

Redhawk Resources, Inc.

(An Exploration Stage Company)

Amended Interim Consolidated Financial Statements

December 31, 2010

(Canadian Funds)

(Unaudited)

Supplementary Information to the Amended Financial Statements and Management Discussion and Analysis for the interim period ended December 31, 2010

The December 31, 2010 Financial Statements have been amended for disclosures of the issuance of 1,733,355 warrants related to a financing in December 2010. Narrative disclosure and details are included in Note 10.

The substance of the amendment is based on a Black Scholes valuation for the warrants, a non-cash reallocation, and is as follows:

Shareholders Equity		As originally filed		Amendment		As Amended	
Share Capital	\$	42,523,576	\$	(624,830)	\$	41,898,746	
Warrants		5,192,839		624,830		5,817,669	
Stock options		2,962,423		-		2,962,423	
Deficit		(15,545,700)		-		(15,545,700)	
Total	\$	35,133,138	\$	-	\$	35,133,138	

Date: **March 23, 2011**

“Alec Peck”

Alec Peck
Chief Financial Officer

Notice of No Auditor Review of Amended Interim Consolidated Financial Statements

The accompanying amended 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 amended interim consolidated financial statements in accordance with the standards by the Canadian Institute of Chartered Accountants for a review of amended interim financial statements.

Redhawk Resources, Inc.
(An Exploration Stage Company)
Amended Interim Consolidated Balance Sheets

Canadian Funds
(Unaudited)

ASSETS	December 31, 2010	March 31, 2010 (audited)
Current		
Cash and cash equivalents	\$ 450,207	\$ 108,956
Term deposits <i>(Note 4)</i>	20,116,964	604,463
Accounts receivable and prepaid expenses	165,136	58,126
	<u>20,732,307</u>	<u>771,545</u>
Reclamation bond	21,390	17,130
Property and equipment <i>(Note 5)</i>	19,339	21,704
Resource properties <i>(Note 6)</i>	16,700,829	14,009,416
	<u>\$ 37,473,865</u>	<u>\$ 14,819,795</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 396,418	\$ 67,715
Current portion of long term debt	198,920	-
	<u>595,338</u>	<u>67,715</u>
Long term debt <i>(Note 7)</i>	1,745,389	1,920,607
	<u>2,340,727</u>	<u>1,988,322</u>
SHAREHOLDERS' EQUITY		
Share capital <i>(Note 8)</i>	41,898,746	23,732,923
Warrants <i>(Note 10)</i>	5,817,669	848,170
Stock options <i>(Note 9)</i>	2,962,423	2,680,072
Deficit	(15,545,700)	(14,429,692)
	<u>35,133,138</u>	<u>12,831,473</u>
	<u>\$ 37,473,865</u>	<u>\$ 14,819,795</u>

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 amended interim consolidated financial statements

Redhawk Resources, Inc.

(An Exploration Stage Company)

Amended Interim Consolidated Statements of Operations, Comprehensive Loss and Deficit

Canadian Funds
(unaudited)

	Three Months Ended December 31 2010		2009		Nine Months Ended December 31 2010		2009	
Administrative Costs								
Audit and accounting	\$	24,248	\$	15,360	\$	78,587	\$	58,798
Amortization		117		150		2,365		1,570
Consulting		9,120		-		146,780		-
Director fees		-		-		31,312		-
Filing fees		2,937		2,736		11,825		10,696
Insurance		3,844		4,908		13,109		15,371
Investor relations		25,202		24,657		61,481		66,619
Legal		6,979		10,104		32,835		12,907
Management fees and consulting		73,200		59,250		211,389		185,250
Office and sundry		5,893		3,309		13,579		8,410
Rent		6,393		2,100		15,708		6,300
Stock based compensation expense (Note 9)		141,752		102,217		457,985		229,591
Transfer agent		2,688		1,363		7,572		4,293
Travel and accommodation		39,376		384		56,161		7,817
Foreign exchange (gain) loss		(39,530)		(39,452)		(17,295)		(447,120)
Loss before the following		302,219		187,086		1,123,393		160,502
Other (income) expenses								
Interest income		(4,471)		(210)		(13,314)		(5,141)
Loss on write down of equipment		-		-		-		8,589
Impairment loss		-		-		5,929		42,185
Loss the period		297,748		186,876		1,116,008		206,135
Unrealized loss on security held for resale		-		830		-		830
Loss and comprehensive loss for the period before taxes		297,748		187,706		1,116,008		206,965
Mining exploration tax credit		-		-		-		(87,361)
Net loss and comprehensive loss for the period		297,748		187,706		1,116,008		119,604
Deficit – beginning of period		15,247,952		14,010,406		14,429,692		14,078,508
Deficit – end of period	\$	15,545,700	\$	14,198,112	\$	15,545,700	\$	14,198,112
(Income) loss per share – basic								
	\$	(0.003)	\$	(0.002)	\$	(0.010)	\$	(0.001)
(Income) loss per share – diluted								
	\$	(0.002)	\$	(0.002)	\$	(0.009)	\$	(0.001)
Weighted average shares outstanding-basic		113,075,976		85,192,170		108,858,958		82,417,638
Weighted average shares outstanding-diluted		124,363,955		92,994,923		119,326,629		88,886,265

