# Redhawk Resources, Inc.

*(An Exploration Stage Company)*

**Consolidated Financial Statements**

**Years ended March 31, 2009 and 2008**

(Canadian Funds)

**PricewaterhouseCoopers LLP**
**Chartered Accountants**
PricewaterhouseCoopers Place
250 Howe Street, Suite 700
Vancouver, British Columbia
Canada V6C 3S7
Telephone +1 604 806 7000
Facsimile +1 604 806 7806

**Auditors' Report**

To the Shareholders of
Redhawk Resources, Inc.

We have audited the consolidated balance sheets of Redhawk Resources, Inc. as at March 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express and opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform and audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Signed *PricewaterhouseCoopers LLP*

**Chartered Accountants**
Vancouver, B.C., Canada
July 27, 2009

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

# Redhawk Resources, Inc.

*(An Exploration Stage Company)*

**Consolidated Balance Sheets**

**As at March 31**

*Canadian Funds*

| **ASSETS** | **2009** | 2008 |
|---|---|---|
| **Current** | | |
| Cash and cash equivalents | **$ 11,615** | $ 158,338 |
| Short-term investments | **221,136** | 8,866 |
| Accounts receivable and prepaid expenses | **58,689** | 101,270 |
| | **291,440** | 268,474 |
| **Reclamation bond** | **17,130** | 17,130 |
| **Property and equipment** *(Note 4)* | **11,860** | 72,298 |
| **Resource properties** *(Note 5)* | **13,183,751** | 12,337,838 |
| | **$ 13,504,181** | $ 12,695,740 |

| **LIABILITIES** | | |
|---|---|---|
| **Current** | | |
| Accounts payable and accrued liabilities | **$ 220,470** | $ 589,329 |
| Current portion of long term debt *(Note 6)* | **-** | 513,500 |
| | **220,470** | 1,102,829 |
| **Long term debt** *(Note 6)* | **2,714,470** | 1,718,876 |
| | **2,934,940** | 2,821,705 |
| **SHAREHOLDERS' EQUITY** | | |
| **Share capital** *(Note 7)* | **21,697,152** | 19,368,785 |
| **Warrants** *(Note 9)* | **605,910** | - |
| **Stock options** *(Note 8)* | **2,344,687** | 2,027,786 |
| **Deficit** | **(14,078,508)** | (11,522,536) |
| | **10,569,241** | 9,874,035 |
| | **$ 13,504,181** | $ 12,695,740 |

*Nature of Operations and Going Concern (Note 1)*
*Commitments (Notes 5 & 12)*
*Subsequent Events (Note 16)*

ON BEHALF OF THE BOARD:

Director: “Darryl J. Yea”

Director: “J. Stephen Barley”

The accompanying notes form an integral part of these consolidated financial statements

# Redhawk Resources, Inc.

*(An Exploration Stage Company)*

**Consolidated Statements of Operations, Comprehensive Loss and Deficit**
**For the Years Ended March 31**

*Canadian Funds*

| | | 2009 | | 2008 |
|---|---|---|---|---|
| **Administrative Costs** | | | | |
| Accounting and audit | $ | 95,065 | $ | 162,553 |
| Amortization | | 15,084 | | 21,804 |
| Filing fees | | 8,020 | | 16,987 |
| Insurance | | 33,210 | | 35,908 |
| Investor relations | | 84,777 | | 210,096 |
| Legal | | 53,622 | | 112,421 |
| Management fees and consulting | | 187,520 | | 396,728 |
| Office and sundry | | 25,859 | | 49,217 |
| Office services | | 108,435 | | 138,182 |
| Rent | | 35,849 | | 102,918 |
| Stock based compensation expense *(Note 8 (b))* | | 252,954 | | 841,722 |
| Transfer agent | | 6,854 | | 39,768 |
| Travel and accommodation | | 37,859 | | 38,248 |
| Foreign exchange loss (gain) | | 530,897 | | (39,179) |
| **Loss before the following** | | 1,476,005 | | 2,127,373 |
| **Other Expenses (Income)** | | | | |
| Interest income | | (18,773) | | (83,693) |
| Interest expense | | 5,792 | | - |
| Financing costs | | - | | 62,460 |
| Resource property cost recovery | | - | | (12,967) |
| Loss on securities held for resale | | 8,036 | | - |
| Loss on write down of equipment | | 49,158 | | - |
| Impairment loss *(note 5(g))* | | 1,035,754 | | - |
| **Loss before income taxes** | | 2,555,972 | | 2,093,173 |
| Current income tax expense *(Note 10(b))* | | - | | 423,636 |
| Future income tax recovery *( Note 10(b))* | | - | | (423,636) |
| **Loss and comprehensive loss for the year** | | 2,555,972 | | 2,093,173 |
| Deficit - beginning of year | | 11,522,536 | | 5,706,147 |
| Distribution of assets *(Note 15)* | | - | | 3,723,216 |
| **Deficit - end of year** | $ | 14,078,508 | $ | 11,522,536 |
| **Loss per share - basic and diluted** | $ | (0.03) | $ | (0.03) |
| **Weighted average shares outstanding - basic** | | 73,425,209 | | 65,797,642 |
| **Weighted average shares outstanding - diluted** | | 73,425,209 | | 66,867,642 |

