Redhawk Resources, Inc

Condensed Consolidated Interim Financial Statements

Nine Months Ended December 31, 2011

(Unaudited – prepared by Management)

(Expressed in Canadian Dollars)

Unaudited Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the interim unaudited condensed consolidated interim financial statements for the period ended December 31, 2011.

Redhawk Resources, Inc.
Condensed consolidated interim statements of loss and comprehensive loss
(Expressed in Canadian dollars – unaudited)

	Notes	December 31, 2011	March 31, 2011 (Note 17)	April 1, 2010 (Note 17)
ASSETS				
Current assets				
Cash and cash equivalents		$ 1,009,710	$ 1,761,977	$ 108,956
Short-term investments	3	9,000,000	17,357,445	604,463
Accounts receivable and prepaid expenses	4	370,604	278,458	58,126
		10,380,314	19,397,880	771,545
Non-current assets				
Reclamation deposits	5	43,055	18,422	16,741
Property and Equipment		319,886	16,189	21,413
Exploration and evaluation assets	6	25,900,457	16,426,550	13,272,574
		26,263,398	16,461,161	13,310,728
TOTAL ASSETS		**$ 36,643,712**	**$ 35,859,041**	**$ 14,082,273**
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities	7	$ 294,890	$ 369,414	$ 67,715
Current portion of long-term debt	8	203,400	110,385	-
		498,290	479,799	67,715
Non-Current liabilities				
Long-term debt	8	1,672,935	1,612,686	1,920,607
TOTAL LIABILIITES		**2,171,225**	**2,092,485**	**1,988,322**
SHAREHOLDERS' EQUITY				
Share capital	9	44,438,523	43,259,520	23,732,923
Reserves	10	8,750,243	7,367,805	3,665,390
Deficit		(18,716,279)	(16,860,769)	(15,304,362)
TOTAL SHAREHOLDERS' EQUITY		**34,472,487**	**33,766,556**	**12,093,951**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 36,646,712**	**$ 35,859,041**	**$ 14,082,273**

Redhawk Resources, Inc.
Condensed consolidated interim statements of loss and comprehensive loss
(Expressed in Canadian dollars – unaudited)

	Three month period ended	December 31,	Nine month period ended	December 31,
	2011	2010	2011	2010
Expenses				
Director fees	19,355	-	71,171	31,312
Filing fees	13,446	2,937	182,423	11,825
Insurance	8,262	3,844	15,950	13,109
Investor relations	39,939	25,202	205,732	61,481
Management and consulting fees	123,691	82,317	301,710	358,164
Office and sundry	14,777	6,011	37,819	15,946
Professional fees	56,705	31,227	178,335	111,422
Rent	7,575	6,393	25,726	15,708
Share-based payments (note 9)	263,474	49,933	724,931	237,999
Transfer agents	8,612	2,688	82,031	7,572
Travel and accommodations	18,330	39,376	87,568	56,161
	(574,166)	(249,928)	(1,913,396)	(920,699)
Other items				
Interest income	28,610	4,470	123,448	13,314
Interest expense	(25,452)	(21,758)	(69,463)	(71,530)
Foreign exchange gain (loss)	23,882	39,530	3,901	17,295
Impairment loss	-	-	-	(5,929)
Net loss for period	**(547,126)**	**(227,686)**	**(1,855,510)**	**(967,549)**
Other comprehensive income (loss)				
Exchange differences on translating foreign operations	(660,377)	(499,555)	851,639	(379,325)
Total other comprehensive income (loss)	**$ (1,207,503)**	**$ (727,241)**	**$ (1,003,871)**	**$ (1,346,874)**
Loss per share – basic and diluted	**$ (0.00)**	**$ (0.00)**	**$ (0.01)**	**$ (0.01)**
Weighted average number of common shares outstanding	**138,863,197**	**113,075,976**	**138,518,061**	**108,858,958**

Redhawk Resources, Inc.
Condensed consolidated interim statements of changes in shareholders' equity
(Expressed in Canadian dollars – unaudited)