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

Redhawk Resources, Inc.

(An Exploration Stage Company)

Amended Interim Consolidated Statements of Cash Flows

Canadian Funds

(unaudited)

	Three Months ended December 31 2010		2009		Nine Months Ended December 31 2010		2009	
Cash flows from operating activities								
Loss and comprehensive loss for the period	\$	(297,748)	\$	(187,706)	\$	(1,116,008)	\$	(119,604)
Items not affecting cash								
Amortization		117		150		2,365		1,570
Stock based compensation expense (Note 9)		141,752		102,217		457,985		229,591
Impairment loss		-		-		5,929		42,185
Unrealized loss on security held for resale		-		830		-		830
Loss on write down of equipment		-		-		-		8,589
Unrealized foreign exchange (gain) loss		(44,421)		-		23,702		-
		(200,300)		(84,509)		(626,027)		163,161
Changes in non-cash working capital		(96,749)		(144,141)		(7,393)		(107,797)
		(297,049)		(228,650)		(633,420)		55,364
Cash flows from (applied to) investing activities								
Term deposit		(16,944,050)		-		(19,512,501)		220,306
Reclamation bond		-		-		(4,260)		-
Resource property		(895,446)		(191,041)		(2,442,873)		(899,719)
		(17,839,496)		(194,041)		(21,959,634)		(679,413)
Cash flows from investing activities								
Share capital issued for cash, net of issuance costs		18,152,550		708,078		22,016,308		1,158,678
Share purchase warrants exercised		261,616		480,000		635,791		510,000
Stock options exercised		144,544		-		282,206		-
		18,558,710		1,188,078		22,934,305		1,668,678
Net increase (decrease) in cash and cash equivalents								
		422,165		765,387		341,251		1,044,629
Cash – beginning of period		28,042		290,857		108,956		11,615
Cash – end of period	\$	450,207	\$	1,056,244	\$	450,207	\$	1,056,244
Supplemental Schedule of Non-Cash Transactions								
Stock-based compensation capitalized in resource property	\$	4,700	\$	3,894	\$	25,383	\$	32,371
Shares issued for resource property	\$	-	\$	-	\$	-	\$	24,750
Accrued interest included in resource property	\$	24,060	\$	26,477	\$	72,632	\$	80,151

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

Redhawk Resources, Inc.

(An Exploration Stage Company)

Notes to Amended Interim Consolidated Financial Statements For the Nine Months Ended December 31, 2010 and 2009

Canadian Funds

(unaudited)

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 amended 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 amended 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 amended 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, 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.

Redhawk Resources, Inc.

(An Exploration Stage Company)

Notes to Amended Interim Consolidated Financial Statements For the Nine Months Ended December 31, 2010 and 2009

Canadian Funds
(Unaudited)

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 December 31, 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	December 2010	March 2010
Financial Assets			
Held for trading			
Cash and cash equivalents	Level 1	\$ 450,207	\$ 108,956
Term deposits	Level 1	\$ 20,116,964	\$ 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 institutions. 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 December 31, 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 December 31, 2010, the Company had cash and term deposits \$20,567,170 (March 2010 - \$713,419) to settle current liabilities of \$595,338 (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.