The accompanying notes form an integral part of these consolidated financial statements

# Redhawk Resources, Inc.

*(An Exploration Stage Company)*

**Consolidated Statements of Cash Flows**

**For the Years Ended March 31**

*Canadian Funds*

| | 2009 | 2008 |
|---|---|---|
| **Cash flows from (applied to) operating activities** | | |
| Loss and comprehensive loss for the year | $ (2,555,972) | $ (2,093,173) |
| Items not affecting cash | | |
| Amortization | 15,084 | 21,804 |
| Stock-based compensation expense *(Note 8(b))* | 252,954 | 841,722 |
| Unrealized loss on security held for resale | 8,036 | - |
| Loss on write down of equipment | 49,158 | - |
| Impairment loss *(Note 5(g))* | 1,035,754 | - |
| Future income tax recovery *(Note 10(b))* | - | (423,636) |
| Current tax payable | - | 423,636 |
| | (1,194,986) | (1,229,647) |
| Changes in non-cash working capital | 330,729 | 306,558 |
| | (1,525,715) | (923,089) |
| **Cash flows from(applied to) investing activities** | | |
| Purchase of short-term investment | (220,036) | - |
| Purchase of reclamation bond | - | (5,490) |
| Property and equipment | (3,804) | (15,815) |
| Resource property | (1,312,675) | (3,845,759) |
| | (1,536,515) | (3,867,064) |
| **Cash flows from financing activities** | | |
| Share capital issued for cash net, of issuance costs | 2,915,777 | - |
| Share purchase warrants exercised | - | 3,515,100 |
| Issuance cost on share purchase warrants exercised | - | (86,520) |
| Stock options exercised | - | 328,250 |
| | 2,915,777 | 3,756,830 |
| **Net decrease in cash** | (146,723) | (1,033,323) |
| Cash and cash equivalents - beginning of year | 158,338 | 1,191,661 |
| **Cash and cash equivalents - end of year** | $ 11,615 | $ 158,338 |

| | 2009 | 2008 |
|---|---|---|
| **Supplemental Schedule of Non-Cash Transactions** | | |
| Shares issued for resource properties | $ 18,500 | $ 15,000 |
| Stock based compensation expense capitalized in resource properties | $ 63,947 | $ 123,630 |

## 1. Nature of Operations and Going Concern

Redhawk Resources, Inc. (the "Company") and its wholly owned subsidiaries, Redhawk Copper, Inc. and Redhawk Resources (USA), Inc. are engaged principally in the acquisition, exploration and development of resource properties, and has not yet determined whether its resource properties contain mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for resource properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its resource properties and on future profitable production or proceeds from the disposition of the resource properties.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going-concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company for the year ended March 31, 2009 incurred a loss of $2,555,972, had working capital of $70,970 and an accumulated shareholders' deficit of $14,078,508 at year end. Included in the loss, is a non-cash charge of $1,035,754.

The Company's current financial position and forecast cash flow requirements for the next year to meet its resource property requirements and corporate requirements indicated that there is significant doubt about the ability of the Company to continue as a going concern.

The Company's ability to continue operations is contingent on its ability to obtain financing. Management is endeavoring to secure the additional financing, however, there is no assurance that management will be successful in achieving this objective.

These consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumptions inappropriate. Such adjustments could be material.

## 2. Significant Accounting Policies

These year end consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All inter-company transactions and balances have been eliminated.

b) Reclamation Bond

Reclamation bonds represent term deposits which have been pledged to the Province of British Columbia as security for reclamation obligations pursuant to the mining regulations of British Columbia.

c) Resource Properties

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable, the properties are moved into production, or sold.

