
Annualized volatility	117.33%
Dividend rate	0%

A summary of the status of the Company's outstanding stock options as a June 30, 2018 is as follows:

Options Outstanding	Number of Shares	Exercise Price	Expiry Date
37,500	37,500	\$0.80	October 21, 2018
125,000	125,000	\$0.42	June 10, 2019
143,750	143,750	\$1.00	July 15, 2019
306,250	306,250	\$0.76	March 11, 2020
37,500	37,500	\$0.80	August 17, 2020
700,000	700,000	\$0.08	November 16, 2020
2,000,000	2,000,000	\$0.20	December 7, 2020
550,000	550,000	\$0.34	July 27, 2021
<u>3,900,000</u>	<u>3,900,000</u>		

The weighted average remaining life of the options as at June 30, 2018 is 1.91 years.

## MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

June 30, 2018 and 2017

Expressed in Canadian dollars

Unaudited – Prepared by Management

The following is a summary of stock option transactions during the three months ended June 30, 2018 and the year ended March 31, 2018:

	Options Outstanding #	Weighted Average Price
Balance, exercisable and outstanding April 1, 2017	1,986,250	\$ 0.64
Granted	2,700,000	\$ 0.17
Cancelled	(606,250)	\$ 0.65
Expired	(92,500)	\$ 0.99
Balance, exercisable and outstanding March 31, 2018	3,987,500	\$ 0.31
Expired	(87,500)	\$ 1.00
Balance, exercisable and outstanding June 30, 2018	3,000,000	\$ 0.31

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.

### (d) Warrants

A summary of the status of the Company's outstanding warrants as at June 30, 2018 is as follows:

Warrants	Number of shares upon exercise	Exercise Price	Expiry Date
291,753	291,753	\$ 1.00	November 22, 2018
1,302,025	1,302,025	\$ 0.24	March 7, 2021
1,036,492	1,036,492	\$ 0.28	April 29, 2021
1,511,001	1,511,001	\$ 0.28	July 25, 2021
1,100,254	1,100,254	\$ 0.24	December 16, 2021
9,026,000	9,026,000	\$ 0.05	November 10, 2019
4,840,000	4,840,000	\$ 0.05	November 16, 2019
19,107,525	19,107,525	\$ 0.12	

## MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

June 30, 2018 and 2017

Expressed in Canadian dollars

Unaudited – Prepared by Management

The following is a summary of warrant transactions for the three-month period ended June 30, 2018 and for the year ended March 31, 2018:

	Warrants Outstanding #	Weighted Average Exercise Price
Balance, exercisable and outstanding		
April 1, 2017	9,364,236	\$ 0.88
Sold with share units	13,005,000	\$ 0.10
Granted	861,000	\$ 0.10
Exercised	(18,750)	\$ 0.28
Expired	(4,103,961)	\$ 1.20
Balance, exercisable and outstanding		
March 31, 2018 and June 30, 2018	19,107,525	\$ 0.12

The weighted average remaining life of warrants as at June 30, 2018 is 1.78 years

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

The following weighted average assumptions were used for the Black-Scholes valuation of compensatory warrants granted during the fiscal year ended March 31, 2018:

Risk-free interest rate	1.21%
Expect life of options	2 years
Annualized volatility	113.61%
Dividend rate	0%

### (e) Loss per share

Basic loss per share is computed by dividing net loss for the period, 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.

Three-month period ended June 30	2018	2017
Loss per share – basic and diluted	\$ (0.00)	\$ (0.00)
Net loss for the period	\$ (184,862)	\$ (95,531)
Weighted average number of shares outstanding:		
Issued common shares, beginning of period and end of period	50,056,229	23,552,479

## MEADOW BAY GOLD CORPORATION

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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 June 30, 2018 and 2017.

For the three months ended June 30	2018	2017
Consulting fees paid or accrued to -	\$	\$
Current CEO/president	22,500	7,500
Former CEO/president	-	7,500
CFO	8,500	7,500

Balances due to related parties as at June 30, 2018 of \$7,725 (March 31, 2018 - \$4,725) represent amounts owing to officers and directors and companies owned by officers and directors. Balances due to related parties are non-interest bearing, are due on demand and bear no specific terms of repayment.

### 7. FINANCIAL INSTRUMENTS

#### (a) Fair values

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, and amounts payable to related parties. Cash is classified as loans and receivables and is carried at 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 have been no changes between levels during the three-month period ended June 30, 2018 or the year ended March 31, 2018.

#### (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 is exposed to credit risk. The Company has assessed the credit risk on its cash as low as its funds are held in highly rated Canadian financial institutions. As at June 30, 2018, \$258,958 cash was over the federally insured limit (June 30, 2017 – \$Nil).

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### (c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by maintaining adequate cash balances and by raising equity financing. The Company has no assurance that such financing will be available on favourable terms. The Company believes it is subject to liquidity risk through its working capital. In general, the Company attempts to avoid exposure to liquidity risk by obtaining corporate financing through the issuance of common shares. As at June 30, 2018, the Company had cash of \$362,049 to settle accounts payable of \$149,941 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 very stable when compared to the Canadian dollar and therefore management considers the foreign exchange risk to be minimal.

At June 30, 2018, approximately \$71,600 in cash and \$47,500 in accounts payable and accrued charges were denominated in U.S. dollars. A 10% variation in the U.S. dollar would result in an impact of approximately \$2,400 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 is currently held in cash and therefore management considers the interest rate risk to be minimal.

### (f) Price risk

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

## 8. CAPITAL MANAGEMENT

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

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

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended March 31, 2018.

## 9. SEGMENTED INFORMATION

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