		Share capital			Reserves		Deficit		Total
	Notes	Number of shares		Amount		Warrants, stock option and foreign currency translation reserve			
Balance at April 1, 2010	16	94,917,695	$	23,732,923	$	3,665,390	$	(15,304,362)	$ 12,093,951
Shares issued for cash - private placement		38,129,860		24,012,251		-		-	24,012,251
Fair value of share purchase warrants				(5,123,105)		5,123,105		-	-
Share issue costs				(1,995,942)		-		-	(1,995,942)
Share issued for cash - warrants exercised		3,186,607		635,791		-		-	635,791
Fair value of warrants exercised				153,606		(153,606)		-	-
Share issued for cash - options exercised		1,126,625		282,206		-		-	282,206
Fair value of options exercised				201,016		(201,016)		-	-
Share-based payments		-		-		261,600		-	261,600
Currency translation adjustment						(379,325)			(379,325)
Loss for the period		-		-		-		(967,549)	(967,549)
Balance at December 31, 2010	**16**	**137,360,787**	**$**	**41,898,746**	**$**	**8,316,148**	**$**	**(16,271,911)**	**$ 33,942,983**
Balance at March 31, 2011	16	**137,998,287**	**$**	**43,259,520**	**$**	**7,367,805**	**$**	**(16,860,769)**	**$ 33,766,556**
Share issued for cash - warrants exercised		3,858,750		921,262		-		-	921,262
Fair value of warrants exercised				226,870		(226,870)		-	-
Share issued for cash - options exercised		104,000		23,120		-		-	23,120
Fair value of options exercised		-		7,751		(7,751)		-	-
Share-based payments		-		-		765,420		-	765,420
Foreign currency translation reserve		-		-		851,639			851,639
Loss for the period		-		-		-		(1,855,510)	(1,855,510)
Balance at December 31, 2011		**141,961,037**	**$**	**44,438,523**	**$**	**8,750,243**	**$**	**(18,716,279)**	**$ 34,472,487**

(Expressed in Canadian dollars - unaudited)

	Three month period ended December 31, 2011	Three month period ended December 31, 2010	Nine month period ended December 31, 2011	Nine month period ended December 31, 2010
Operating activities				
Loss for the period	$ (547,126)	$ (227,686)	$ (1,855,510)	$ (967,549)
Adjustments for non-cash items:				
Depreciation	2,777	1,706	6,278	3,749
Share-based payments	263,475	49,932	724,931	237,999
Impairment loss	-	-	-	5,929
Unrealized foreign exchange (gain) loss	(57,000)	(44,421)	(8,781)	23,702
Changes in non-cash working capital items:				
Accounts receivables and prepaid expenses	(31,090)	(10,241)	(92,146)	(107,010)
Trade payables and accrued liabilities	1,175	(86,407)	159,939	92,402
Net cash flows used in operating activities	(367,789)	(317,117)	(1,065,289)	(710,778)
Investing activities				
Expenditures on exploration and evaluation assets	(3,786,724)	(879,278)	(8,726,419)	(2,309,694)
Purchase of property plant and equipment	(93,463)	-	(309,976)	-
Reclamation bond	-	-	(24,460)	(2,156)
Term deposits	4,292,968	(16,944,050)	8,357,445	(19,512,501)
Net cash flows used in investing activities	412,781	(17,823,328)	(703,410)	(21,824,351)
Financing activities				
Proceeds on issuance of common shares - net of share issuance costs	789,763	18,558,709	944,383	22,934,305
Net cash flows used in investing activities	789,763	18,558,709	944,383	22,934,305
Currency translation adjustment	(146,020)	3,901	72,047	(57,925)
Decrease in cash and cash equivalents	688,735	422,165	(752,269)	341,251
Cash and cash equivalents, beginning	320,975	28,042	1,761,979	108,956
Cash and cash equivalents, ending	**$ 1,009,710**	**$ 450,207**	**$ 1,009,710**	**$ 450,207**

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 in the U.S. The Company is listed and trades on the Toronto Stock Exchange (“TSX”) under the symbol “RDK”; trades on the OTCQX International under the symbol “RHWKF”; and is listed and trades on the Frankfurt Stock Exchange Open Market under the trading Symbol “QF7”.

The head office and principal address of the Company is located at 1066 West Hastings Street, Suite 2300, Vancouver, British Columbia, Canada, V6E 3X2. The Company’s registered and records office address is 1066 West Hastings Street, Suite 2610, Vancouver, British Columbia, Canada, V6E 3X1.

Significant accounting policies and basis of preparation

The financial statements were authorized for issue on February 9, 2012 by the Directors of the Company.

Statement of compliance and conversion to International Financial Reporting Standards

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim consolidated financial statements. In the financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in note 16, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at April 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 16 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended March 31, 2011.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of February 9, 2012, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending March 31, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company’s Canadian GAAP annual audited financial statements for the year ended March 31, 2011.

Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

2. Significant accounting policies and basis of preparation (cont'd)

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

	Country of incorporation	Percentage owned* December 31, 2011	Percentage owned* December 31, 2010
Redhawk Copper, Inc.	U.S.	100%	100%
Redhawk Resources (USA), Inc.	U.S.	100%	100%

*Percentage of voting power is in proportion to ownership.

Inter-company balances and transactions, including inter-company transactions, are eliminated on consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets and fair value measurements for financial instruments and share-based payments and other equity-based payments. Actual results may differ from those estimates and judgments.

Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent Company's functional currency.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of loss in the period in which they arise.

The financial statements of entities that have a functional currency different from that of Redhawk Resources Inc. ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

2. Significant accounting policies and basis of preparation (cont'd)

Property and Equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation and amortization are calculated using the straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of equipment are as follows:

Class of property, plant and equipment	Depreciation rate
Computer equipment	2 years
Leasehold improvements	4 years
Furniture and equipment	4 years
Property	25 years

Exploration and evaluation assets

Exploration and evaluation expenditures relating to mineral properties include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment when events and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking.

2. Significant accounting policies and basis of preparation (cont'd)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss or loans and receivables and are subsequently measured at fair value. Unrealized gains and losses on the fair value of such assets are recognized in other comprehensive income whereas impairment losses and foreign exchange gains and losses on such assets are recorded in the statement of loss.

The Company has classified its cash and cash equivalents, short term investments, receivables and reclamation bonds as loans and receivables. Long term debt, trade payables and accrued liabilities are classified as other financial liabilities.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

Impairment of long lived assets

Long lived assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss.

The recoverable amount is the greater of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Income taxes

<u>Current income tax:</u>

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity. Management periodically evaluates positions taken in

2. Significant accounting policies and basis of preparation (cont'd)

the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred tax is accounted for by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for temporary differences related to the initial recognition of the assets or liabilities that affect neither accounting nor taxable profit nor investments in subsidiaries, associates and interests in joint ventures to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner and expected date of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilized.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from the exercise of such instruments were used to acquire common shares at the average market price during the reporting period.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

Accounting standards issued but not yet effective

Amendments to IFRS 7 "Financial Instruments: Disclosures"

This amendment increases the disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment is effective for annual periods beginning on or after July 1, 2011.

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This new standard is effective for annual periods beginning on or after January 1, 2013.

The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements. IFRS 10 "Consolidate Financial Statements

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires

2. Significant accounting policies and basis of preparation (cont'd)

a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation- Special Purpose Entities* and is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IFRS 11 "Joint Arrangements "

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IFRS 12 "Disclosure of Involvements with Other Entities"

IFRS 12 *Disclosure of Involvement with other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IFRS 13 "Fair Value Measurement"

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 *Share-based Payment*; leasing transactions within the scope of IAS 17 *Leases*; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets.* This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

3. Short-term investments

Short-term investments are comprised of guaranteed investment certificates with a term to maturity of one year from date of acquisition. These investments are initially recorded at fair market value and are classified as loans and receivables.

(Expressed in Canadian dollars - unaudited)

4. Accounts receivable and prepaid expenses

	December 31 2011	March 31, 2011	April 1, 2010
Value-added tax receivables	$ 180,341	$ 81,120	$ 8,799
Accounts receivable	-	-	4,553
Prepaids	190,263	197,338	44,774
	$ 370,604	$ 278,458	$ 58,126

5. Reclamation deposits

The Company has posted bonds and investment certificates to provide for certain potential reclamation liabilities as agreed with the Arizona State Land Department.

	December 31 2011	March 31, 2011	April 1, 2010
Balance, beginning of period	$ 18,422	$ 16,741	$ 21,390
Changes in period	24,633	1,681	(4,649)
Balance, end of period	$ 43,055	$ 18,422	$ 16,741

(Expressed in Canadian dollars - unaudited)

6. Exploration and evaluation assets

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

		Nine months ended December 31, 2011
		Copper Creek, Arizona
Property acquisition costs		
Balance, March 31, 2011	$	5,732,741
Additions		815,559
Balance, December 31, 2011	$	6,548,300
Exploration and evaluation costs		
Balance, March 31, 2011	$	10,693,809
Costs incurred during period:		
Assaying and laboratory		344,511
Drilling		5,718,277
Engineering and consulting		1,148,932
Other		489,129
Permits and fees		100,077
Road development		37,512
Share-based payment		40,490
		7,878,928
Currency translation adjustment		779,420
Balance, December 31, 2011	$	19,352,157
Total at December 31, 2011	$	25,900,457