Mineral exploration and development costs, including indirect costs relating to the exploration program's field office, are capitalized on an individual prospect basis until such time impaired or abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

**2. Significant Accounting Policies - *continued***

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history.

d) Property Option Payments

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received. The Company does not accrue the estimated costs of maintaining its interests in good standing.

e) Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing income available to common shareholders by the weighted average number of shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

f) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and valuation of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Significant areas requiring the use of management's judgement include evaluating the carrying value and recoverability of property and equipment, resource properties; determining amortization rates; estimating current and future income taxes; determining the value of stock-based compensation and securities issued for non-cash consideration; and allocating proceeds received from issuance of units to the component securities. The use of such judgement includes, but is not limited to, the estimations of resource properties, future resource prices, and operating and reclamation costs. Actual results could differ and such estimates may be subject to change in the future.

g) Short-term Investments

Short-term investments are recorded at fair market value with the corresponding unrealized gain or loss recorded in other comprehensive income (loss) until sold or considered impaired at which time it is recorded in net income (loss).

h) Future Income Taxes

The asset and liability method is used for determining future income taxes. Under the asset and liability method, the change in the net future tax asset or liability is included in income. The income tax effects of temporary differences in the time when income and expenses are recognized in accordance with Company accounting practices and the time they are recognized for income tax purposes are reflected as future income tax assets or liabilities. Future income tax assets and liabilities are measured using substantively enacted statutory rates that are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

i) Stock-Based Compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of

**2. Significant Accounting Policies – *continued***

the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of the options is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

j) Share Capital

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

k) Property and Equipment

The Company provides for amortization of its office equipment on a 20% declining balance and its computer equipment and software on a 30% declining balance basis.

l) Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid debt investments with remaining maturities normally three months or less from the date of acquisition. The Company places its cash and cash investments with institutions of high credit worthiness. At times, such investments may be in excess of federal insurance limits.

m) Asset Retirement Obligations

The Company's mineral exploration and development activities are subject to various laws and regulations regarding protection of the environment. As a result the Company incurs expenses from time to time to discharge its obligations under these laws and regulations. Certain of these expenses meet the definition of an asset and other expenses do not meet this definition. The assets are capitalized and the other costs are expensed as incurred.

When estimating the costs that are expected to be incurred, there are many factors to be considered such as the extended period over which the costs are to be incurred, the discount factors, and significant judgments and estimates. As such the fair value of the retirement obligations could change materially from year to year. In addition, changes in laws and regulations could cause significant changes in the expected costs and the related fair value. Management has determined that there was no asset retirement obligation at the current year end.

n) Impairment of Long-lived Assets

Long-lived assets held and used by the Corporation and subject to amortization are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the sum of discounted value of the future cash flows is less than the carrying amount of the asset or if long-lived assets are abandoned, the excess of the carrying amount over the estimated fair value, based on discounted future cash flows, is recorded as a charge to net income.

o) Foreign Currency Translation

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at the average exchange rate for the period. Exchange gains and loses arising on translation are included in the statement of operations.

## 2. Significant Accounting Policies – *continued*

p) Flow-Through Shares

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital. If a company has sufficient unused tax losses and deductions ("losses") to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded through earnings up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

q) Risk Management

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company is at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate significant environmental remediation costs or liabilities in respect of its current operations.

The Company is not exposed to significant credit concentration risk. The Company is not exposed to significant interest rate risk.

The Company's functional currency is the Canadian dollar. The Company doesn't operate in foreign jurisdictions which would give rise to significant exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company is subject to fluctuations in foreign currency at the time payments are due on the US dollar promissory note, the Company does not hold US dollar bank accounts. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk

r) Liquidity Risk

Management will be required to pursue additional equity capital. There can be no assurance that equity financing will be available to the Company in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company. *(See going concern note 1)*

s) Financial Instruments

The Company is required to designate its financial instruments into one of the following five categories: held-for-trading: available-for –sale: held-to-maturity: loans and receivables: and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held-for-trading or available-for-sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

All derivative financial instruments, including derivative features embedded in financial instruments or other contracts but which are not considered closely related to the host financial instrument or contract, are generally classified as held-for-trading and, therefore, must be measured at fair value with changes in fair value recorded in net earnings. However, if a derivative financial instrument is designated as a hedging item in a qualifying cash flow hedging relationship, the effective portion of changes in fair value is recorded immediately in comprehensive income. Any change in fair value relating to the ineffective portion is recorded immediately in net earnings.

The Company has designated its financial instruments as follows;

- Cash, cash equivalents, short-term investments are classified as "held for trading". Due to their short-term nature, their carrying value equals their fair value;

**2. Significant Accounting Policies – *continued***

- Other receivables and reclamation bond are classified as “Loans and Receivables”. These financial assets are recorded at values that approximate their amortized cost using the effective interest method; and

- Accounts payable and accrued liabilities and long term debt are classified as “Other Financial Liabilities”. These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

Under Section 3855, embedded derivatives are required to be separated from the host contract and accounted for as a derivative financial instrument if the embedded derivative and host contract are not closely related, and the combined contract is not held-for-trading or designated at fair value. The Company as it does not have any embedded derivatives.

t) Comprehensive Income

Section 1530, Comprehensive Income is the change in the Company’s net assets that result from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available-for-sales securities, which are not included in net income (loss) until realized. The adoption of Section 1530 had no impact on the opening equity or balance sheet of the Company.

u) Changes in Accounting Policies

Effective April 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”):

Section 3862, “Financial Instruments – Disclosures”. This section describes the required disclosure to evaluate the significance of financial instruments for the entity’s financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

Section 3863, “Financial Instruments – Presentation”. This section establishes standards for presentation of financial instruments and non-financial derivatives. These sections detail the presentation of standards described in Section 3861, “Financial Instruments – Disclosure and presentation”.

