

MEADOW BAY GOLD CORPORATION

Interim Consolidated Financial Statements

June 30, 2019 and 2018

(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, 2019, 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)

	June 30, 2019	March 31, 2019
ASSETS		
Current assets		
Cash	\$ 131	\$ 39,617
Other receivable	13,324	16,591
Prepaid expenses	11,544	11,390
	<u>24,999</u>	<u>67,598</u>
Property, plant and equipment		
Exploration and evaluations assets (Note 3)	6,000,000	6,000,000
Plant and equipment (Note 4)	295,121	315,978
	<u>6,295,121</u>	<u>6,315,978</u>
	<u>\$ 6,320,120</u>	<u>\$ 6,383,576</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 353,642	\$ 350,625
Amounts payable to related parties (Note 7)	82,300	50,350
Current portion of lease payable (Note 5)	29,055	28,627
	<u>464,997</u>	<u>429,602</u>
Long term debt		
Lease payable (Note 5)	-	7,426
	<u>464,997</u>	<u>437,028</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	4,382,053	4,383,507
Deficit	(40,715,436)	(40,625,465)
	<u>5,855,123</u>	<u>5,946,548</u>
	<u>\$ 6,320,120</u>	<u>\$ 6,383,576</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)

For the three months ending June 30	2019	2018
Operating expenses		
Consulting - general and administration	\$ 31,500	\$ 31,000
Depreciation	15,054	15,105
Interest on lease payments	502	905
Office and administration services	27,498	34,904
Professional fees	7,500	88,863
Trade shows and investor relations	128	-
Transfer agent and filing	6,848	10,021
Travel	941	4,472
	<u>89,971</u>	<u>185,270</u>
Net loss for the three-month period	(89,971)	(185,270)
Other comprehensive income (loss)		
Translation adjustment	<u>(1,454)</u>	<u>368,951</u>
Comprehensive income (loss) for the three-month period	<u>\$ (91,425)</u>	<u>\$ 183,681</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</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, 2018 to June 30, 2019

(Unaudited – Prepared by Management)

	Share capital		Accumulated Other			Total
	Number of	Amount	Contributed	Comprehensive	Deficit	Shareholders'
	shares		Surplus	Loss		Equity
Balance, March 31, 2018	50,056,228	\$ 35,048,332	\$ 7,140,174	\$ 3,760,470	(\$ 17,778,422)	\$ 28,170,554
Net comprehensive loss for three months ending June 30, 2018	-	-	-	368,951	(185,270)	183,681
Balance, June 30, 2018	50,056,228	35,048,332	7,140,174	4,129,421	(17,963,692)	28,354,235
Net comprehensive loss for nine months ending March 31, 2019				254,086	(22,661,773)	(22,407,687)
Balance, March 31, 2019	50,056,228	35,048,332	7,140,174	4,383,507	(40,625,465)	5,946,548
Net comprehensive loss for three months ending June 30, 2019	-	-	-	(1,454)	(89,971)	(91,425)
Balance, June 30, 2019	<u>50,056,228</u>	<u>\$ 35,048,332</u>	<u>\$ 7,140,174</u>	<u>\$ 4,382,053</u>	<u>\$ (40,715,436)</u>	<u>\$ 5,855,123</u>

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)

For the three months ending June 30	2019	2018
Cash Flows from (used in) Operating Activities		
Net loss for the three months	\$ (89,971)	\$ (185,270)
Items not affecting cash		
Depreciation	15,054	15,105
Interest on lease	502	905
Net change in non-cash working capital items		
Other receivable	3,267	(7,458)
Prepaid expenses	(154)	11,905
Accounts payable and accrued liabilities	7,366	32,958
Amounts payable to related parties	31,950	3,000
	<u>(31,986)</u>	<u>(128,855)</u>
Cash Flows from used in Investing Activities		
Exploration costs of resource properties	-	(10,030)
	<u>-</u>	<u>(10,030)</u>
Cash Flows from used in Financing Activities		
Lease payments	(7,500)	(7,500)
	<u>(7,500)</u>	<u>(7,500)</u>
Decrease in cash	(39,486)	(146,385)
Cash, beginning of period	39,617	508,434
Cash, end of period	<u>\$ 131</u>	<u>\$ 362,049</u>
Supplemental Disclosure of Cash Flow Information		
Decrease in accounts payable included in exploration and evaluation assets	\$ -	\$ 10,030

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, 2019 and 2018

Expressed in Canadian dollars

Unaudited – Prepared by Management

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.

