

# **MEADOW BAY GOLD CORPORATION**

Interim Consolidated Financial Statements

December 31 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 December 31 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)

	<b>December 31 2019</b>	<b>March 31 2019</b>
<b>ASSETS</b>		
Current assets		
Cash	\$ 30,759	\$ 37,718
Accounts receivable	184,638	-
Other receivable	28,712	16,591
Prepaid expenses	6,806	6,889
	<u>250,915</u>	<u>61,198</u>
Right to use asset (Note 3)	14,007	35,017
Investment	900,000	-
Assets held for sale (Note 4)	-	6,287,361
	<u>\$ 1,164,922</u>	<u>\$ 6,383,576</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 115,991	\$ 310,439
Amounts payable to related parties (Note 7)	-	50,350
Current portion of lease payable (Note 3)	14,743	28,627
	<u>130,734</u>	<u>389,416</u>
Convertible debenture units (Note 5)	652,611	-
Lease payable (Note 3)	-	7,426
Liabilities held for sale (Note 4)	-	40,186
Total liabilities	<u>783,345</u>	<u>437,028</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	35,048,332	35,048,332
Contributed surplus	7,205,214	7,140,174
Accumulated other comprehensive income	-	4,383,507
Deficit	<u>(41,871,969)</u>	<u>(40,625,465)</u>
	<u>381,577</u>	<u>5,946,548</u>
	<u>\$ 1,164,922</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)

<b>For the Period Ended December 31</b>	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Operating expenses</b>				
Consulting (Note 7)	31,500	26,500	94,500	89,000
Depreciation	7,003	7,003	21,010	21,010
Interest on convertible debentures	31,838	-	42,151	-
Interest on lease payments	321	707	1,190	2,418
Office and administration services	23,790	18,221	62,476	70,640
Professional fees	42,385	4,330	172,589	99,973
Trade shows and investor relations	7,755	9,500	18,476	10,200
Transfer agent and filing	15,794	3,498	38,714	28,153
Travel	-	5,636	4,371	13,254
	<u>160,386</u>	<u>75,395</u>	<u>455,477</u>	<u>334,648</u>
<b>Loss for the period from continuing operations</b>	(160,386)	(75,395)	(455,477)	(334,648)
<b>Loss from discontinued operations</b>	<u>(667,690)</u>	<u>(16,549)</u>	<u>(791,027)</u>	<u>(132,434)</u>
<b>Net loss for the period</b>	(828,076)	(91,944)	(1,246,504)	(467,082)
<b>Other comprehensive income (loss) from discontinued operations</b>				
Translation adjustment	<u>(4,382,157)</u>	<u>625,924</u>	<u>(4,383,507)</u>	<u>994,875</u>
<b>Comprehensive income (loss) for the nine-month period</b>	<u>\$ (5,210,233)</u>	<u>\$ 533,980</u>	<u>\$ (5,630,011)</u>	<u>\$ 527,793</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>50,056,229</u>	<u>50,056,229</u>	<u>50,056,229</u>	<u>50,056,229</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 December 31, 2019

(Unaudited – Prepared by Management)

	Share capital		Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
	Number of shares	Amount				
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 nine-month period ended Dec 31, 2018	-	-	-	994,875	(467,082)	527,793
Balance, December 31, 2018	50,056,229	35,048,332	7,140,174	4,755,345	(18,245,504)	28,698,347
Net comprehensive loss for the three period ended March 31, 2019	-	-	-	(371,838)	(22,379,961)	(22,751,799)
Balance, March 31, 2019	50,056,229	35,048,332	7,140,174	4,383,507	(40,625,465)	5,946,548
Warrants issued on convertible debt	-	-	25,000	-	-	25,000
Convertible debenture option value	-	-	41,528	-	-	41,528
Issue cost allocated to equity	-	-	(1,488)	-	-	(1,488)
Net comprehensive loss for the nine-month period ended Dec. 31, 2019	-	-	-	(4,383,507)	(1,246,504)	(5,630,011)
Balance, December 31, 2019	<u>50,056,229</u>	<u>\$ 35,048,332</u>	<u>\$ 7,205,214</u>	<u>\$ -</u>	<u>\$ (41,871,969)</u>	<u>\$ 381,577</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)

