

Consolidated Financial Statements of
MEADOW BAY GOLD CORPORATION

As at March 31, 2019 and 2018

(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.

July 29, 2019

"Robert Dinning"
Chief Executive Officer

"Keith Margetson"
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Meadow Bay Gold Corporation:

Opinion

We have audited the consolidated financial statements of Meadow Bay Gold Corporation and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2019 and March 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2019 and March 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$22,221,772 during the year ended March 31, 2019 and, as of that date, had an accumulated deficit of \$40,624,429. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Joseph J. Chirkoff.

Vancouver, British Columbia

July 29, 2019

MNP LLP
Chartered Professional Accountants



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

Cash and cash equivalents	\$ 39,617	\$ 508,434
Other receivable	16,591	12,974
Prepaid expenses	11,390	30,646
	<u>67,598</u>	<u>552,054</u>
Property, plant and equipment		
Exploration and evaluations assets (Note 4)	6,000,000	27,439,005
Plant and equipment (Note 5)	280,961	302,830
	<u>6,280,961</u>	<u>27,741,835</u>
	<u>\$ 6,348,559</u>	<u>\$ 28,293,889</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 350,625	\$ 118,610
Amounts payable to related parties (Note 7)	50,350	4,725
	<u>400,975</u>	<u>123,335</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	35,048,332	35,048,332
Contributed surplus	7,140,174	7,140,174
Accumulated other comprehensive income	4,383,507	3,760,470
Deficit	(40,624,429)	(17,778,422)
	<u>5,947,584</u>	<u>28,170,554</u>
	<u>\$ 6,348,559</u>	<u>\$ 28,293,889</u>

The consolidated financial statements were approved by the Board of Directors on July 29, 2019 and were signed on its behalf by:

“Robert Dinning” , Director “Jordan Estra” , Director
Robert Dinning **Jordan Estra**

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

MEADOW BAY GOLD CORPORATIONConsolidated Statements of Loss and Comprehensive Loss
Expressed in Canadian dollars

For the Year Ended March 31	2019	2018
Operating expenses		
Consulting - general and administration	\$ 126,000	\$ 69,500
Depreciation	32,679	39,700
Maintenance of claims	85,495	103,047
Office and administration services	176,164	151,249
Professional fees	119,529	109,544
Share-based compensation (Note 6(c))	-	336,447
Trade shows and investor relations	16,883	49,676
Transfer agent and filing	48,075	55,483
Travel	19,410	48,058
	<u>624,235</u>	<u>962,704</u>
Operating loss before other items	(624,235)	(962,704)
Other income (expense)		
Interest income	-	889
Impairment of exploration and evaluation assets (Note 4)	<u>(22,221,772)</u>	<u>-</u>
Net loss for the year	(22,846,007)	(961,815)
Other comprehensive loss		
Translation adjustment	<u>623,037</u>	<u>(549,708)</u>
Comprehensive loss for the year	<u>\$ (22,222,970)</u>	<u>\$ (1,511,523)</u>
Basic and diluted loss per share (Note 6(e))	<u>\$ (0.46)</u>	<u>\$ (0.03)</u>
Weighted average number of shares outstanding	<u>50,056,229</u>	<u>33,591,088</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		Accumulated Other			Total
	Number of	Amount	Contributed	Comprehensive	Deficit	Shareholders'
	shares		Surplus	Loss		Equity
Balance, March 31, 2017	23,552,479	\$ 33,749,895	\$ 6,769,199	\$ 4,310,178	\$ (16,816,607)	\$ 28,012,665
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 year	-	-	-	(549,708)	(961,815)	(1,511,523)
Balance, March 31, 2018	50,056,229	35,048,332	7,140,174	3,760,470	(17,778,422)	28,170,554
Net comprehensive loss for the year	-	-	-	623,037	(22,846,007)	(22,222,970)
Balance, March 31, 2019	<u>50,056,229</u>	<u>\$ 35,048,332</u>	<u>\$ 7,140,174</u>	<u>\$ 4,383,507</u>	<u>\$ (40,624,429)</u>	<u>\$ 5,947,584</u>

