Redhawk Resources, Inc.

(An Exploration Stage Company)

Interim Consolidated Financial Statements

September 30, 2010

(Canadian Funds)

(Unaudited)

Notice of No Auditor Review of Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by, and are, the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim consolidated financial statements in accordance with the standards by the Canadian Institute of Chartered Accountants for a review of interim financial statements.

Redhawk Resources, Inc.

(An Exploration Stage Company)

Interim Consolidated Balance Sheets

Canadian Funds
(Unaudited)

ASSETS		September 30, 2010		March 31, 2010 (audited)
Current				
Cash and cash equivalents	$	**28,042**	$	108,956
Term deposits (*Note 4*)		**3,172,914**		604,463
Accounts receivable and prepaid expenses		**154,896**		58,126
		3,355,852		771,545
Reclamation bond		**21,390**		17,130
Property and equipment *(Note 5)*		**19,456**		21,704
Resource properties *(Note 6)*		**15,688,153**		14,009,416
	$	**19,084,851**	$	14,819,795

LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**370,396**	$	67,715
Current portion of long term debt		**206,000**		-
		576,396		67,715
Long term debt *(Note 7)*		**1,782,730**		1,920,607
		2,359,126		1,988,322
SHAREHOLDERS' EQUITY				
Share capital *(Note 8)*		**27,516,392**		23,732,923
Warrants *(Note 10)*		**1,549,791**		848,170
Stock options *(Note 9)*		**2,907,494**		2,680,072
Deficit		**(15,247,952)**		(14,429,692)
		16,725,725		12,831,473
	$	**19,084,851**	$	14,819,795

Nature of Operations (Note 1)
Commitments (Notes 6 & 13)
Subsequent Events (Note 17)

ON BEHALF OF THE BOARD:

Director: "Darryl J. Yea"

Director: "J. Stephen Barley"

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

Redhawk Resources, Inc.

(An Exploration Stage Company)

Interim Consolidated Statements of Operations, Comprehensive Loss and Deficit

Canadian Funds

(unaudited)

	Three Months Ended September 30		Six Months Ended September 30	
	2010	2009	**2010**	2009
Administrative Costs				
Audit and accounting	$ **22,888**	$ 21,100	$ **54,339**	$ 43,438
Amortization	**1,129**	150	**2,248**	1,420
Consulting	**9,510**	-	**137,660**	-
Director fees	**-**	-	**31,312**	-
Filing fees	**2,436**	5,264	**8,888**	7,960
Insurance	**4,357**	5,231	**9,265**	10,463
Investor relations	**18,006**	24,779	**36,279**	41,962
Legal	**11,509**	2,803	**25,856**	2,803
Management fees and consulting	**61,490**	69,000	**138,189**	126,000
Office and sundry	**3,241**	1,697	**7,687**	5,101
Rent	**5,228**	2,100	**9,315**	4,200
Stock based compensation expense *(Note 9)*	**221,375**	6,419	**316,233**	127,374
Transfer agent	**1,531**	1,856	**4,884**	2,930
Travel and accommodation	**1,271**	7,433	**16,785**	7,433
Foreign exchange (gain) loss	**(54,654)**	(193,554)	**22,235**	(407,668)
(Income) L0ss before the following	**309,317**	(45,722)	**821,175**	(26,584)
Other (income) expenses				
Interest income	**(7,559)**	(500)	**(8,844)**	(4,931)
Loss on write down of equipment	**-**	-		8,589
Impairment loss	**-**	30,685	**5,929**	42,185
(Income)loss and comprehensive (income) loss for the period before taxes	**301,758**	(15,537)	**818,260**	19,259
Mining exploration tax credit	**-**	-	-	(87,361)
Net (income) loss and comprehensive (income) loss for the period	**301,758**	(15,537)	**818,260**	(68,102)
Deficit – beginning of period	**14,946,194**	14,025,943	**14,429,692**	14,078,508
Deficit – end of period	$ **15,247,952**	$ 14,010,406	$ **15,247,952**	$ 14,010,406
(Income) loss per share – basic	$ **0.003**	$ (0.000)	$ **0.008**	$ (0.000)
(Income) loss per share – diluted	$ **0.003**	$ (0.000)	$ **0.007**	$ (0.000)
Weighted average shares outstanding-basic	**109,373,582**	83,186,907	**106,505,702**	81,022,842
Weighted average shares outstanding-diluted	**116,656,035**	91,473,069	**114,840,327**	89,309,004

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

Redhawk Resources, Inc.