Redhawk Resources, Inc.

(An Exploration Stage Company)

Notes to Amended Interim Consolidated Financial Statements For the Nine Months Ended December 31, 2010 and 2009

Canadian Funds
(Unaudited)

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 December 31, 2010 and March 31, 2010, the Company was exposed to currency risk through the following financial liabilities denominated in US dollars:

	December 31, 2010 USD	March 31, 2010 USD
Long term debt	1,754,866	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\$194,431 (March 2010 – US\$188,295) in the Company's net income (loss).

4. Term Deposit

The Company holds \$20,116,964 (March 31, 2010 - \$604,463) in a term deposit. The Company holds term deposits which are redeemable, in full or in part, at any time prior to maturity at the option of the Company with no penalty.

Institution	Rate	December 31, 2010	March 31, 2010
Bank of Montreal	variable rate	\$ 10,000,000	\$-
Bank of Montreal	variable rate	8,300,000	-
Bank of Nova Scotia	fixed interest 0.67%	604,463	604,463
		<u>\$ 20,116,964</u>	<u>\$ 604,463</u>

5. Property and Equipment

December 31, 2010

	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 20,496	\$ 2,357	\$ 18,139
Computer equipment	6,670	5,470	1,200
	<u>\$ 27,166</u>	<u>\$ 7,827</u>	<u>\$ 19,339</u>

Redhawk Resources, Inc.

(An Exploration Stage Company)

Notes to Amended Interim Consolidated Financial Statements For the Nine Months Ended December 31, 2010 and 2009

Canadian Funds
(Unaudited)

	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
	<u>\$ 35,308</u>	<u>\$ 20,495</u>	<u>\$ 28,637</u>	<u>\$ 5,462</u>	<u>\$ 21,704</u>

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	-	575,513	575,513
Deferred exploration	-	1,694,470	1,694,470
Deferred general and administration	-	175,074	175,074
Deferred property development	-	146,447	146,447
Deferred property maintenance	5,929	74,526	80,455
Stock based compensation	-	25,383	25,383
Impairment loss	(5,929)	-	(5,929)
Balance December 31, 2010	<u>\$ -</u>	<u>\$ 16,700,829</u>	<u>\$ 16,700,829</u>

Redhawk Resources, Inc.

(An Exploration Stage Company)

Notes to Amended Interim Consolidated Financial Statements For the Nine Months Ended December 31, 2010 and 2009

Canadian Funds
(Unaudited)

	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)
	<hr/>	<hr/>	<hr/>
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 December 31, 2010 all costs have been written off.

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
	<hr/>
	\$ 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.

Redhawk Resources, Inc.

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Notes to Amended Interim Consolidated Financial Statements For the Nine Months Ended December 31, 2010 and 2009

Canadian Funds
(Unaudited)

6. Resource Properties - *continued*

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 December 31, 2010 on the Ramona properties totalling \$5,929 and for the year ended March 31, 2010 totalling \$42,185. This was the total amount recorded as acquisition and exploration costs for these properties to date.

7. Long Term Debt

	December 31, 2010		March 31, 2010	
	USD	CAD	USD	CAD
Long term debt	\$ 1,754,866	\$ 1,745,390	\$ 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 December 31, 2010 balance of \$1,745,390 (US\$ 1,754,866). 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 identified within the amended promissory note agreement is as follows:

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Notes to Amended Interim Consolidated Financial Statements For the Nine Months Ended December 31, 2010 and 2009

Canadian Funds
(Unaudited)

	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\$	<u>1,882,948</u>
	Accrued interest	382,738
	Interest payment	(310,820)
	Total Debt	US\$ <u>1,954,866</u>
	Current portion of long term debt	<u>(200,000)</u>
	Long term debt	US\$ <u>1,754,866</u>

8. Share Capital

Details are as follows:

Authorized: Unlimited common shares without par value

	<u>Number</u>	<u>Amount</u>
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	<u>94,917,695</u>	<u>\$ 23,732,923</u>
Shares issued for cash	38,129,860	24,012,251
Fair value of share purchase warrants (Note 10)	-	(4,498,275)
Share issue costs	-	(2,620,773)
Share purchase warrants exercised	3,186,607	635,791
Fair value of share purchase warrants exercised (Note 10)	-	153,606
Stock options exercised	1,126,625	282,206
Fair value of stock options exercised (Note 9)	-	201,017
Balance - December 31, 2010	<u>137,360,787</u>	<u>\$ 41,898,746</u>

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

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Notes to Amended Interim Consolidated Financial Statements For the Nine Months Ended December 31, 2010 and 2009

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8. Share Capital - *continued*

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.