<b>For the Nine-Month Period Ended December 31</b>	<b>2019</b>	<b>2018</b>
<b>Cash flows from (used in) continuing operating activities</b>		
Net loss for the period	\$ (455,477)	\$ (334,648)
Items not affecting cash		
Depreciation	21,010	21,010
Interest on lease	1,190	2,418
Interest on convertible debentures	42,151	-
Net change in non-cash working capital items		
Accounts receivable	(184,638)	-
Other receivable	(12,121)	(812)
Prepaid expenses	83	(4,431)
Accounts payable and accrued liabilities	(194,448)	167,180
Amounts payable to related parties	(50,350)	8,000
	<u>(832,600)</u>	<u>(141,283)</u>
<b>Cash flows from continuing financing activities</b>		
Funds received from convertible debenture units	700,000	-
Transaction cost of debenture financing	(24,500)	-
Lease payments	(22,500)	(22,500)
	<u>653,000</u>	<u>(22,500)</u>
<b>Cash flows used in discontinued operations</b>		
From operating activities		
Net loss for the period	(791,027)	(132,434)
Loss on sale of subsidiary	977,952	-
Depreciation	8,051	24,458
Prepaid expenses	(6,318)	8,844
Accounts payable	(16,017)	(61,134)
	<u>172,641</u>	<u>(160,266)</u>
From investing activities		
Expenditures on exploration and evaluation assets	-	(89,128)
	<u>172,641</u>	<u>(249,394)</u>
<b>Decrease in cash during the period</b>	<b>(6,959)</b>	<b>(413,177)</b>
<b>Cash, beginning of period</b>	<b>37,718</b>	<b>508,434</b>
<b>Cash, end of period</b>	<b>\$ 30,759</b>	<b>\$ 95,257</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Decrease in accounts payable included in		
exploration and evaluation assets	\$ -	\$ 59,497
Value of warrants issued with convertible debt	\$ 25,000	\$ -
Value of convertible option feature on convertible debt		
net of costs	\$ 40,040	\$ -

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

# MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

December 31, 2019 and 2018

Expressed in Canadian dollars

Unaudited – Prepared by Management

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

Meadow Bay Gold Corporation (the “Company” or “Meadow Bay”) was incorporated under the provisions of the British Columbia Business Corporations Act on March 8, 2005. The Company changed its name from Meadow Bay Capital Corporation on April 4, 2011. The Company’s common shares are traded on the Canadian Securities Exchange (“Exchange”) under the symbol “MAY”.

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

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. 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. For the nine months ended December 31, 2019, the company incurred a loss of \$1,246,504, has accumulated losses of \$41,871,969 and a working capital deficit of \$120,181.

On November 18, 2019, the Company closed the sale of all the Company’s shares of Desert Hawk Resources Inc. (“Desert Hawk”) in exchange for shares in Casino Gold Corp. (“Casino”) (a privately-held Canadian corporation). Desert Hawk is the owner of the Atlanta Mine, the exploration and evaluation of which has heretofore represented the Company’s operating business. See Note 4 for an explanation of the changes that have been made to the financial statements as a result of this event.

Further, as discussed in Note 10, *Commitments* and Note 12, *Subsequent Events*, the Company has entered into an agreement which results in a fundamental change to the Company’s business pursuant to the policies of the Canadian Securities Exchange (the “CSE”).

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

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

The interim 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 March 11, 2020.

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



## MEADOW BAY GOLD CORPORATION

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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 1, 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 nine-month period ended December 31, 2018, the following operating accounts were restated: depreciation increased by \$21,010, interest on lease payments of \$2,410 was recognized; and Office and administration services were reduced by \$22,500. The net result was that the net loss for the nine-month period increased \$928 from \$466,154 to \$467,082. Comprehensive income decreased by the same amount from \$528,721 to \$527,793.