Section 1535, “Capital Disclosures”. This section establishes standards for disclosing information about an entity’s capital and how it is managed. It describes the disclosure of the entity’s objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to determine if the entity has complied with capital requirements and if not, the consequences of such noncompliance. The impact of adopting this section is disclosed in *note 14*.

The CICA amended Handbook Section 1400 to include requirements for management to assess and disclose an entity’s ability to continue as a going concern. The Company has performed such an assessment and has concluded that it is appropriate to present these consolidated financial statements using the going concern assumption. *(See note 1)*

Recently Issued Accounting Pronouncements

The CICA issued a new accounting standard, Handbook Section 3064 – “Goodwill and Intangible Assets”. This section replaces CICA Handbook Section 3062 – “Goodwill and Intangible Assets” and Section 3450 – “Research and Development Costs”, and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. On adoption of this new Standard, EIC 27 – “Revenues and Expenditures During the Pre-operating Period” is withdrawn and so various preproduction and start-up costs may be expensed as incurred. This Standard will be applicable to the Company for annual and interim accounting periods beginning on October 1, 2009. The Company does not expect that this Standard will have a material impact on its consolidated financial statements.

The CICA issued three new accounting standards in January 2009: Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements and Section 1602 – Non-Controlling Interests, these sections are harmonized with

## 2. Significant Accounting Policies – *continued*

International Financial Reporting Standards. Section 1582 specifies a number of changes, including: an expanded definition of a business combination, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. These Standards will be applicable to the Company for annual and interim accounting periods beginning on January 1, 2011.

## 3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, reclamation bond, and accounts payable and accrued liabilities, and long term debt. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The carrying value of these financial instruments approximates their fair value due to their short-term maturity or capacity of prompt liquidation.

## 4. Property and Equipment

| | March 31, 2009 | | | | March 31, 2008 | | |
|---|---|---|---|---|---|---|---|
| | Cost | Accumulated Amortization | Write off/ Disposal | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Furniture and equipment | $ 66,336 | $ 28,833 | $ 37,502 | $ 1 | $ 62,532 | $ 22,214 | 40,318 |
| Computer equipment | 35,307 | 23,448 | - | 11,859 | 35,307 | 18,367 | 16,940 |
| Software | 33,848 | 22,192 | 11,656 | | 33,848 | 18,808 | 15,040 |
| | $ 135,491 | $ 74,473 | $ 49,158 | $ 11,860 | $ 131,687 | $ 59,389 | 72,298 |

## 5. Resource Properties

| | Alien, Nevada, USA (a) | Ramona, Nevada, USA(b) | Copper Creek, Arizona, USA (c, d &e) | Total |
|---|---|---|---|---|
| **Balance March 31, 2008** | $ 766,688 | $ 187,379 | $ 11,383,770 | $ 12,337,837 |
| Acquisition | 6,500 | 42,039 | 259,952 | 308,491 |
| Deferred exploration | | | 868,777 | 868,777 |
| Deferred general and administration | | | 223,450 | 223,450 |
| Deferred property development | | | 336,244 | 336,244 |
| Deferred property maintenance | 27,706 | 5,442 | 47,611 | 80,759 |
| Stock based compensation | | | 63,947 | 63,947 |
| Impairment loss | (800,894) | (234,860) | - | (1,035,754) |
| **Balance March 31, 2009** | $ - | $ - | $ 13,183,751 | $ 13,183,751 |

| | Alien, Nevada, USA (a) | Ramona, Nevada, USA(b) | Copper Creek, Arizona, USA (c, d &e) | Redbird, Kootenay Land District | Reeves Kootenay Land District | Total |
|---|---|---|---|---|---|---|
| **Balance March 31, 2007** | $ 710,285 | $ 145,032 | $ 5,265,756 | $ 2,361,270 | $ 522,393 | $ 9,004,736 |
| Acquisition | 24,710 | 42,003 | 2,478,586 | - | - | 2,545,299 |
| Deferred exploration | 31,693 | 344 | 3,639,429 | - | - | 3,671,466 |
| Spin off of Subsidiary | | | | (2,361,270) | (522,393) | (2,883,663) |
| **Balance March 31, 2008** | $ 766,688 | $ 187,379 | $ 11,383,771 | $ - | $ - | $ 12,337,838 |