(An Exploration Stage Company)

Interim Consolidated Statements of Cash Flows

Canadian Funds
(unaudited)

	Three Months ended September 30		Six Months Ended September 30	
	2010	2009	**2010**	2009
Cash flows from operating activities				
Income (loss) and comprehensive income (loss) for the period	**$ (301,758)**	$ 15,537	**$ (818,260)**	$ 68,102
Items not affecting cash				
Amortization	**1,129**	150	**2,248**	1,420
Stock based compensation expense *(Note 9)*	**221,375**	6,419	**316,233**	127,374
Impairment loss	**-**	30,685	**5,929**	42,185
Loss on write down of equipment	**-**	-	**-**	8,589
Unrealized foreign exchange (gain) loss	**(32,421)**	-	**68,123**	-
	(111,675)	52,791	**(425,727)**	247,670
Changes in non-cash working capital	**(50,313)**	8,968	**(122,439)**	36,344
	(161,988)	61,759	**(548,166)**	284,014
Cash flows from (applied to) investing activities				
Term deposit	**1,186,549**	-	**(2,568,451)**	220,306
Reclamation bond	**-**	-	**(4,260)**	-
Resource property	**(1,126,421)**	(363,175)	**(1,335,633)**	(705,678)
	60,128	(363,175)	**(3,908,344)**	(485,372)
Cash flows from investing activities				
Share capital issued for cash, net of issuance costs	**-**	-	**3,863,758**	450,600
Share purchase warrants exercised	**11,500**	30,000	**374,175**	30,000
Stock options exercised	**86,663**	-	**137,663**	-
	98,163	30,000	**4,375,596**	480.600
Net increase (decrease) in cash and cash equivalents	**(3,697)**	(271,416)	**(80,914)**	279,242
Cash – beginning of period	**31,739**	562,273	**108,956**	11,615
Cash – end of period	**$ 28,042**	$ 290,857	**$ 28,042**	$ 290,857

Supplemental Schedule of Non-Cash Transactions				
Stock-based compensation capitalized in resource property	**$ 16,789**	$ 3,894	**$ 20,683**	$ 28,477
Shares issued for resource property	**$ -**	$ 24,750	**$ -**	$ 24,750
Accrued interest included in resource property	**$ 24,060**	**$** 26,477	**$ 48,572**	**$** 53,674
Change in accounts payable included in resource property	**$ 211,794**	**$** (5,761)	**$ 328,350**	**$** (3,010)

1. Nature of Operations

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.

2. Significant Accounting Policies

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods consistent with those used in the preparation of the most recent annual audited consolidated financial statements. The interim consolidated financial statements do not include all information and note disclosures required by Canadian GAAP for annual financial statements, and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2010.

Recent Accounting Pronouncements Issued

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 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. Financial Instruments

Fair value

The Company's financial instruments consist of cash and cash equivalents, term deposits, accounts receivable and prepaids, reclamation bond, and accounts payable and accrued liabilities, and long term debt. The estimated fair values of cash and cash equivalents, short term investments, accounts receivable, reclamation bond, and accounts payable and accrued liabilities, and long term debt, approximate their respective carrying values.

The Company has designated its financial instruments as follows;

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

- Accounts receivables and prepaid expenses, 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, current portion of long term debt 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.

3. Financial Instruments - *continued*

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in CICA Handbook section 3862 – Financial Instruments – Disclosures:

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs which are supported by little or no market activity.