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

For the Year Ended March 31	2019	2018
Cash Flows from (used in) Operating Activities		
Net loss for the year	\$ (22,846,007)	\$ (961,815)
Items not affecting cash		
Depreciation	32,679	39,700
Share-based compensation	-	336,447
Impairment of exploration and evaluation assets	22,221,772	-
Net change in non-cash working capital items		
Other receivable	(3,617)	20,265
Prepaid expenses	19,256	(3,904)
Accounts payable and accrued liabilities	152,800	(206,810)
Amounts payable to related parties	45,625	32,100
	<u>(377,492)</u>	<u>(744,017)</u>
Cash Flows from (used in) Financing Activities		
Common shares and warrants issued for cash	-	1,205,750
Share issuance costs	-	(67,785)
	<u>-</u>	<u>1,137,965</u>
Cash Flows from (used in) Investing Activities		
Exploration costs of resource properties	(91,325)	(32,279)
	<u>(91,325)</u>	<u>(32,279)</u>
(Decrease) Increase in cash and cash equivalents	(468,817)	361,669
Cash and cash equivalents, beginning of year	<u>508,434</u>	<u>146,765</u>
Cash and cash equivalents, end of year	<u>\$ 39,617</u>	<u>\$ 508,434</u>
Supplemental Disclosure of Cash Flow Information		
Warrants issued to brokers	\$ -	\$ 28,032
Shares and warrants issued to related party for debt	\$ -	\$ 140,000
Shares issued for geological services	\$ -	\$ 55,000
Accounts payable included in exploration and evaluation assets	\$ -	\$ 122,231

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

MEADOW BAY GOLD CORPORATION

Expressed in Canadian dollars

Notes to the Consolidated Financial Statements

March 31, 2019 and 2018

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 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.

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, 2020. 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, 2019 the Company did not raise any funds from private placements (2018 - \$1,200,500 was raised). 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, 2019 and 2018, 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. 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. Also see Note 14.

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. Furthermore, as discussed in Note 14, *Subsequent Events*, the Company has entered into an agreement which results in a fundamental change to the Company’s business. Changes to the existing operations may be affected by this change.

As of March 31, 2019 and 2018, the Company reported the following:

	March 31, 2019	March 31, 2018
	\$	\$
Net loss for the year	(22,846,007)	(961,815)
Deficit	(40,624,429)	(17,778,422)
Working capital (deficiency)	(333,377)	428,719

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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 July 29, 2019 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(g).

(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 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.

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- 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) 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

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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.

(d) 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.

(e) 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.

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.

(f) 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

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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, 2019 and 2017, the Company determined that it did not have material reclamation and remediation obligations.

(g) Financial instruments

The Company follows IFRS 9, *Financial Instruments*, which applies uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The classification is based on two criteria: the Company's business objectives for managing the assets; and whether the financial instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI test"). Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date. Financial liabilities are classified in a similar manner as under IAS 39.

Financial assets

The Company initially recognizes financial assets at fair value on the date that 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 risks and rewards of ownership of the financial asset are transferred.

Classification and measurement

Under IFRS 9, financial assets are initially measured at fair value. In the case of a financial asset not categorized as fair value through profit or loss ("FVTPL"), transaction costs are included. Transaction costs of financial assets carried at FVTPL are expensed in net income (loss). Subsequent classification and measurement of financial assets depends on the Company's business objective for managing the asset and the cash flow characteristics of the asset:

- (i) Amortized cost – Financial assets held for collection of contractual cash flows that meet the SPPI test are measured at amortized cost. Interest income is recognized as Other income (expense) in the consolidated financial statements, and gains/losses are recognized in net income (loss) when the asset is derecognized or impaired.
- (ii) Fair value through other comprehensive income ("FVOCI") – Financial assets held to achieve a particular business objective other than short-term trading are designated at FVOCI. IFRS 9 also

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provides the ability to make an irrevocable election at initial recognition of a financial asset, on an instrument-by-instrument basis, to designate an equity investment that would otherwise be classified as FVTPL and that is neither held for trading nor contingent consideration arising from a business combination to be classified as FVOCI. There is no recycling of gains or losses through net income (loss). Upon derecognition of the asset, accumulated gains or losses are transferred from other comprehensive income ("OCI") directly to Deficit.

