Redhawk Resources, Inc.

(A Development Stage Company)

Interim Consolidated Financial Statements

September 30, 2006 and 2005

Unaudited

NOTICE

These interim consolidated financial statements for the six months ended September 30, 2006 of Redhawk Resources, Inc. have been prepared by management and have not been subject to review by the Company's auditors.

Redhawk Resources, Inc.
(A Development Stage Company)
Interim Consolidated Balance Sheets
As at
Canadian Funds
Unaudited

ASSETS		**September 30, 2006**		September 30, 2005		March 31, 2006 Audited
Current						
Cash and term deposits	**$**	**2,623,558**	$	2,,494.036	$	3,510,835
Short-term investments		**8,866**		8,866		8,866
Accounts receivable and prepaid expenses		**77,300**		226,275		80,441
		2,709,724		2,729,177		3,600,142
Reclamation Bond		**11,640**		-		11,640
Property and Equipment *(Note 4)*		**66,818**		21,748		80,277
Resource Properties- *Schedule (Note 3)*		**6,504,294**		3,500,687		5,546,565
	$	**9,292,476**	$	6,251,612	$	9,238,624

LIABILITIES						
Current						
Accounts payable and accrued liabilities	**$**	**351,655**	$	212,592	$	342,380

SHAREHOLDERS' EQUITY						
Share Capital - *(Note 6)*		**13,493,446**		9,437,030		12,742,021
Contributed Surplus *(Note 6 (b))*		**963,076**		502,137		668,937
Deficit – *Statement 2*		**(5,515,701)**		(3,900,147)		(4,514,714)
		8,940,821		6,039,020		8,896,244
Commitments - *(Note 10)*						
	$	**9,292,476**	$	6,251,612	$	9,238,624

ON BEHALF OF THE BOARD:

Director: "Frederick W. Davidson"

Director: "Bruce M. Briggs"

The accompanying notes form an integral part of these financial statements

Statement 2

Redhawk Resources, Inc.

(A Development Stage Company)

Interim Consolidated Statements of Operations and Deficit
For the Six Months Ended September 30

Canadian Funds

Unaudited

	Three Months ended September 30		Six Months Ended September 30	
	2006	2005	**2006**	2005
Administrative Costs				
Audit and accounting	**$ 38,102**	$ 2,500	**$ 46,011**	$ 5,000
Amortization	**4,956**	1,683	**9,729**	2,056
Filing fees	**50**	28,796	**39,319**	28,896
Insurance	**7,607**	3,781	**15,582**	7,521
Investor relations	**27,699**	22,003	**64,294**	38,182
Legal	**41,487**	92,137	**142,562**	125,240
Management fees and consulting	**90,773**	70,500	**183,173**	103,000
Office and sundry	**15,185**	1,991	**36,696**	12,614
Office services	**17,765**	12,265	**30,485**	14,054
Rent	**24,336**	3,795	**49,145**	7,590
Stock based compensation expense - *(Note6(b) and 7)*	**300,417**	68,289	**386,563**	130,761
Transfer agent	**2,460**	5,887	**7,879**	6,549
Travel and accommodation	**25,506**	517	**34,970**	2,922
Loss Before the Following	**596,343**	314,144	**1,046,408**	484,385
Other Expenses (Income)				
Interest income	**(26,670)**	(684)	**(50,439)**	(2,561)
Income and other taxes	**-**	319	**-**	311
Loss on disposal of capital assets	**-**	-	**5,018**	-
Write-off of resource properties	-	754	**-**	7,708
	(26,670)	389	**(45,421)**	5,458
Loss for the Period	**569,673**	314,533	**1,000,987**	489,843
Deficit - Beginning of Period	**4,946,028**	3,585,614	**4,514,714**	3,410,304
Deficit - End of Period	**$ 5,515,701**	$ 3,900,147	**$ 5,515,701**	$ 3,900,147
Loss per Share – Basic and diluted	**$ 0.01**	$ 0.01	**$ 0.02**	$ 0.02

The accompanying notes form an integral part of these financial statements

Redhawk Resources, Inc.