The following table summarizes the Company's financial instruments at September 30, 2010, and shows the level within the fair value hierarchy in which they have been classified (for financial instruments measured at fair value):

	Fair Value Hierarchy Level	**September 2010**	March 2010
Financial Assets			
Held for trading			
Cash and cash equivalents	Level 1	$ **28,042**	$ 108,956
Term deposits	Level 1	$ **3,172,914**	$ 604,463

Management of Financial Risk

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and copper price risk).

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and short term investments which are held in large Canadian financial institution. The carrying value of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk as at September 30, 2010.

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 risk through the management of its capital structure. At September 30, 2010, the Company had cash and term deposits $3,200,956 (March 2010 - $713,419) to settle current liabilities of $576,396 (March 2010 - $67,715).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, and foreign exchange rates.

(a) 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 market interest rates. The Company has cash balances and fixed interest-bearing debt. The Company believes it has no significant interest rate risk.

3. Financial Instruments - *continued*

(b) Foreign currency risk

The Company's exploration expenditures are predominately in US dollars and equity raised is predominately in Canadian dollars. 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. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

At September 30, 2010 and March 31, 2010, the Company is exposed to currency risk through the following financial liabilities denominated in US dollars:

	September 30, 2010 USD	March 31, 2010 USD
Long term debt	1,730,806	1,882,948
Current portion of long term debt	200,000	-

A 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase or decrease of approximately US$193,081 (March 2010 – US$188,295) in the Company's net income (loss).

4. Term Deposit

The company holds $3,142,914 (March 31, 2010 - $604,463) term deposit with the Bank of Nova Scotia with a maturity date of June 25, 2011 and a fixed interest rate of 0.67% per annum. The term deposit is redeemable, in full or in part, at any time prior to maturity at the option of the Company with no penalty.

5. Property and Equipment

September 30, 2010

	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 20,496	$ 2,357	$ 18,139
Computer equipment	6,670	5,353	1,317
	$ 27,166	$ 7,710	$ 19,456

March 31, 2010

	Cost	Additions	Write off/ Disposal	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 1	$ 20,495	$ -	$ 342	$ 20,154
Computer equipment	35,307	-	28,637	5,120	1,550
	$ 35,308	$ 20,495	$ 28,637	$ 5,462	$ 21,704

6. Resource Properties

	Ramona, Nevada, USA(b)	Copper Creek, Arizona, USA (c,d &e)	Total
Balance March 31, 2010	$ -	$ 14,009,416	$ 14,009,416
Acquisition	-	453,066	453,066
Deferred exploration	-	917,614	917,614
Deferred general and administration	-	110,324	110,324
Deferred property development	-	114,842	114,842
Deferred property maintenance	5,929	62,208	68,137
Stock based compensation	-	20,683	20,683
Impairment loss	(5,929)	-	(5,929)
Balance September 30, 2010	$ -	$ 15,688,153	$ 15,688,153

	Ramona, Nevada, USA(b)	Copper Creek, Arizona, USA (c,d &e)	Total
Balance March 31, 2009	$ -	$ 13,183,751	$ 13,183,751
Acquisition	36,250	403,038	439,288
Deferred exploration	-	59,342	59,342
Deferred general and administration	-	139,560	139,560
Deferred property development	-	82,793	82,793
Deferred property maintenance	5,935	104,667	110,602
Stock based compensation	-	36,265	36,265
Impairment loss	(42,185)	-	(42,185)
Balance March 31, 2010	$ -	$ 14,009,416	$ 14,009,416

a) **Alien Agreement**
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.

b) **Ramona Agreement**
On June 30, 2010 the Company terminated the option to acquire an interest in the Ramona property pursuant to the agreement dated May 2004 and as amended June 15, 2009. At September 30, 2010 all costs have been written off.