- (iii) FVTPL – Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL.

The Company measures cash and cash equivalents at amortized cost.

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date 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 subsequent measurement of financial liabilities is determined based on their classification as follows:

- (i) FVTPL – Derivative financial instruments entered into by the Company that do not meet hedge accounting criteria are classified as FVTPL. Gains or losses on these types of financial liabilities are recognized in net income (loss).
- (ii) Amortized cost – All other financial liabilities are classified as amortized cost using the effective interest method. Gains and losses are recognized in net income (loss) when the liabilities are derecognized as well as through the amortization process.

The Company measures accounts payable and accrued liabilities and amounts payable to related parties at amortized cost.

(h) 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.

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

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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 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, 2019 and 2018, 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.

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(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

The Company did not adopt any new accounting standard changes or amendments in the current year that had a material impact on the Company's financial statements. The following amendment was adopted by the Company for the year ended March 30, 2019:

IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The Company adopted IFRS 9 using the modified retrospective approach where the cumulative impact of adoption will be recognized in retained earnings as of April 1, 2018 and comparatives will not be restated. Please refer to Note 2(g).

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, 2019. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from below:

IFRS 16, Leases specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

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Upon adoption of IFRS 16, the Company will record a right-of-use asset, with an associated lease liability, on the consolidated statement of financial position as at April 1, 2019. The right-of-use asset and liability will be unwound over the term of the lease giving rise to an interest expense and depreciation charge, respectively. Currently the Company's operating lease relates to the rental of office space (Note 11 – Commitments). The right-of-use asset capitalized is expected to be \$36,004 and the liability recorded is expected to be \$36,591.

4. EXPLORATION AND EVALUATION ASSETS

	Balance				Balance
	April 1, 2018	Additions	Translation	Impairment	March 31, 2019
Property	\$ 19,049,289	\$ -	\$ 394,369	\$ (13,443,658)	\$ 6,000,000
Assaying	579,496	-	21,078	(600,574)	-
Geological consulting	2,484,500	167,747	5,858	(2,658,105)	-
Drilling	4,639,262	-	168,746	(4,808,008)	-
Exploration and sampling	392,475	-	14,276	(406,751)	-
Other	293,983	-	10,693	(304,676)	-
Total	\$ 27,439,005	\$ 167,747	\$ 615,020	\$ (22,221,772)	\$ 6,000,000

	Balance				Balance
	April 1, 2017	Additions	Translation	Impairment	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
Total	\$ 27,882,150	\$ 97,224	\$ (540,369)	\$ -	\$ 27,439,005

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 12 patented and 385 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 12 patented claims and the 49 Atlanta Claims, 135 NBI Claim Group, 120 Lily Claim Group Claims, 4 Bluebird Claim Group, 5 NFL Claim Group, 19 PEG Claim Group, 13 SNO Claim Group, 27 C&B Claim Group, 3 Julie Claim Group and 10 Lauren Claim Group Claims.

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Management reviewed the assets for impairment as at March 31, 2019 as outlined in the Company's accounting policy. It was estimated that the recoverable amount of the asset is less than the book value and, accordingly, an impairment charge of \$22,221,772 was made to operations in order to adjust downward the carrying value of the asset to \$6,000,000.