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 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. (See note 17 for subsequent events).

On December 21, 2010 the Company completed an underwritten private placement for 26,667,000 units at a price of \$0.75 per unit for gross proceeds of \$20,000,250 and net proceeds of \$18,152,551. Each unit consists of one common share and one half transferable common share purchase warrant, each warrant entitling the holder to acquire one additional common share until December 21, 2012 at a price of \$1.00 per share. The underwriters were paid compensation options equivalent to 6.5% of the number of units of this offering. Each compensation option entitles the holder to purchase a unit at an exercise price of \$0.75 until December 21, 2012. Each unit purchased will entitle the holder to receive one share and one half of one non-transferable share purchase warrant. Each whole underlying warrant will then entitle the holder to purchase one common share at an exercise price of \$1.00 per common share until December 21, 2012.

During the nine months ended December 31, 2010, 3,186,607 warrants were exercised for cash proceeds totalling \$635,791. The following table details the share purchase warrants exercised during the period ending December 31, 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 13, 2010	50,000	\$0.23	\$11,500
October 13, 2010	100,000	\$0.23	\$23,000
November 10, 2010	71,429	\$0.50	\$35,714
November 16, 2010	50,000	\$0.23	\$14,375
November 19, 2010	62,500	\$0.50	\$25,000
November 24, 2010	111,428	\$0.50	\$55,714
December 9, 2010	468,750	\$0.23	\$107,813
September 30, 2010	<u>3,186,607</u>		<u>\$635,791</u>

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8. Share Capital - continued

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, 2010	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	483,368
Fair value of stock options exercised (Note 8)	(201,017)
Balance - December 31, 2010	\$ 2,962,423

- a) During the nine months ended December 31, 2010 1,126,625 stock options were exercised for cash proceeds totalling \$282,206. The following table summarizes information about the issued and outstanding stock options accounted for under the shareholders' equity as at December 31, 2010:

Number Outstanding March 31, 2010	Granted	Exercised	Forfeited	Number Outstanding December 31, 2010	Exercise Price Per Share	Expiry Date
420,000	-	420,000	-	-	\$ 0.16	July 8, 2010
1,000,000	-	200,000	-	800,000	\$ 0.60	February 27, 2011
300,000	-	-	-	300,000	\$0.60	August 1, 2011
16,000	-	-	-	16,000	\$0.17	August 1, 2011
84,000	-	26,000	-	58,000	\$0.25	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	\$0.17	July 5, 2012
100,000	-	-	-	100,000	\$0.25	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	\$0.17	December 10, 2012

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10,000	-	-	-	10,000	\$0.25	December 10, 2012
1,045,000	-	85,000	-	960,000	\$0.25	April 6, 2014
1,640,625	-	395,625	-	1,245,000	\$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
					\$ 0.17-	February 27, 2010 –
7,280,625	875,000	1,126,625	-	7,029,000 (1)	\$0.65	July 9, 2015

(1) At December 31, 2010 6,144,625 of these options are exercisable.

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	\$0.17	August 1, 2011
-	84,000	-	-	-	84,000	\$0.25	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	\$0.17	July 5, 2012
-	100,000	-	-	-	100,000	\$0.25	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	\$0.17	December 10, 2012
-	10,000	-	-	-	10,000	\$0.25	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
						\$ 0.16-	July 8, 2010 –
4,305,000	-	4,045,000	(69,375)	(1,000,000)	7,280,625 (1)	\$0.65	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, \$ 483,368 (2009- \$261,962) of the fair value has been recorded in the accounts of the Company during the period with 457,985 (2009-\$229,591) recognized on the consolidated statement of operations and comprehensive loss, \$25,383 (2009-\$32,371) capitalized to resource properties. This value is estimated at the date of the grant with the following weighted average assumptions:

	December 31, 2010	December 31, 2009
Average risk-free interest rate	2.78	3.02%
Expected dividend yield	-	-
Expected stock price volatility	81.87%	83.88%
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.