6. Resource Properties- *continued*

c) Copper Creek Agreement

On September 17, 2010 the Company entered into a Royalty Purchase and Sale Agreement (the "Agreement") with AMT (USA) Inc. to buy out the advance royalty payment and the 2.25% Net Smelter Royalty retained by AMT as part of the original Copper Creek property acquisition. The Agreement requires a payment of $350,000, paid September 20, 2010 and $900,000 quarterly payments due as follows:

January 30, 2011	$	150,000
April 30, 2011		150,000
July 30, 2011		150,000
October 30, 2011		150,000
January 30, 2012		150,000
April 30, 2012		150,000
	$	900,000

The Agreement requires a further $500,000 payment should the Company enter into a major transaction during the two year period after closing the agreement.
On October 10, 2010 the Company received court approval for the above agreement.

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 November 4, 2009 the Company entered into an amending agreement to defer the US$100,000 advanced royalty payment due November, 2009 as follows: US$40,000 due and paid November 16, 2009 and US$60,000 paid January 6 2010.

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 event that 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") 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 7)*

f) 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 for the period ended September 30, 2010 on the Ramona properties totalling $5,929 and for the year ended March 31, 2010 on the

6. Resource Properties- *continued*

Ramona properties totalling $42,185. This was the total amount recorded as acquisition and exploration costs for these properties to date.

7. Long Term Debt

	September 30, 2010		March 31, 2010	
	USD	**CAD**	USD	CAD
Long term debt	**$ 1,730,806**	**$ 1,782,730**	$ 1,882,948	$ 1,920,607

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 September 30, 2010 balance of $1,782,730 (US$ 1,730,806). The promissory note is 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 in January 2009 and the US$500,000 promissory note payment due April 1, 2010 to US$375,000 paid in March 2010. 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 2011		105,853
April 2012		111,145
April 2013		116,703
April 2014		122,538
April 2015		128,664
Balance due beyond 5 years		1,298,045
	US$	1,882,948
Accrued interest		358,678
Interest payment		(310,820)
Total Debt	US$	1,930,806
Current portion of long term debt		(200,000)
Long term debt	US$	1,730,806

8. Share Capital

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

	Number		Amount
Balance - March 31, 2009	78,010,820	$	21,697,152
Shares issued for cash	9,687,500		1,250,000
Fair value of share purchase warrants *(Note 10)*	-		(431,795)
Share issue costs	-		(91,322)
Share purchase warrants exercised	7,000,000		1,050,000
Fair value of share purchase warrants exercised *(Note 10)*	-		189,534
Stock options exercised	69,375		11,794
Fair value of stock options exercised *(Note 9)*	-		32,810
Shares issued for resource property	150,000		24,750
Balance - March 31, 2010	94,917,695	$	23,732,923
Shares issued for cash	11,462,860		4,012,001
Fair value of share purchase warrants *(Note 10)*	-		(787,143)
Share issue costs	-		(148,243)
Share purchase warrants exercised	2,322,500		374,175
Fair value of share purchase warrants exercised *(Note 10)*	-		85,522
Stock options exercised	824,250		137,663
Fair value of stock options exercised *(Note 9)*	-		109,494
Balance - September 30, 2010	109,527,305	$	27,516,392

On June 9, 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 $450,600. 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 9, 2010 at a price of $0.15 per share, all warrants were exercised as at June 30, 2010.

On July 24, 2009 the Company issued 150,000 shares at a value of $0.165 per share for a property payment as part of the Ramona property agreement.

On December 22, 2009 the Company completed a non-brokered private placement for 4,687,500 units at a price of $0.16 per unit for gross proceeds of $750,000 and net proceeds of $708,078. 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 December 22, 2011 at a price of $0.23 per share. For the three month period ending September 30, 2010 322,500 warrants were exercised.

On January 22, 2010 35,000 stock options were exercised at $0.17 for total proceeds of $5,950.

On February 17, 2010 34,375 stock options were exercised at $0.17 for total proceeds of $5,844.