5. PLANT AND EQUIPMENT**For the Year Ended March 31, 2019:**

	Mine Buildings	Vehicles	Furniture and fixtures	Water System	Total
Costs:					
Balance, April 1, 2018	\$357,219	\$ 45,590	\$ 30,794	\$ 138,674	\$ 572,277
Translation	12,993	1,659	1,119	5,044	20,815
Balance, March 31, 2019	\$370,212	\$ 47,249	\$ 31,913	\$ 143,718	\$ 593,092
Depreciation					
Balance, April 1, 2018	\$119,463	\$ 45,590	\$ 30,794	\$ 73,600	\$ 269,447
Additions	18,396	-	-	14,283	32,679
Translation	4,460	1,659	1,119	2,767	10,005
Balance, March 31, 2019	\$142,319	\$ 47,249	\$ 31,913	\$ 90,650	\$ 312,131

For the Year Ended March 31, 2018:

	Mine Buildings	Vehicles	Furniture and fixtures	Water System	Total
Costs:					
Balance, April 1, 2017	\$368,744	\$ 47,061	\$ 31,787	\$ 143,148	\$ 590,740
Translation	(11,525)	(1,471)	(993)	(4,474)	(18,463)
Balance, March 31, 2018	\$357,219	\$ 45,590	\$ 30,794	\$ 138,674	\$ 572,277
Depreciation					
Balance, April 1, 2017	\$104,880	\$ 43,883	\$ 26,202	\$ 61,659	\$ 236,624
Additions	17,625	3,060	5,329	13,686	39,700
Translation	(3,042)	(1,353)	(737)	(1,745)	(6,877)
Balance, March 31, 2018	\$119,463	\$ 45,590	\$ 30,794	\$ 73,600	\$ 269,447
Carrying amounts:					
March 31, 2019	\$227,893	\$ -	\$ -	\$ 53,068	\$ 280,961
March 31, 2018	\$237,756	\$ -	\$ -	\$ 65,074	\$ 302,830

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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, 2019 and 2018, there were 50,056,228 issued common shares.

There were no share transaction during the year ending March 31, 2019.

During the year ending March 31, 2018, the Company completed 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.
- iv) On February 1, 2018, a warrant holder exercised the right to purchase 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 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 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 year ended March 31, 2019.

The Company had the following stock options granted during 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 \$315,284 using the Black Scholes pricing model and inputs as noted below. The options vested upon grant.

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- ii) 7,000,000 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 weighted average assumptions were used to determine the value of the stock options granted: Risk-free interest rate – 1.21%; Expected life of options – 3 years; Annualized volatility – 110.32%; and, Dividend rate – 0%.

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

A summary of the status of the Company's outstanding stock options as a March 31, 2019 is as follows:

Options	Number of Shares	Exercise Price	Expiry Date
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
3,862,500	3,862,500		

* Subsequently expired unexercised.

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

	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	(125,000)	\$ 0.94
Balance, exercisable and outstanding March 31, 2019	3,862,500	\$ 0.29

The weighted average remaining life of options as at March 31, 2019 is 1.61 years.

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(d) Warrants

A summary of the status of the Company's outstanding warrants as at March 31, 2019 is as follows:

Warrants	Number of shares upon exercise	Exercise Price	Expiry Date
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	\$ 0.10	November 10, 2019
4,840,000	4,840,000	\$ 0.10	November 16, 2019
18,815,772	18,815,772	\$ 0.14	

The following is a summary of warrants transactions for the years ended March 31, 2019 and 2018:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, exercisable and outstanding, March 31, 2017	9,364,236	\$ 0.69
Sold with share units	13,005,000	\$ 0.10
Granted	861,000	\$ 0.06
Exercised	(18,750)	\$ 0.28
Expired	(4,103,961)	\$1.20
Balance, exercisable and outstanding, March 31, 2018	19,107,525	\$ 0.12
Expired	(291,753)	\$1.00
Balance, exercisable and outstanding, March 31, 2019	18,815,772	\$0.14

The weighted average remaining life of warrants as at March 31, 2019 is 1.05 years.

The following weighted average assumptions were used to determine the value of the warrants issued during the year ended March 31, 2018: Risk-free interest rate – 1.44%; Expected life of options – 3 years; Annualized volatility – 104.85%; and, Dividend rate – 0%.