(Expressed in Canadian dollars - unaudited)

6. Exploration and evaluation assets (cont'd)

a) Copper Creek Agreement

On September 17, 2010 the Company entered into a Royalty Purchase and Sale Agreement (the "Agreement") with AMT (USA) Inc. ("AMT") 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 in quarterly payments due as follows:

January 30, 2011	$	150,000	(Paid)
April 30, 2011		150,000	(Paid)
July 30, 2011		150,000	(Paid)
October 30, 2011		150,000	(Paid)
January 30, 2012		150,000	(Subsequently paid)
April 30, 2012		150,000	
	$	900,000	

The Agreement requires payment by the Company of 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 Smelter Return royalty.

b) 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 in both 2006 and 2007 and was required to pay US$100,000 in November 2008 and annually thereafter until the end of year fifteen.

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 against the purchase price in the event that the Company exercises its property purchase option.

c) 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 additional mining claims are subject to a 1% Net Smelter Return royalty. (*See Note 8)*

(Expressed in Canadian dollars - unaudited)

7. **Trade payables and accrued liabilities**

	December 31 2011	March 31, 2011	April 1, 2010
Trade payables	$ 243,035	$ 274,896	$ 24,022
Amounts due to related parties (Note 11)	-	49,518	193
Accrued liabilities	51,855	45,000	43,500
	$ 294,890	$ 369,414	$ 67,715

8. **Long-term debt**

	December 31, 2011		March 31, 2011	
	USD	**CAD**	USD	CAD
Long term debt	**$ 1,644,970**	**$ 1,672,935**	$ 1,663,249	$ 1,612,686

In conjunction with the Company's acquisition of mining claims from Freeport, the Company entered into a promissory note. The promissory note is repayable over 12 years and bears interest at 5% per annum.

The payment schedule as at December 31, 2011 is as follows:

Date		**Principal**
April 2012		111,145
April 2013		116,703
April 2014		122,538
April 2015		128,664
April 2016		135,098
Balance due beyond 5 years		1,162,947
	US$	1,777,095
Accrued interest		472,842
Interest paid		(404,967)
Total debt	US$	1,844,970
Current portion of long term debt		(200,000)
Long term debt	US$	1,644,970

9. **Share capital**

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At December 31, 2011 there were 141,961,037 issued and fully paid common shares (March 31, 2011 – 137,998,287).

(Expressed in Canadian dollars - unaudited)

9. Share capital (cont'd)

Shares issued during the period

During the nine month period ended December 31, 2011 125,000 warrants were exercised at $0.50 and 3,733,750 warrants were exercised at $0.23 for total proceeds of $921,262.

During the nine month period ended December 31, 2011 36,000 stock options were exercised at $0.17 and 68,000 stock options were exercised at $0.25 for total proceeds of $23,120.

Warrants

The following table summarizes information about the issued and outstanding warrants as at December 31, 2011 and for the year ended March 31, 2011:

	December 31, 2011		March 31, 2011	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of period	24,840,854	$ 0.77	12,420,500	$ 0.41
Warrants issued	-	-	21,664,961	0.85
Warrants exercised	(3,858,750)	0.24	(3,511,607)	0.23
Warrants expired	-	-	(5,733,000)	0.65
Warrants outstanding, end of period	20,982,104	$ 0.82	24,840,854	$ 0.77

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX requirements, grant to directors, officers, employees and technical consultants of the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance is a fixed total of 14,782,164. Such options will be exercisable for a period of up to 5 years from the date of grant. Subject to the Board of Directors, options vest as to 25% on date of grant and as to 12.5% on each of the three, six, nine, twelve, fifteenth and eighteen month anniversaries of the date of grant.

(Expressed in Canadian dollars - unaudited)

9. Share capital (cont'd)

The changes in options during the nine month period ended December 31, 2011 and the year ended March 31, 2011 are as follows:

	December 31, 2011			March 31, 2011		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Options outstanding, beginning of period	7,951,500	$	0.43	7,280,625	$	0.34
Options granted	1,300,000		0.50	2,610,000		0.66
Options exercised	(104,000)		0.22	(1,439,125)		0.32
Options forfeited	(337,500)		0.58	(500,000)		0.60
Options outstanding, end of period	8,810,000	$	0.43	7,951,500	$	0.43
Options exercisable, end of period	7,150,000	$	0.39	6,050,250	$	0.36

Details of options outstanding as at December 31, 2011 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding	Number of options exerciseable
$0.17 - $0.25	2.34	3,850,000	3,850,000
$0.26 - $0.50	4.13	1,575,000	909,375
$0.51 - $0.74	1.87	1,650,000	1,306,250
$0.75 - $0.79	4.15	1,735,000	1,084,375
$0.43	2.93	8,810,000	7,150,000

During the nine month period ended, the Company recorded share-based compensation of $765,421 (2010 - $261,600) relating to options vested during the period.