On April 30, 2010 the Company closed a non-brokered private placement for 11,462,860 units at a price of $0.35 per unit for gross proceeds of $4,012,001 and net proceeds of $3,863,758. Each unit consists of one common share and one-half of a transferable common share purchase warrant. Each whole share purchase warrant will be exercisable into one additional common share at an exercise price of $0.50 per common share for a period of two years, subject to accelerated expiry if the volume weighted average trading price of the Company's common shares is equal to or greater than $1.00 for 20 consecutive

8. Share Capital- *continued*

trading days. If at any time after the date that is 4 months and one day after the closing date the volume weighted average trading price for the Company's common shares on the TSX Venture Exchange (the "Exchange") (or such other stock exchange on which such shares are listed) is equal to or greater than $1.00 for 20 consecutive trading days, the Company may, within five days after such an event, provide notice (by issuing a news release) to the holders of warrants of early expiry and thereafter, the warrants will expire on the date which is 30 days after the date of the notice to such holders of warrants.

On April 16, 2010, 300,000 stock options were exercised at $0.17 for total proceeds of $51,000.

On July 8, 2010, 420,000 stock options were exercised at $0.16 for total proceeds of $67,200.

On September 15, 2010, 82,500 stock options were exercised at $0.17 for total proceeds of $14,025 and 21,750 were exercised at $0.25 for total proceeds of $5,438.

The following table details the share purchase warrants exercised during the period ending September 30, 2010:

Date warrants exercised	Number of Warrants Exercised	Exercise Price	Proceeds
April 8, 2010	160,000	$0.23	$36,800
May 5,2010	112,500	$0.23	$25,875
May 19, 2010	250,000	$0.15	$37,500
May 20,2010	250,000	$0.15	$37,500
May 28. 2010	371,000	$0.15	$55,650
June 2, 2010	529,000	$0.15	$79,350
June 3, 2010	400,000	$0.15	$60,000
June 4,2010	200,000	$0.15	$30,000
September 15, 2010	50,000	$0.23	$11,500
September 30, 2010	2,322,500		$374,175

The following table details the share purchase warrants exercised during the period ending March 31, 2010:

Date warrants exercised	Number of Warrants Exercised	Exercise Price	Proceeds
August 20, 2009	100,000	$0.15	$15,000
September 11, 2009	100,000	$0.15	$15,000
November 24, 2009	3,200,000	$0.15	$480,000
January 12, 2010	50,000	$0.15	$7,500
January 16, 2010	50,000	$0.15	$7,500
January 21, 2009	250,000	$0.15	$37,500
February 4, 2010	400,000	$0.15	$60,000
February 11, 2010	100,000	$0.15	$15,000
February 12, 2010	50,000	$0.15	$7,500
February 22, 2010	2,450,000	$0.15	$367,500
March 29, 2010	250,000	$0.15	$37,500
March 31, 2010	7,000,000		$1,050,000

9. Stock Options

		Amount
Balance - March 31, 2009	$	2,344,687
Fair value of stock options vested		368,195
Fair value of stock options exercised *(Note 8)*		(32,810)
Balance - March 31, 2010	$	2,680,072
Fair value of stock options vested		336,916
Fair value of stock options exercised *(Note 8)*		(109,494)
Balance – September 30, 2010	$	2,907,494

a) The following table summarizes information about the issued and outstanding stock options accounted for under the shareholders' equity as at September 30, 2010:

Number Outstanding March 31, 2010	Granted	Exercised	Forfeited	Number Outstanding September 30, 2010	Exercise Price Per Share	Expiry Date
420,000	-	420,000	-	-	$ 0.16	July 8, 2010
1,000,000	-	-	-	1,000,000	$ 0.60	February 27,2011
300,000	-	-	-	300,000	$0.60	August 1, 2011
16,000	-	-	-	16,000	$.017	August 1, 2011
84,000	-	-	-	84,000	$.025	August 1, 2011
250,000	-	-	-	250,000	$0.65	February 22, 2012
500,000	-	-	-	500,000	$0.60	July 5, 2012
125,000	-	-	-	125,000	$.017	July 5, 2012
100,000	-		-	100,000	$.025	July 5, 2012
150,000	-	-	-	150,000	$0.60	November 1, 2012
200,000	-	-	-	200,000	$0.60	December 10, 2012
90,000	-	-	-	90,000	$.017	December 10, 2012
10,000	-	-	-	10,000	$.025	December 10, 2012
1,045,000	-	21,750	-	1,023,250	$0.25	April 6, 2014
1,640,625	-	382,500	-	1,258,125	$0.17	April 6, 2014
1,350,000	-	-	-	1,350,000	$0.22	November 10, 2014
-	875,000	-	-	875,000	$0.42	July 9, 2015
7,280,625	875,000	824,250	-	7,331,375 (1)	$ 0.17- $0.65	February 27, 2010 – July 9, 2015

(1) At September 30, 2010 5,891,906 of these options are exercisable.

9. Stock Options- *continued*

b) The following table summarizes information about the issued and outstanding stock options accounted for under the shareholders' equity as at March 31, 2010:

Number Outstanding March 31, 2009	Repriced	Granted	Exercised	Forfeited	Number Outstanding March 31, 2010	Exercise Price Per Share	Expiry Date
420,000	-	-	-	-	420,000	$ 0.16	July 8, 2010
1,000,000	-	-	-	-	1,000,000	$ 0.60	February 27,2011
435,000	(135,000)	-	-	-	300,000	$0.60	August 1, 2011
-	51,000	-	(35,000)	-	16,000	$.017	August 1, 2011
-	84,000	-		-	84,000	$.025	August 1, 2011
250,000	-	-	-	-	250,000	$0.65	February 22, 2012
250,000	-	-	-	(250,000)	-	$0.66	-
750,000	(250,000)	-	-	-	500,000	$0.60	July 5, 2012
-	150,000	-	(25,000)	-	125,000	$.017	July 5, 2012
-	100,000	-		-	100,000	$.025	July 5, 2012
150,000	-	-	-	-	150,000	$0.60	November 1, 2012
1,050,000	(100,000)	-	-	(750,000)	200,000	$0.60	December 10, 2012
-	90,000	-	-	-	90,000	$.017	December 10, 2012
-	10,000	-	-	-	10,000	$.025	December 10, 2012
-	-	1,045,000	-	-	1,045,000	$0.25	April 6, 2014
-	-	1,650,000	(9,375)	-	1,640,625	$0.17	April 6, 2014
-	-	1,350,000	-	-	1,350,000	$0.22	November 10, 2014
4,305,000	-	4,045,000	(69,375)	(1,000,000)	7,280,625 (1)	$ 0.16- $0.65	July 8, 2010 – November 10, 2014

(1) At March 31, 2010 5,429,766 of these options were exercisable.

c) 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, $ 336,916 (2009- $155,851) of the fair value has been recorded in the accounts of the Company during the period with 316,233 (2009-$127,374) recognized on the consolidated statement of operations and comprehensive loss, $20,683 (2009-$28,477) capitalized to resource properties. This value is estimated at the date of the grant with the following weighted average assumptions:

	September 30, 2010	September 30, 2009
Average risk-free interest rate	**2.78**	3.13%
Expected dividend yield	**-**	-
Expected stock price volatility	**81.87%**	82.93%
Average expected option life in years	**5**	5

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.

The fair value of stock options used to recalculate compensation for employees and consultants on amended options is estimated using the Black Scholes Option Pricing Model. The recalculated value of $19,033 is estimated at April 6, 2009 with the following weighted average assumptions:

	April 6, 2009
Average risk-free interest rate	**2.40%**
Expected dividend yield	**-**
Expected stock price volatility	**84.57%**
Average expected option life in years	**3.07**

9. Stock Options- *continued*

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.