(e) 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	2019	2018
Loss per share - basic and diluted	\$ (0.46)	\$ (0.01)
Loss for the year	\$ (22,846,007)	\$ (961,815)
Weighted average number of shares outstanding:	# of sh	# of sh
Issued common shares, beginning of year	50,056,228	23,552,478
Warrants exercised	-	2,979.00
Shares for debt	-	919,658.00
Shares issued for cash	-	9,115,973
	50,056,228	33,591,088

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, 2019 and 2018.

For the year ended March 31	2019	2018
	\$	\$
Consulting fees paid or accrued to the current president/CEO	85,000	30,000
Consulting fees paid or accrued to the former president/CEO	-	15,000
Consulting fees paid or accrued to the CFO	36,000	22,500

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 \$45,350 (2018 – \$4,725). Balances due to related parties are non-interest bearing, are due on demand and bear no specific terms of repayment.

The Company paid or accrued the following compensation to key management during the years ended March 31, 2019 and 2018:

Key management	2019	2018
	\$	\$
Fees / Salaries / Bonuses	126,000	67,500
Share-based payments	-	250,407
Total compensation	126,000	317,907

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.

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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 loss and comprehensive loss for the years ended March 31, 2019 and 2018:

	2019	2018
Income (loss) before taxes	\$ (22,846,007)	\$ (961,815)
Statutory tax rate	27.00%	26.25%
Expected income tax (recovery)	(6,168,422)	(252,476)
Non-deductible items	2,821,228	88,317
Change in foreign exchange rate	(863,309)	(8,856)
Change in deferred tax asset not recognized	4,210,503	173,015
Total income tax (recovery)	\$ -	\$ -

The statutory rate increased from 26.25% to 27% due to an increase in the British Columbia tax rate on January 1, 2018.

The unrecognized deductible temporary differences as at March 31, 2019 and 2018 are as follows:

	2019	2018
Canada		
Non-capital losses carry-forward	\$ 9,198,204	\$ 8,654,414
Exploration and evaluation assets	287,542	205,997
Property and equipment	96,066	120,082
Financing costs	128,841	201,111
	\$ 9,710,653	\$ 9,181,604
USA:		
Net operating loss carry forwards	\$ 4,303,743	\$ 4,141,437
Exploration and evaluation assets	11,691,236	-
Property and equipment	138,775	116,763
	\$ 16,133,754	\$ 4,258,200

As at March 31, 2019, the Company has Canadian accumulated non-capital losses for tax purposes of approximately \$9,198,204 (2018 - \$8,654,414) that may be applied against future taxable income for Canadian income tax purposes. The losses expire as follows:

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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	480,207
2038	568,128
2039	544,291
	<u>\$ 9,198,204</u>

As at March 31, 2019, the Company has net operating loss carry forwards for US income tax purposes of approximately \$4,303,743 (2018 - \$4,141,437) from the Company's US subsidiary, Desert Hawk Resources Inc. that may be applied against future taxable income for US income tax purposes. The losses expire as follows:

2031	\$ 64,406
2032	1,517,715
2033	982,865
2034	479,928
2035	384,993
2036	449,526
2037	221,812
No expiry	202,498
	<u>\$ 4,303,743</u>

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 amortized cost 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:

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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.

(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, 2019, \$Nil of cash and cash equivalents were over the federally insured limit (\$407,284 at March 31, 2018).

(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, 2019, the Company had current assets of \$67,598 to settle current liabilities of \$400,975 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.

At March 31, 2019, approximately \$15,700 of the Company's cash and cash equivalents and \$233,100 of accounts payable and accrued liabilities were denominated in U.S. dollars. A 10% variation in the U.S. dollar would result in an impact of approximately \$21,700 on net loss.

(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

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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 long term 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, 2019.

11. COMMITMENTS

The Company has a lease on premises at a net rent of \$2,500 per month. The lease expires on June 30, 2020.