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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

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 December 31, 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)	21,664,961	5,123,105
Share purchase warrants exercised (Note 8)	(3,186,607)	(153,606)
Balance - December 31, 2010	25,165,854	\$ 5,817,669

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

Number Outstanding March 31, 2010	Issued	Exercised	Expired	Number Outstanding December 31, 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	-	953,750	-	3,733,750	\$ 0.23	December 22, 2011
-	5,731,430	232,857	-	5,498,573	\$ 0.50	April 30, 2012
-	1,733,355	-	-	1,733,355	\$ 0.75	December 21, 2012
-	14,200,176	-	-	14,200,176	\$ 1.00	December 21, 2012
12,420,500	21,664,961	3,186,607	5,733,000	25,165,854	\$0.23 - \$1.00	December 22, 2011 - December 21, 2012

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

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

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.

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 December 31, 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.

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. (See subsequent events note 17)

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

On December 21, 2010 the Company issued 14,200,176 transferable common share purchase warrants. These warrants have been valued at \$3,711,132 based on the Black Scholes model which utilizes the following assumptions: expected dividend yield of nil, expected stock price volatility of 98.93% and risk free interest rate of 1.38%, the expected life of warrants of 2 years. The share purchase warrants expire on December 21, 2012. On December 21, 2010 the Company issued 1,733,355 non-transferable common share purchase warrants. These warrants have been valued at \$624,830 based on the Black Scholes model which utilizes the following assumptions: expected life of warrants 2 years, yield of nil, expected stock price volatility of 98.93% and risk free interest rate of 1.38%. The share purchase warrants expire on December 21, 2012.

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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
	\$	<u>4,995,190</u>

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 December 31, 2010 are as follows:

- Consulting fees totalling \$21,000 (2009-\$21,000) for services provided by the Chief Financial Officer of the Company. The balance owing at December 31, 2010 is nil.
- Consulting fees totalling \$112,500 (2009-\$45,000) were paid to a Company controlled by the managing director of the Company. The balance owing at December 31, 2010 is nil.
- Director fees totalling \$31,312 were paid to a director of the Company.
- Consulting fees totalling US\$130,000 (2009- US\$49,800) were paid to the president and director of the Company. The balance owing at December 31, 2010 is \$24,000.
- Rent and office supplies totalling \$8,588 (2009- \$5,200) was charged to a company with common management. The amount receivable at December 31, 2010 is \$4,290, 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	11,295
2012	45,180
2013	<u>15,060</u>
\$	<u>71,535</u>

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:

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Canadian Funds
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14. Segmented Information - *continued*

	Three Months Ended		Nine Months Ended	
	December, 2010	December , 2009	December , 2010	December , 2009
Net loss (income) by geographic area				
USA	\$ (63)	\$ 175	\$ 7,827	\$ 224
Canada	297,812	187,530	1,108,181	119,380
	<u>\$ 297,479</u>	<u>\$ 187,705</u>	<u>\$ 1,116,008</u>	<u>\$ 119,604</u>

Assets by geographic area	December 2010		March 2010	
	\$		\$	
USA	\$ 16,884,777		\$ 14,091,023	
Canada	20,589,088		728,722	
	<u>\$ 37,473,865</u>		<u>\$ 14,819,795</u>	

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's 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

Subsequent to December 31, 2010, the Company relinquished its right to effect an accelerated expiry of the warrants issued as part of the Company's private placement completed April 30, 2010. The 5,731,430 warrants affected by this change have an exercise price of \$0.50 per common share and will expire on April 30, 2012. These warrants were originally subject to an accelerated expiry at the Company's discretion 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.

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*Canadian Funds
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17. Subsequent Events - *continued*

- a) The Company has granted a total of 1,235,000 incentive stock options under its Stock Option Plan to directors, officers, and consultants at a price of \$0.79 expiring February 11, 2016.
 - b) Subsequent to December 31, 2010, 325,000 warrants were exercised for cash proceeds totalling \$162,500, 312,500 stock options were exercised for cash proceeds totalling \$185,250, also 500,000 stock options were granted for an exercise price of \$0.75.
-