a) **Alien Agreement**
On October 3, 2003, the Company optioned to acquire a 100% interest, subject to a net smelter royalty of up to 3%, in a long-term mineral lease of 16 unpatented mining claims located in Nye County, Nevada, known as the Alien Gold project. Advance royalty payments are required to be paid annually during the lease term along with the issuance of 500,000 common shares of the Company over the first six years of the lease term. To date 200,000 shares and an additional 100,000 shares have been issued with the remaining 300,000 shares to be issued on or before December 1, 2009. The Company paid advance royalty payments of US$70,000 during the first six years of the lease term and is required to make advance royalty payments of US$30,000 in December of each year of the lease term through to 2014. In consideration of an additional 100,000 shares, which were issued in December 2008, the terms of the agreement were amended to allow for a one year deferment of all monies due and shares to be issued. Thereafter, the Company was required to make a series of escalating minimum advance royalty payments on an annual basis. Subsequent to the year end this agreement was terminated by the Company *(Note 16)*. Accordingly all costs have been written off.

b) **Ramona Agreement**
In May 2004, the Company optioned to purchase the Ramona Gold project in Nevada from a third party. The Company can acquire 100% interest in the property by paying US$770,000 in advance royalty payments over 16 years (US$105,000 paid), by issuing to the third party a total of 100,000 (100,000 issued) shares of the Company in years two to five, and by paying up to a

**5. Resource Properties- *Continued***

4% net smelter royalty from commercial production. The Company has the right to reduce the 4% net smelter royalty to 2% at any time by paying the third party US$1,200,000.

c) **Copper Creek Agreement**
In November 2005, the Company acquired the Copper Creek property in Arizona for a cash payment on closing of $1.6 million and annual advance royalty payments of $125,000 per year while the Company retains an interest in the property. On November 21, 2008 the Company entered into an amending agreement to defer the $125,000 advance royalty payment due November 2, 2008 as follows: $31,250 plus an advance of $5,000 interest for a total initial payment of $36,250 due and paid November 26, 2008, $31,250 due and paid February 28, 2009, $31,250 due and paid May 31, 2009 and due July 31, 2009.
Upon commercial production, the Company is required to pay a 2.25% royalty payment until a total of $25,000,000, in combined advance royalty and royalty payments have been made to AMT International Mining Corporation and AMT (USA) Inc. (collectively "AMT").
In accordance with the purchase and sale agreement with AMT the property is subject to a 3% Net Return Royalty granted by AMT to BHP Copper, Inc. by a Royalty Deed and Agreement dated July 30, 1998 with pre-determined reductions if the Comex price of copper is at or below $1.20 per pound.

d) **D & G Mining Agreement**
In November 2005, the Company entered into a lease to purchase agreement with a third party for additional property within the Copper Creek boundaries. The Company paid US$80,000 at the end of years one and two and was required to pay US$100,000 in November 2008 and annually thereafter until the end of year fifteen. On October 16, 2008 the Company entered into an amending agreement to defer the US$100,000 advanced royalty payment due November, 2008 as follows: US$40,000 due and paid November 16, 2008, US$20,000 due and paid February 16, 2009, US$20,000 due and paid May 16, 2009 and US$20,000 due August 16, 2009. The Company has the option to purchase the property for US$1,600,000 with the purchase price increasing by US$200,000 per year until year fifteen. All yearly lease payments made prior to exercising the option to purchase will be applied as credits toward the purchase price in the year the Company exercises its property purchase option.

e) **Freeport-McMoRan Agreement**
In April 2007 the Company entered into a purchase agreement with Freeport-McMoRan Copper & Gold Inc. ("Freeport" previously Phelps Dodge Corporation") to acquire additional mining claims within the Copper Creek boundaries. The purchase price for the property was US $3,200,000, payable by a deposit of US $500,000 (paid), and delivery of a promissory note for US $2.7 million. The property is subject to a 1% net smelter return royalty in favour of Freeport. (*See Note 6)*

f) **Kootenay Land District Agreements**
All of the properties in the Kootenay Land District were owned by the Company's wholly owned subsidiary ReMac Zinc Corp. ("ReMac"). On June 4, 2007, the Company completed a plan of arrangement and disposed of these properties.

g) **Impairment Loss**
Management performed impairment tests on the Company's resource properties. The Company follows four relevant pronouncements from the CICA standards, as follows Section 3061.21, Section 3063, AcG11 and EIC 174.
The events that the Company considers would require an impairment charge are as follows:

1) The right to explore has, or will, in the near future, expire and renewal is not expected
2) Further exploration is not budgeted nor planned
3) Decision to discontinue due to lack of discovery
4) Potential development, but unlikely to recover asset value

Based on these pronouncements and the aforementioned events, the Company has reflected an impairment charge on the Alien and Ramona properties totalling $1,035,754. This was the total amount recorded as acquisition and exploration costs for these properties to date. The Company continues to actively exploit the expected realizable value from the Copper Creek properties. Based on the relevant pronouncements and management's assessment, no impairment is deemed necessary on the Copper Creek properties at this time.