These interim 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. Management has estimated that the Company will require additional financing in order to complete all planned exploration and other programs for the Atlanta Gold and Silver Mine property during the year ending March 31, 2020. 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. For the three months ended June 30, 2019, the company incurred a loss of \$89,966, has accumulated losses of \$40,714,395 and a working capital deficit of \$410,943.

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 12, *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.

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”).

MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

June 30, 2019 and 2018

Expressed in Canadian dollars

Unaudited – Prepared by Management

The interim 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 consolidated financial statements were authorized for issue by the Board of Directors on August 29, 2019.

These interim 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 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, 2019. 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, 2019.

(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, 2019

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 - IFRS 16 affects primarily the accounting by lessees and results in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The Company had one lease- for office premises – which was affected by adopting this standard.

A retrospective adoption is required for IFRS 16 which may be accomplished in one of two ways. Either the entity restates comparative information to each prior reporting period presented applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; or, by retrospectively by adjusting the cumulative effect to opening retained earnings.

The Company adopted IFRS 16 by restating comparative information for the year ended March 31, 2019. On the March 31, 2019 statement of financial position, plant and equipment increased by \$35,017 from \$280,961 to \$315,978; lease liability was recognized - \$28,627 short term and \$7,426 long term; and, closing deficit was increased \$1,036 from \$40,624,429 to \$40,625,465. For the three-month period ended June 30, 2019, the following operating accounts were restated: depreciation increased by \$7,003, interest on lease payments of \$905 was recognized; and, Office and administration services were reduced by \$7,500. The net result was that the net loss for the three-month period increased \$408 from \$184,862 to \$185,270. Comprehensive income reduced by the same amount from \$184,089 to \$183,681.

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Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's 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, 2019 and for the year ended March 31, 2019:

(a) For the Year Ended March 31, 2019:

	Balance April 1, 2018	Additions	Translation	Impairment	Balance 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

(b) For the Three Months Ended June 30, 2019:

There were no changes for the three months ended June 30, 2019.

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 49Atlanta 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.

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.

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4. PLANT AND EQUIPMENT

The change in plant and equipment for the three-month period ended June 30, 2019 and for year ended March 31, 2019 is as follows:

	Mine Buildings	Vehicles	Furniture and Fixtures	Water System	Right to Use asset	Total
Costs:						
Balance, April 1, 2019	\$370,212	\$ 47,249	\$ 31,913	\$ 143,718	\$ 63,031	\$ 656,123
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Translation	(7,646)	(976)	(659)	(2,968)	-	(12,249)
Balance, June 30, 2019	\$362,566	\$ 46,273	\$ 31,254	\$ 140,750	\$ 63,031	\$ 643,874

Depreciation

Balance, April 1, 2019	\$142,319	\$ 47,249	\$ 31,913	\$ 90,651	\$ 28,014	\$ 340,146
Additions	4,532	-	-	3,519	7,003	15,054
Disposals	-	-	-	-	-	-
Translation	(2,939)	(976)	(659)	(1,873)	-	(6,447)
Balance, June 30, 2019	\$143,912	\$ 46,273	\$ 31,254	\$ 92,297	\$ 35,017	\$ 348,753

	Mine Buildings	Vehicles	Furniture and Fixtures	Water System	Right to Use asset	Total
Costs:						
Balance, April 1, 2018	\$357,219	\$ 45,590	\$ 30,794	\$ 138,674	\$ -	\$ 572,277
Additions	-	-	-	-	63,031	63,031
Translation	12,993	1,659	1,119	5,044	-	20,815
Balance, March 31, 2019	\$370,212	\$ 47,249	\$ 31,913	\$ 143,718	63,031	\$ 656,123