10. Reserves

Stock option reserve

The stock option reserve records items recognized as share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Warrant reserve

The warrant reserve records items recognized as part of a unit financing until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of subsidiaries of the Company that have a functional currency other than the Canadian dollar.

(Expressed in Canadian dollars - unaudited)

11. Related party transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities:

	December 31 2011	March 31, 2011	April 1, 2010
Directors and officers of the Company	-	49,518	193
	$ -	$ 49,518	$ 193

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Key management compensation

	Nine month periods ended	
	December 31 2011	December 31 2010
Management fees (1)	$ 161,186	$ 133,900
Consulting	166,500	133,688
Director fees	58,065	31,312
Share-based payments	342,311	96,546
	$ 728,062	$ 395,446

(1) Certain of management fees are allocated to exploration and evaluation assets as warranted.

12. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts which are held with major banks in Canada and U.S.A. As most of the Company's cash is held by three banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

12. Financial risk management (cont'd)

Historically, the Company's main source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The following is an analysis of the Canadian dollar equivalent of financial assets and liabilities that are denominated in U.S. dollars:

	December 31, 2011	March 31, 2011
Cash and cash equivalents	$ 164,147	$ 191,094
Receivables	778	159,378
Accounts payable	(203,906)	(278,212)
	$ (38,981)	$ 72,260

Based on the above net exposures, as at December 31, 2011, a 10% change in the U.S. dollar to Canadian dollar exchange rate would impact the Company's net loss by $3,898.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risks.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the period.

The Company is not subject to any externally imposed capital requirements.

Fair value

The Company's financial instruments consist of cash and cash equivalents, short term investments, receivables, reclamation bonds and trade payables and accrued liabilities. The fair value of these financial instruments other than cash and cash equivalents approximates their carrying values due to the short term nature of these investments.

13. Segmented information

Operating segments

The Company operates in a single reportable operating segment – the acquisition and exploration of mineral properties.

(Expressed in Canadian dollars - unaudited)

13. Segmented information (cont'd)

Geographic segments

The Company's non-current assets are located in the following countries:

	As at December 31, 2011		
	Canada	U.S.	Total
Reclamation deposits	$ 9,645	$ 33,410	$ 43,055
Equipment	733	319,153	319,886
Exploration and evaluation assets	-	25,900,457	25,900,457
	$ 10,378	$ 26,253,020	$ 26,263,398

	As at March 31, 2011		
	Canada	U.S.	Total
Reclamation deposits	$ 9,696	$ 8,726	$ 18,422
Equipment	1,084	15,105	16,189
Exploration and evaluation assets	-	16,426,550	16,426,550
	$ 10,780	$ 16,450,381	$ 16,461,161

14. Supplemental disclosure with respect to cash flows

During the nine month period ended December 31, 2011 and 2010, the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	Nine month periods ended	
	December 31, 2011	December 31, 2010
Exploration and evaluation assets included in trade accounts payable and accrued liabilities	$72,442	$71,530
Exploration and evaluation share-based payments	$40,490	$23,601

15. Subsequent events

There were no material events subsequent to the period ended December 31, 2011, up to and including the date the board approved the financial statements.

16. Transition to IFRS

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements, making them the first interim financial statements of the Company under IFRS. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

16. Transition to IFRS (cont'd)

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", April 1, 2010 has been considered to be the date of transition to IFRS by the Company. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

Exemptions applied

The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

- IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before April 1, 2010.
- IFRS 2 "Share-based Payments" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company has elected not to apply IFRS 2 to awards that vested prior to April 1, 2010.
- IAS 21 "The Effects of Changes in Foreign Exchange Rates" has not been applied to cumulative translation differences that existed at the date of transition to IFRS. The Group has eliminated the cumulative translation difference and adjusted retained earnings by the same amount at the date of transition to IFRS. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

(Expressed in Canadian dollars - unaudited)