## 6. Long Term Debt

| | March 31, 2009 | | March 31, 2008 | |
|---|---|---|---|---|
| | USD | CAD | USD | CAD |
| Long term debt | $ 2,154,341 | $ 2,714,470 | $ 2,173,686 | $ 2,232,376 |
| Less: current portion | - | - | (500,000) | (513,500) |
| Long term portion | $ 2,154,341 | $ 2,714,470 | $ 1,673,686 | $ 1,718,876 |

In conjunction with the Company's acquisition of mining claims in the Copper Creek District from Freeport, the Company entered into a promissory note with a March 31, 2009 balance of $2,714,470 ((US$ 2,154,341). The promissory note was repayable over 12 years and bears interest at 5% per annum. On October 17, 2008 the Company and Freeport entered into an amending agreement to reduce the US$500,000 promissory note payment due October 1, 2008 to US$ 125,000 paid on January 14, 2009 and the US$500,000 promissory note payment due April 1, 2010 to US$375,000. The payment deferrals have been added to the end of the existing promissory note payment period.

The payment schedule in USD as indentified within the amended promissory note agreement is as follows:

| Date | | Principal |
|---|---|---|
| April 2010 | US$ | 189,181 |
| April 2011 | | 105,853 |
| April 2012 | | 111,145 |
| April 2013 | | 116,703 |
| April 2014 | | 122,538 |
| Balance due beyond 5 years | | 1,426,709 |
| | | 2,072,129 |
| Accrued interest | | 207,212 |
| Payment | | (125,000) |
| Total debt | US$ | 2,154,341 |

## 7. Share Capital

Details are as follows:
Authorized: Unlimited common shares without par value

| | Number | Amount |
|---|---|---|
| Balance - March 31, 2007 | 55,160,820 | $ 15,362,587 |
| Shares issued for resource property | 25,000 | 15,000 |
| Share purchase warrants exercised *(note 9)* | 11,717,000 | 3,515,100 |
| Share issue costs | - | (86,520) |
| Stock options exercised | 1,250,000 | 328,250 |
| Fair value of stock options exercised *(note 8)* | - | 234,368 |
| Balance - March 31, 2008 | 68,152,820 | $ 19,368,785 |
| Shares issued for cash | 9,733,000 | 2,979,850 |
| Fair value of share purchase warrants *(Note 9)* | - | (605,910) |
| Share issue costs | - | (64,073) |
| Shares issued for resource property | 125,000 | 18,500 |
| | 78,010,820 | $ 21,697,152 |

## 7. Share Capital- *Continued*

On May 26, 2008 the Company completed a non-brokered private placement for 5,733,000 units at a price of $0.45 per unit for net proceeds of $2,579,850. Each unit consists of one common share and one common share purchase warrant, each warrant entitling the holder to acquire one additional common share until May 26, 2010 at a price of $0.65 per share.

On February 25, 2009 the Company completed a non-brokered private placement for 4,000,000 units at a price of $0.10 per unit for gross proceeds of $400,000 and net proceeds of $360,000. Each unit consists of one common share and one transferable common share purchase warrant, each warrant entitling the holder to acquire one additional common share until February 25, 2010 at a price of $0.15 per share.

On June 3, 2008 the Company issued 25,000 shares at a value of $0.48 per share for a property payment as part of the Ramona property agreement. *(See note 11(d))*

On December 23, 2008 the Company issued 100,000 shares at a value of $0.065 per share for property payment as part of the Alien property agreement.

## 8. Stock Options

| | | Amount |
|---|---|---|
| Balance - March 31, 2007 | $ | 1,296,802 |
| Fair value of stock options vested | | 965,352 |
| Transferred to share capital on options exercised *(note 7)* | | (234,368) |
| Balance - March 31, 2008 | $ | 2,027,786 |
| Fair value of stock options vested | | 316,901 |
| Balance – March 31, 2009 | $ | 2,344,687 |

a) The following table summarizes information about the issued and outstanding stock options accounted for under the shareholders' equity as at March 31, 2009:

| Number Outstanding March 31, 2008 | Granted | Exercised | Forfeited and Expired | Number Outstanding March 31, 2009 | Exercise Price Per Share | Expiry Date |
|---|---|---|---|---|---|---|
| 400,000 | - | - | 400,000 | - | $ 0.30 | January 19, 2009 |
| 420,000 | - | - | - | 420,000 | $ 0.16 | July 8, 2010 |
| 1,000,000 | - | - | - | 1,000,000 | $ 0.60 | February 27,2011 |
| 435,000 | - | - | - | 435,000 | $0.60 | August 1, 2011 |
| 250,000 | - | - | 250,000 | - | $0.48 | March 1, 2009 |
| 250,000 | - | - | - | 250,000 | $0.65 | February 22, 2012 |
| 250,000 | - | - | - | 250,000 | $0.66 | May 3, 2012 |
| 1,000,000 | - | - | 250,000 | 750,000 | $0.60 | July 5, 2012 |
| 150,000 | - | - | - | 150,000 | $0.60 | November 1, 2012 |
| 1,550,000 | - | - | 500,000 | 1,050,000 | $0.60 | December 10, 2012 |
| 5,705,000 | - | - | 1,400,000 | 4,305,000 (1) | $ 0.16-$0.66 | July 8, 2010 – December 10, 2012 |