Depreciation

Balance, April 1, 2018	\$119,463	\$ 45,590	\$ 30,794	\$ 73,600	\$ -	\$ 269,447
Additions	18,396	-	-	14,283	28,014	60,693
Translation	4,460	1,659	1,119	2,767	-	10,005
Balance, March 31, 2019	\$142,319	\$ 47,249	\$ 31,913	\$ 90,651	\$ 28,014	\$ 340,145

Carrying amounts:

June 30, 2019	\$218,654	\$ -	\$ -	\$ 48,453	\$ 35,017	\$ 295,121
March 31, 2019	\$227,893	\$ -	\$ -	\$ 53,067	\$ 28,014	\$ 315,978

MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

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Expressed in Canadian dollars

Unaudited – Prepared by Management

5. RIGHT TO USE ASSETS AND LIEASE LIABILITY

Effective April 1, 2018, the Company entered into a lease for its premises, expiring June 30, 2020. The monthly lease was \$2,500. As revealed in Note 2(c), the Company is required to capitalize that lease, based on the net present value of the lease payments. Using a discount rate of 5.95%, \$63,031 was recognized as a right to use asset for office premises and a similar amount was recognized as a lease liability. The asset was depreciated using the straight-line basis over the life of the lease.

Future lease payments are as follows:	June 30, 2019	March 31, 2019
Total payments due in next year	\$ 0,000	\$ 30,000
Thereafter	-	7,500
Total payments	30,000	37,500
Less interest portion	(945)	(1,447)
Total payments on principal	29,055	36,053
Current principal payments	29,055	28,627
Long term portion	\$ -	\$ 7,426

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 June 30, 2019 and 2018, there were 50,056,229 issued common shares.

The Company did not have any share transactions during the three months ended June 30, 2019 or the year ended March 31, 2019

(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, 2019 or the year ended March 31, 2019

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Expressed in Canadian dollars

Unaudited – Prepared by Management

A summary of the status of the Company's outstanding stock options as June 30, 2019 is as follows:

Options Outstanding	Number of Shares	Exercise Price	Expiry Date
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
3,737,500	3,737,500		

* 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 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
Expired	(125,000)	\$ 0.42
Balance, exercisable and outstanding June 30, 2019	3,737,500	\$ 0.28

The weighted average remaining life of the options as at June 30, 2019 is 1.41 years.

(d) Warrants

A summary of the status of the Company's outstanding warrants as at June 30, 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	

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Notes to the Interim Consolidated Financial Statements

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Expressed in Canadian dollars

Unaudited – Prepared by Management

The following is a summary of warrant transactions for the three-month period ended June 30, 2019 and for the year ended March 31, 2019:

	Warrants Outstanding #	Weighted Average Exercise Price
Balance, exercisable and outstanding March 31, 2018	19,107,525	\$ 0.12
Expired	(291,753)	\$1.00
Balance, exercisable and outstanding March 31, 2019 and June 30, 2019	18,815,772	\$0.14

The weighted average remaining life of warrants as at June 30, 2019 is 0.8 years.

7. 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, 2019 and 2018.

For the three months ended June 30	2019	2018
Consulting fees paid or accrued to -	\$	\$
CEO/president	22,500	22,500
CFO	9,000	8,500

Balances due to related parties as at June 30, 2019 of \$82,300 (March 31, 2019 - \$50,350) 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.

8. 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

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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, 2019 or the year ended March 31, 2019.

(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, 2019 and March 31, 2019 all cash was within the federally insured limit.

(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, 2019, the Company had cash of \$131 to settle accounts of \$494,997 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, 2019, approximately \$213,000 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 \$21,300 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.

9. CAPITAL MANAGEMENT

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

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

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

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10. COMMITMENTS

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

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.

11. SEGMENTED INFORMATION

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

12. SUBSEQUENT EVENT

On July 12, 2019, pursuant to the proposed transaction, the Company announced that it 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.