16. Transition to IFRS (cont'd)

Reconciliation of assets and liabilities at December 31, 2010

		As at December 31, 2010		
	Notes	Canadian GAAP	Effect of Transition	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 450,207	$ -	$ 450,207
Short-term investments		20,116,964	-	20,116,964
Accounts receivable and prepaid expenses		165,136	-	165,136
		20,732,307	-	20,732,307
Non-current assets				
Reclamation deposits	16(a)	21,390	(2,493)	18,897
Property and equipment	16(a)	19,339	(1,675)	17,664
Exploration and evaluation assets	16(a) (b) (c)	16,700,829	(1,193,202)	15,507,627
		16,741,558	(1,197,370)	15,544,188
TOTAL ASSETS		**$37,473,865**	**$ (1,197,370)**	**$ 36,276,495**
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities		$ 396,418	$ (7,215)	$ 389,203
Current portion of long-term debt		198,920	-	198,920
		595,338	(7,215)	588,123
Long term debt		1,745,389	-	1,745,389
		1,745,389	-	1,745,389
TOTAL LIABILITIES		**2,340,727**	**(7,215)**	**2,333,512**
SHAREHOLDERS' EQUITY				
Share capital		41,898,746	-	41,898,746
Reserves	16(a) (b)	8,780,092	(463,944)	8,316,148
Deficit	16(a) (b) (c)	(15,545,700)	(726,211)	(16,271,911)
TOTAL SHAREHOLDERS' EQUITY		**35,133,138**	**(1,190,155)**	**33,942,983**
TOTAL LIABILITIES AND SHARESHOLDER'S EQUITY		**$37,473,865**	**$ (1,197,370)**	**$ 36,276,495**

(Expressed in Canadian dollars - unaudited)

16. Transition to IFRS (cont'd)

Reconciliation of comprehensive loss for the nine month period ended December 31, 2010

	Notes	Canadian GAAP	Effect of Transition	IFRS
Expenses				
Director fees		$ 31,312	$ -	$ 31,312
Filing fees		11,825	-	11,825
Insurance		13,109	-	13,109
Investor relations		61,481	-	61,481
Management and consulting fees		358,164	-	358,164
Office and sundry		15,946	-	15,946
Professional fees		111,422	-	111,422
Rent		15,708	-	15,708
Share-based payments	16 (b)	457,985	(219,986)	237,999
Transfer agents		7,572	-	7,572
Travel and accommodations		56,161	-	56,161
		(1,140,685)	219,986	(920,699)
Other items				
Interest income		13,314	-	13,314
Interest expense	16 (c)	-	(71,530)	(71,530)
Foreign exchange gain (loss)		17,295		17,295
Impairment loss		(5,929)	-	(5,929)
Net loss for period		**$ (1,116,005)**	**$ 148,456**	**$ (967,549)**
Other comprehensive income (loss)				
Exchange differences on translating foreign operations		-	(379,325)	**$ (379,325)**
Total comprehensive income (loss)		**$ (1,116,005)**	**$ (230,869)**	**$ (1,346,874)**
Loss per share – basic and diluted		**$ (0.01)**		**$ (0.01)**
Weighted average number of common shares outstanding		**108,858,958**		**108,858,958**

16. Transition to IFRS (cont'd)

Notes to reconciliations

(a) Functional and presentation currency

IFRS requires that the functional currency of each entity in the consolidated Company be determined separately in accordance with the indicators outlined in IAS 21 "The Effects of Changes in Foreign Exchange Rates" and should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the subsidiaries of the Company that have operations in United States is the United States dollar. The consolidated financial statements are presented in Canadian dollars which is the Group's presentation currency.

Under IFRS, the results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of comprehensive income and are recognized in the profit or loss in the period in which the operation is disposed.

As permitted under IFRS 1, the cumulative impact as at April 1, 2010 was recorded as an increase to deficit.

(b) Share-based payments

The Company grants stock options that have a graded vesting schedule. Under Canadian GAAP, the Company accounted for grants of options with graded vesting as a single award and determined the fair value using the average life of the options granted. Stock-based compensation was recognized on a straight-line basis over the total vesting period. Under IFRS, the Company treats each installment as its own award. Therefore, each installment is measured and recognized separately.

(c) Interest expense

Under Canadian GAAP, amounts recorded in relation to the interest expense on the long term debt were capitalized to mineral property costs. Under IFRS, these amounts have been expensed because mineral property costs do not meet the definition of a qualifying asset.