(1) At March 31, 2009 4,175,788 of these options are exercisable.

## 8. Stock Options- *Continued*

b) The fair value of stock options used to calculate compensation for employees and consultants is estimated using the Black-Scholes Option Pricing Model. Since the options were granted under a graded vesting schedule, $ 316,901 (2008-$965,352) of the fair value has been recorded in the accounts of the Company during the year with $252,954 (2008-$841,722) recognized on the consolidated statement of operations and comprehensive loss, $63,947 (2008-$123,630) capitalized to resource properties. This value is estimated at the date of the grant with the following weighted average assumptions:

| | **March 31, 2009** | March 31, 2008 |
|---|---|---|
| Average risk-free interest rate | **3.10%** | 4.19% |
| Expected dividend yield | **-** | - |
| Expected stock price volatility | **81.69%** | 90.75% |
| Average expected option life in years | **5** | 5 |

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

## 9. Share Purchase Warrants

A summary of the Company's share purchase warrants at March 31, 2009 is presented below:

| | Number | Amount |
|---|---|---|
| Balance - March 31, 2007 | 17,717,000 | $ - |
| Share purchase warrants exercised *(note 7)* | (11,717,000) | - |
| Share purchase warrants expired | (6,000,000) | - |
| Balance - March 31, 2008 | - | $ - |
| Fair value of share purchase warrants *(Note 7)* | 9,733,000 | 605,910 |
| Balance – March 31 ,2009 | 9,733,000 | $ 605,910 |

On May 26, 2008 the Company issued 5,733,000 warrants, these warrants have been valued at $517,490 based upon the Black Scholes model which utilized the following assumptions: Expected dividend yield of nil, expected stock price volatility of 61.92 %, risk free interest rate of 3.34%, expected life of warrants of 2 years. The share purchase warrants expire May 26, 2010.

On February 25, 2009 the Company issued 4,000,000 warrants, these warrants have been valued at $88,420 based upon the Black Scholes model which utilized the following assumptions: Expected dividend yield of nil, expected stock price volatility of 109.55 %, risk free interest rate of 1.52%, expected life of warrants of 1 years. The share purchase warrants expire February 25, 2010.

## 10. Income Taxes

a) The Company has accumulated non-capital losses for income tax purposes of approximately $2,571,089 as at March 31, 2009 that may be used to reduce future taxable income. These losses expire as follows:

| | |
|---|---|
| 2026 | $ 359,651 |
| 2027 | 1,355,359 |
| 2028 | 117,769 |
| 2029 | 738,310 |
| | $ 2,571,089 |

## 10. Income Taxes- *Continued*

b) Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates are as follows:

| **Future Income Tax Assets** | | **March 31, 2009** | | March 31, 2008 |
|---|---|---|---|---|
| Statutory tax rate *(* Weighted Average - 2009)* | | **25.14%** | | 34.11% |
| Non-capital losses | **$** | **646,455** | $ | 785,244 |
| Equipment | | **3,793** | | 21,804 |
| | | **(650,248)** | | 807,048 |
| Less: Valuation allowances | | **(650,248)** | | (807,048) |
| Income tax recovery | **$** | **-** | $ | - |

** Weighted average is based upon British Columbia combined tax rate of 25% (2008 -34.12%) and USA combined tax rate of 31.85% (2008-34%)*

## 11. Related Party Transactions

Except as disclosed elsewhere in these financial statements related party transactions incurred during the year ended March 31, 2009 are as follows**:**