10. Share Purchase Warrants

a) A summary of the Company's share purchase warrants at September 30, 2010 is presented below:

	Number		Amount
Balance - March 31, 2009	9,733,000	$	605,910
Issue of share purchase warrants *(Note 8)*	9,687,500		431,794
Share purchase warrants exercised *(Note 8)*	(7,000,000)		(189,534)
Balance – March 31, 2010	12,420,500	$	848,170
Share purchase warrants expired	(5,733,000)		-
Issue of share purchase warrants *(Note 8)*	5,731,430		787,143
Share purchase warrants exercised *(Note 8)*	(2,322,500)		(85,522)
Balance – September 30, 2010	10,096,430	$	1,549,791

b) The following table summarizes information about the issued and outstanding warrants as at September 30, 2010:

Number Outstanding March 31, 2010	Issued	Exercised	Expired	Number Outstanding September 30, 2010	Exercise Price Per Warrant	Expiry Date
5,733,000	-	-	5,733,000	-	$ -	May 26, 2010
2,000,000	-	2,000,000	-	-	$-	June 9, 2010
4,687,500	-	322,500	-	4,365,000	$0.23	December 22,2011
-	5,731,430	-	-	5,731,430	$0.50	April 30, 2012
12,420,500	5,731,430	2,322,500	5,733,000	10,096,430	$ 0.23-$0.50	December 22,2011- April 30, 2012

c) The following table summarizes information about the issued and outstanding warrants as at March 31, 2010:

Number Outstanding March 31, 2009	Issued	Exercised	Number Outstanding March 31, 2010	Exercise Price Per Warrant	Expiry Date
5,733,000	-	-	5,733,000	$ 0.65	May 26, 2010
4,000,000	-	4,000,000	-	$ 0.15	February 23,2010
-	5,000,000	3,000,000	2,000,000	$0.15	June 9, 2010
-	4,687,500	-	4,687,500	$0.23	December 22,2011
9,733,000	9,687,500	7,000,000	12,420,500	$ 0.15-$0.65	February 23, 2010 – December 22, 2011

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 expired unexercised on May 26, 2010.

10. Share Purchase Warrants- *continued*

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 year. These share purchase warrants were exercised during the year ended March 31, 2010.

On June 9 2009 the Company issued 5,000,000 transferable share purchase warrants, these warrants have been valued at $168,526 based upon the Black Scholes model which utilized the following assumptions: Expected dividend yield of nil, expected stock price volatility of 118.75 %, risk free interest rate of 1.18%, expected life of warrants of 1 year. 2,000,000 share purchase warrants were exercised during the period ending September 30, 2010 and 3,000,000 were exercised during the year ended March 31, 2010.

On December 22, 2009 the Company issued 4,687,500 transferable common share purchase warrants, these warrants have been value at $263,269 based upon the Black Scholes model which utilized the following assumptions: Expected dividend yield of nil, expected stock price volatility of 102.12 %, risk free interest rate of 1.30%, expected life of warrants of 2 years. The share purchase warrants expire December 22, 2011. 322,500 share purchase warrants were exercised during the period ending September 30, 2010.

On April 30, 2010 the Company issued 5,731,430 transferable common share purchase warrants. These warrants have been valued at $787,143 based on the Black Scholes model which utilizes the following assumptions: expected dividend yield of nil, expected stock price volatility of 109.06% and risk free interest rate of 1.2%, the expected life of warrants of 2 years. The share purchase warrants expire on April 30, 2012, subject to accelerated expiry if the volume weighted average trading price of the Company's common shares is equal to or greater than $1.00 for 20 consecutive trading days. If at any time after the date that is 4 months and one day after the closing date the volume weighted average trading price for the Company's common shares on the TSX Venture Exchange (the "Exchange") (or such other stock exchange on which such shares are listed) is equal to or greater than $1.00 for 20 consecutive trading days, the Company may, within five days after such an event, provide notice (by issuing a news release) to the holders of warrants of early expiry and thereafter, the warrants will expire on the date which is 30 days after the date of the notice to such holders of warrants.

On May 26, 2010 5,733,000 share purchase warrants exercisable for $0.65 expired.