12. SEGMENTED INFORMATION

The Company operates in one industry and geographic segment, the mineral resource industry with all current exploration activities conducted in in the United States.

13. FINANCIAL STATEMENT PRESENTATION

For comparative purposes, the allocation of certain 2018 accounts has changed to agree with the allocation used in 2019. A license fee of \$17,488 that in the 2018 financial statements was classified as maintenance of claims, has been reclassified as office and administration services as that is where the fee was allocated in the current year.

14. SUBSEQUENT EVENTS

- (a) On June 28, 2019, the Company announced it has entered into an Amalgamation Agreement with Mountain Valley MD Inc. ("MVMD") and 2700915 Ontario Inc., a newly incorporated wholly-owned subsidiary of the Company, pursuant to which the Company will acquire all of the outstanding shares of MVMD in exchange for common shares of the Company (post 8-1 consolidation) on a one for one basis (the "Proposed Transaction"). The Proposed Transaction constitutes a fundamental change of Meadow Bay pursuant to the policies of the Canadian Securities Exchange (the "CSE").

Mountain Valley MD Inc. is a private Ontario corporation, with innovative investments in the global cannabis sector focused on developing and optimizing the world's leading medicinal cannabis ecosystem. MVMD focuses on the areas of research and development, manufacturing and marketing through strategic acquisitions and partnerships, for the purposes of generating a market leading portfolio of high quality, vertically-integrated, sustainable cannabis assets.

MVMD, through its wholly owned subsidiary, holds an application with Health Canada for a license to produce and sell high-quality strains of medical grade cannabis in British Columbia.

MEADOW BAY GOLD CORPORATION

Expressed in Canadian dollars

Notes to the Consolidated Financial Statements

March 31, 2019 and 2018

MVMD also owns 25% of Sativa Nativa S.A.S, a federally licensed cannabis producer in Colombia focused on the large-scale organic production of greenhouse cannabis flower and resin for local and international distribution.

- (b) On July 12, 2019, pursuant to the proposed transaction, the Company announced that has closed the first tranche of a bridge loan financing (the “Bridge Loan Financing”), raising gross proceeds of \$350,000 by way of the sale of 350 convertible debenture units (the “Convertible Debenture Units”) to MVMD. Each Convertible Debenture Unit consisted of one secured convertible debenture of the Company (a “Convertible Debenture”) in the principal amount of \$1,000 and 1,000 share purchase warrants of the Company (the “Convertible Debenture Warrants”). Each Convertible Debenture Warrant will entitle the holder to acquire one additional common share (a “Resulting Issuer Share”) of the resulting issuer upon completion of the Proposed Transaction (the “Resulting Issuer”) at a price of \$0.06 (\$0.48, post-Consolidation) per Resulting Issuer Share for a period of five years. Each Convertible Debenture will have a maturity date of four years, earn interest at the rate of 10% per annum, with the principal and accrued interest convertible into units of the Resulting Issuer (“Conversion Units”) at a price of \$0.05 per Conversion Unit (\$0.40, post-Consolidation). Each Conversion Unit will consist of one Resulting Issuer Share and one share purchase warrant (a “Conversion Warrant”), with each Conversion Warrant entitling the holder to acquire one Resulting Issuer Share at a price of \$0.06 (\$0.48, post-Consolidation) per Resulting Issuer Share for a period of five years. The Company granted MVMD a right of first refusal to subscribe for up to an additional 150 Convertible Debenture Units for an aggregate purchase price of up to \$150,000. Meadow Bay paid MVMD a 7% loan administration fee in cash in the amount of \$24,500 in connection with the Bridge Loan Financing. All securities issued or issuable pursuant to the Bridge Loan Financing are subject to a hold period of four months and a day in accordance with applicable securities legislation, expiring on November 12, 2019. The proceeds of the Bridge Loan Financing will be used to pay Meadow Bay’s professional fees and working capital expenditures.