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.

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### 3. RIGHT TO USE ASSETS AND LEASE LIABILITY

Effective April 1, 2018, the Company entered into a lease for its premises, expiring June 30, 2020. The monthly lease is \$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.

Right to own assets	Dec 31, 2019	Mar 31, 2019
Value of asset recognized	<u>\$ 63,031</u>	<u>\$ 63,031</u>
	-	-
Accumulated depreciation, beginning of period	28,014	-
Depreciation during the period	<u>21,010</u>	<u>28,014</u>
Accumulated depreciation, end of period	<u>49,024</u>	<u>28,014</u>
Carrying value	<u><u>\$ 14,007</u></u>	<u><u>\$ 35,017</u></u>

Future lease payments are as follows:	Dec 31, 2019	March 31, 2019
Total payments due in next year	\$ 15,000	\$ 30,000
Thereafter	<u>-</u>	<u>7,500</u>
Total payments	<u>15,000</u>	<u>37,500</u>
Less interest portion	<u>(257)</u>	<u>(1,447)</u>
Total payments on principal	<u>14,743</u>	<u>36,053</u>
Current principal payments	(14,743)	(28,627)
Long term portion	<u><u>\$ -</u></u>	<u><u>\$ 7,426</u></u>

### 4. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

As described in Note 1, the Company sold its interest in Desert Hawk and accordingly, classified the assets and liabilities of that entity as at March 31, 2019 into assets and liabilities held for sale. A breakdown of is as follows:

	Mar 31, 2019
Assets held for sale	
Cash	\$ 1,899
Prepaid expenses	4,501
Equipment	280,961
Exploration and evaluation assets	<u>6,000,000</u>
Carrying value	<u><u>\$ 6,287,361</u></u>
Liabilities held for sale	
Accounts payable	<u><u>\$ 40,186</u></u>

In a similar manner, expenses that relate to the operations of Desert Hawk have been grouped, totaled and disclosed in the statement of operations as being from discontinued operations. A breakdown of discontinued operations is as follows:

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For the period ended Dec 31	3 months ended		9 months ended	
	2019	2018	2019	2018
Loss on sale	\$ 655,562		\$ 655,562	
Claim maintenance	-		91,240	\$ 83,518
Depreciation	-	\$ 8,392	8,051	16,066
Office and administrative services	12,128	8,157	36,172	20,539
Loss from discontinued operations	<u>\$ 667,690</u>	<u>\$ 16,549</u>	<u>\$ 791,025</u>	<u>\$ 120,123</u>

### 5. DEBENTURE UNITS PAYABLE

On July 12, 2019, the Company closed the first tranche of a bridge loan financing, raising \$350,000 by way of the sale of 350 convertible debenture units (the “Convertible Debenture Units”) to Mountain Valley MD Inc. (“MVMD”). On October 8, 2019, the Company closed the second tranche of bridge loan financing, raising a further \$350,000 through the sale of another 350 convertible debenture units. 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 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.

The Company paid MVMD a 7% loan administration fee in cash in the amount of \$24,500 in connection with the first tranche of 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 the Company’s professional fees and working capital expenditures.

The convertible debentures were accounted for as having a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest in the future is initially measured at fair value and subsequently measured at amortized costs. The residual amount is accounted for as an equity instrument at issuance. Costs incurred were capitalized and allocated based on the relative value of the liability and equity.

The value of the warrants was determined using the Black Scholes valuation model with the following assumptions: Risk free interest rate – 1.10%; Expected life of warrants – 5 years; Annualized volatility – 72.67%; Dividend rate – 0%.

Interest has been accrued at the effective rate of 12.73%.