11. Income Taxes

a) The Company has accumulated non-capital losses for income tax purposes of approximately $4,995,190 as at March 31, 2010 that may be used to reduce future taxable income. These losses expire as follows:

2026	$	427,769
2027		1,412,391
2028		354,203
2029		1,446,540
2030		1,354,287
	$	4,995,190

Future income tax assets and liabilities are calculated on an annual basis, as more fully described in *Note 10(b & c)* to the March 31, 2010 audited financial statements.

12. Related Party Transactions

Except as disclosed elsewhere in these financial statements, related party transactions incurred during the period ended September 30, 2010 are as follows:

12. Related Party Transactions- *continued*

a) Consulting fees totalling $14,000 (2009-$14,000) for services provided by the Chief Financial Officer of the Company. The balance owing at September 30, 2010 is nil.
b) Consulting fees totalling $75,000 (2009-$30,000) were paid to a Company controlled by the managing director of the Company. The balance owing at September 30, 2010 is nil.
c) Director fees totalling $31,312 were paid to a director of the Company.
d) Consulting fees totalling US$85,000 (2009- US$30,000) were paid to the president and director of the Company. The balance owing at September 30, 2010 is $15,000.
e) Rent and office supplies totalling $5,899 (2009- $3,715) was charged to a company with common management. The amount receivable at September 30, 2010 is $2,402, with no specific terms or conditions.

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

13. 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:

2011		22,590
2012		45,180
2013		15,060
	$	82,830

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

14. 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:

		September 2010		March 2010
Assets by geographic area				
USA	$	15,852,640	$	14,091,023
Canada		3,232,211		728,722
	$	19,084,851	$	14,819,795

		Three Months Ended				Six Months Ended		
		September, 2010		September, 2009		September, 2010		September, 2009
Net loss (income) by geographic area								
USA	$	4,641	$	44	$	7,890	$	59
Canada		297,117		(15,581)		810,370		(68,161)
	$	301,758		(15,537)	$	818,260	$	(68,102)

15. 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.

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

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.

16. Comparative Periods

Certain of the comparative figures have been reclassified to conform to the current period presentation.

17. Subsequent Events

(a) Warrants Exercise:

Date warrants exercised	Number of Warrants Exercised	Exercise Price	Proceeds
October 13, 2010	100,000	$0.23	$ 23,000
November 10, 2010	71,429	$0.50	35,715
November 16, 2010	62,500	$0.23	14,375
November 16, 2010	50,000	$0.50	25,000
November 24, 2010	111,428	$0.50	55,714
	395,357		$ 153,804

(b) Stock Options Exercised:

Date stock options exercised	Number of Stock Options Exercised	Exercise Price	Proceeds
October 12, 2010	11,250	$0.17	$ 1,912
October 27, 2010	1,875	$0.17	319
October 27, 2010	3,250	$0.25	813
November 8, 2010	100,000	$0.60	60,000
November 10, 2010	68,000	$0.25	17,000
November 12, 2010	100,000	$0.60	60,000
November 19, 2010	10,000	$0.25	2,500
	294,375		$ 142,544

17. Subsequent Events - *continued*

(c) On November 23, 2010, the Company has entered into an engagement letter with a Syndicate of Underwriters. Pursuant to the terms of the engagement letter, the Underwriters have agreed to purchase, on an underwritten private placement basis, 25,650,000 common shares at a price of $0.78 per common share for gross proceeds of $20,007,000 and net proceeds of $18,706,545. The Company will grant the Underwriters an option to purchase up to an additional 3,847,500 common shares at a price of $0.78 per common share for additional gross proceeds of $3,001,050 and net proceeds of $2,805,982, exercisable at any time in whole or in part up to 48 hours prior to the closing date. The Underwriters will receive compensation options equal to 6.5% of the number of common shares issued in connection with the offering. Each compensation option will entitle the Underwriters to purchase one common share at a price of $0.78 for a period of 24 months following the closing date. The closing date is expected to be on or about December 8, 2010, and is subject TSX Venture Exchange approval.