a) Consulting fees totalling $31,000 (2008- $27,000) for services provided by the Chief Financial Officer of the Company. The balance owing at March 31, 2009 is $2,000, with no specific terms or conditions.
b) Consulting fees totalling $32,500 (2008 - Nil) were paid to a Company controlled by the managing director of the Company. The balance owing at March 31, 2009 is $5,000, with no specific terms and conditions.
c) Management fees totalling $120,000 (2008-$212,400) were accrued to a Company controlled by two directors of the Company. The balance owing at March 31, 2009 is $145,000 with no specific repayment terms or conditions.
d) Consulting fees totalling US$120,750 (2008- US$147,515) were paid to the president and director of the Company. The balance owing at March 31, 2009 is US$5,000, with no specific terms or conditions. An option payment for the Ramona property in the amount of US$15,000 (2008-US$12,500) and 12,500 (2008-12,500) shares were paid and issued to the president and director of the Company.
e) On April 16, 2008, and on May 12, 2008 short term loans of $350,000 and $15,000 respectively were advanced to the Company by directors or parties related to the directors. The promissory notes were interest bearing at 12% per annum and due on demand. The promissory notes and interest in the amount of $5,792 were repaid on May 28, 2008.
f) Salaries, rent and office supplies totalling $73,157 (2008- Nil) was charged to a company with common management. The amount receivable at March 31, 2009 is $5,535, with no specific terms or conditions.

The above transactions, occurring in the normal course of operations, is measured at the exchange amount, which is the consideration established and agreed to by the related parties.

## 12. Commitment

On August 1, 2007 the Company entered into a property lease agreement for the rental of office space for a term of five years with no renewal option. The future minimum lease obligations are as follows:

| | | |
|---|---|---|
| 2010 | | 44,546 |
| 2011 | | 44,969 |
| 2012 | | 45,180 |
| 2013 | | 15,060 |
| | $ | 149,755 |

### 12. Commitment - *Continued*

On November 1, 2008 the Company assigned the balance or the term of this office lease agreement to an unrelated third party with industry standard terms and conditions.

### 13. Segmented Information

The Company has one operating segment, which is the exploration and development of resource properties. The Company's principal operations were carried out in Canada and the USA. All of the investment income is earned in Canada. Details are as follows:

| | Year Ended March 31 | | | |
|---|---|---|---|---|
| | | **2009** | | 2008 |
| Assets by geographic area | | | | |
| USA | **$** | **13,211,825** | $ | 11,469,666 |
| Canada | | **292,356** | | 1,226,074 |
| | **$** | **13,504,181** | $ | 12,695,740 |

| | | **2009** | | 2008 |
|---|---|---|---|---|
| Loss by geographic area | | | | |
| USA | **$** | **42,540** | $ | 117,769 |
| Canada | | **2,513,432** | | 1,975,404 |
| | **$** | **2,555,972** | $ | 2,093,173 |

### 14. Capital Disclosures

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk, *(see going concern note 1*).

In the management of capital, the Company considers the items included in shareholders' equity to be capital as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company' assets. In order to maintain or adjust the capital structure, the Company may attempt to issue new shares or debt instruments, acquire or dispose of assets, or to bring in joint venture partners.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions *(See going concern note 1)*.

### 15. Spin off of ReMac Zinc Project to ReMac Zinc Corp.

On June 4, 2007, the shareholders of the Company approved a plan of arrangement involving ReMac Zinc Corp. (formerly OMC Capital Corporation), the Company and ReMac Zinc Development Corp., (formerly ReMac Zinc Corp.) a wholly owned subsidiary of the Company. Further to this plan of arrangement, the following events occurred:

The Company transferred to ReMac Zinc Development Corp., the ReMac Zinc Project which includes the Red Bird, Red Bird Extension and the Reeves Property for the assigned value of $3,723,216 which was the carrying cost of the ReMac Zinc Project on the books of the Company, for consideration of 100 common shares of ReMac Zinc Development Corp.

ReMac Zinc Corp. acquired the Company's subsidiary ReMac Zinc Development Corp. in exchange for the issuance to the Company of 15 million post consolidated shares in the capital of ReMac Zinc Corp. Each shareholder of the Company as at June 4, 2007 received a pro rata portion of the ReMac Zinc Corp. shares as a distribution of assets for the assigned value of $3,723,216.

### 16. Subsequent Events

On June 15, 2009 the Company completed a non-brokered private placement for 5,000,000 units at a price of $0.10 per unit for gross proceeds of $500,000 and net proceeds of $454,000. Each unit consists of one common share and one transferable common share purchase warrant, each warrant entitling the holder to acquire one additional common share until June 16, 2010 at a price of $0.15 per share.

On April 6, 2009 the Company granted 2,695,000 employee and consultant stock options, 1,045,000 at a $0.25 exercise price and 1,650,000 at a $0.17 exercise price, the options expire on April 6, 2014.

On April 28, 2009 the TSX Venture Exchange accepted amendments as to the exercise price only for various employee and consultant incentive stock options granted between August 1, 2006 and December 10, 2007 at an exercise price of $0.60. The incentive stock options exercise price was amended to $0.17 for 291,000 stock options and to $0.25 for 194,000 stock options.

On May 27, 2009, the Company cancelled their option to acquire a 100% interest in a long-term mineral lease of 16 unpatented mining claims located in Nye County, Nevada, known as the Alien Gold project. At March 31, 2009 all costs have been written off.