Debenture units consist of the following as at December 31, 2019:

Principal amount issued	\$ 700,000
Conversion option	(41,528)
Warrants	(25,000)
Transaction costs	(24,500)
Less costs allocated to equity	1,488
Accrued interest	42,151
Carrying value	<u>\$ 652,611</u>

## MEADOW BAY GOLD CORPORATION

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Unaudited – Prepared by Management

### 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 December 31, 2019 and 2018, there were 50,056,229 issued common shares.

The Company did not have any share transactions during the nine months ended December 31, 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 nine months ended December 31, 2019 or the year ended March 31, 2019.

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

Options Outstanding	Number of Shares	Exercise Price	Expiry Date
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
3,593,750	3,593,750		

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	(268,750)	\$ 0.73
Balance, exercisable and outstanding December 31, 2019	3,593,750	\$ 0.25

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The weighted average remaining life of the options as at December 31, 2019 is 0.96 years.

### (d) Warrants

A summary of the status of the Company's outstanding warrants as at December 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
4,949,772	4,949,772	\$ 0.26	

The following is a summary of warrant transactions for the nine-month period ended December 31, 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	18,815,772	\$0.14
Expired	(13,866,000)	\$0.10
Balance, exercisable and outstanding December 31, 2019	4,949,772	\$0.26

The weighted average remaining life of warrants as at December 31, 2019 is 1.50 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 nine-month periods ended December 31, 2019 and 2018.

For the nine months ended December 31	2019	2018
Consulting fees paid or accrued to -	\$	\$
CEO/president	67,500	62,500
CFO	27,000	26,500

Balances due to related parties as at December 31, 2019 were \$Nil (March 31, 2019 - \$50,350). The outstanding balances 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.

## MEADOW BAY GOLD CORPORATION

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### 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

Level 3 – Inputs that are not based on observable market data.

There have been no changes between levels during the nine-month period ended December 31, 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 December 31, 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 December 31, 2019, the Company had cash of \$30,759 to settle accounts of \$130,734 which fall due for payment within twelve months of the balance sheet date.

#### (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 December 31, 2019, no accounts were denominated in U.S. dollars.

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### (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, 2019.

## 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.

(c) The Company's CEO and CFO have management contracts that include a severance pay of one year's fees should they be dismissed because of a change in corporate control. The required severance will total \$126,000 should that clause be activated.

## MEADOW BAY GOLD CORPORATION

Notes to the Interim Consolidated Financial Statements

December 31, 2019 and 2018

Expressed in Canadian dollars

Unaudited – Prepared by Management

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### 11. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the properties purchased from Desert Hawk, which are in Nevada USA. After the sale of Desert Hawk, the Company does not have a reportable operating segment.

### 12. SUBSEQUENT EVENTS

On February 6, 2020, the Company announced it had received conditional accepted from the Exchange to the listing of MVMD as a result of the amalgamation agreement described above in Note 10 *Commitments*. The closing is subject to certain conditions precedent including the Company completing and 8 for 1 share consolidation and a change of the name to Mountain Valley MD Inc.

In connection with the sale of the shares of Desert Hawk to Casino, the Company will proceed with the alteration of its authorized share structure to create Class B non-voting shares and issue to each common shareholder as at a record date preceding the closing one Class B Share for every one common share by way of a share distribution or dividend. Holders of the Class B Shares will, upon redemption of all of the outstanding Class B Shares, be entitled to receive the Casino shares or any other securities or property owned by the Company in exchange for the Casino shares as a result of any merger, amalgamation, arrangement, reorganization or other restructuring involving Casino (the “Casino Gold Assets”) or the proceeds arising from the sale of any of the Casino Gold Assets or if the Company completes the sale of all or any portion of the Casino Gold Assets.

Finally, the Company announced that it will, prior to the Closing, issue 7,999,987 pre-Consolidation Common Shares (“Finders’ Shares”) to certain arm’s length parties to the Company at a deemed price of \$0.035 per share as finders’ fees in consideration for services provided in connection with the Casino Gold Transaction. The Finders’ Shares are subject to a hold period of four months and a day in accordance with applicable securities legislation