Statement 3

(A Development Stage Company)

Interim Consolidated Statements of Cash Flows
For the Six Months Ended September 30

Canadian Funds

Unaudited

Cash Resources Provided by (Used in)	Three Months ended September 30 **2006**	2005	Six Months Ended September 30 **2006**	2005
Operating Activities				
Loss for the period	**$ (569,673)**	$ (314,533)	**$ (1,000,987)**	$ (489,843)
Items not affected by cash				
Amortization	**4,956**	1,683	**9,729**	2,056
Stock-based compensation expense	**300,417**	68,289	**386,563**	130,761
Loss on disposal of capital assets	**-**	-	**5,018**	-
Write-off of resource properties	**-**	754	**-**	7,708
Changes in non-cash working capital	**200,796**	(68,944)	**12,416**	(49,218)
	(63,504)	(312,751)	**(587,261)**	(398,536)
Investing Activities				
Property, plant and equipment	**(623)**	(17,480)	**(1,287)**	(17,962)
Resource property expenditures	**(633,136)**	(471,211)	**(951,729)**	(548,262)
	(633,759)	(488,691)	**(953,016)**	(566,224)
Financing Activities				
Share capital	**75,000**	2,575,050	**653,000**	2,575,050
Net Increase (Decrease) in Cash	**(622,263)**	1,773,608	**(887,277)**	1,610,290
Cash position - Beginning of Period	**3,245,821**	720,428	**3,510,835**	883,746
Cash Position - End of Period	**$ 2,623,558**	$ 2,494,036	**$ 2,623,558**	$ 2,494,036
Non-Cash Financing/Investing Activities				
Stock-based compensation included in contributed surplus	**$ 300,417**	$ 68,289	**$ 386,563**	$ 130,761
Transfer from contributed surplus to share capital	**$ (92,425)**	$ -	**$ (92,425)**	$ -
Shares issued for finder's fee	**$ -**	$ 135,000	**$ -**	$ 135,000
Shares issued for resource properties	**$ -**	$ -	**$ 6,000**	$ 6,000

The accompanying notes form an integral part of these financial statements

Redhawk Resources, Inc.

(A Development Stage Company)

Interim Consolidated Schedule of Resource Properties
For the Six Months Ended September 30

Canadian Funds

Unaudited

	Three months ended September 30		Six months ended September 30	
	2006	2005	**2006**	2005
Red Bird, Kootenay Land District, B.C. - *(Note 3 (a))*				
Deferred Expenditures				
Camp and general	**$ -**	$ -	**$ 332**	$ -
Engineering and consulting	**34,261**	440	**48,019**	985
Field costs	**-**	1,423	**344**	1,873
Permits and fees	**1,004**	-	**1,004**	1,804
Travel and accommodations	**540**	-	**540**	-
	35,805	1,863	**50,239**	4,662
Reeves, Kootenay Land District, B.C. - *(Note 3 (c))*				
Deferred Expenditures				
Assaying	**3,104**	-	**3,104**	-
Engineering and consulting	**-**	-	**675**	110
Field costs	**480**	830	**960**	1,280
	3,584	830	**4,739**	1,390
Ramona, Nevada, USA - *(Note 3 (e))*				
Acquisition costs	**-**	-	**28,146**	24,615
Deferred Expenditures				
Engineering and consulting	**-**	4,553	**-**	10,548
Field costs	**-**	6,105	**-**	6,327
Permit and fees	**5,755**		**5,755**	
Vehicles	**-**	170	**-**	980
	5,755	10,828	**5,755**	17,855
	5,755	10,828	**33,901**	42,470
Alien, Nevada, USA - *(Note 3 (d))*				
Deferred Expenditures				
Camp and general	**-**	-	**-**	654
Engineering and consulting	**1,500**	1,475	**1,500**	3,150
Field costs	**-**	652	**-**	1,853
Government fees	**28,609**	-	**28,609**	-
Permits and fees	**-**	30,351	**-**	30,351
Travel and accommodation	**-**	-	**-**	-
Vehicles	**-**	668	**-**	1,137
	30,109	33,146	**30,109**	37,145
Subtotal	**$ 75,253**	$ 46,667	**$ 118,988**	$ 85,667

Redhawk Resources, Inc.

Schedule

(A Development Stage Company)

Interim Consolidated Schedule of Resource Properties

For the Six Months Ended September 30

Canadian Funds

Unaudited

	Three months ended September 30		Six months ended September 30	
	2006	2005	**2006**	2005
Balance forward	**$ 75,253**	$ 46,667	**$ 118,988**	$ 85,667
Copper Creek, Arizona, USA - *(Note 3 (f & g))*				
Acquisition costs	**44,868**	300,000	**44,868**	300,000
Deferred Expenditures				
Assaying	**29,953**	-	**48,337**	-
Camp and general	**577**	2,166	**1,141**	6,504
Engineering and consulting	**425,797**	66,962	**661,609**	95,613
Field costs	**20,394**	26,169	**38,896**	27,572
Permits and fees	**30,566**	24,802	**30,843**	24,802
Travel and accommodation	**-**	647	**-**	1,457
Vehicles	**5,728**	3,044	**13,047**	4,939
	513,015	123,790	**793,873**	160,887
	557,883	423,790	**838,741**	460,887
Other Properties - *(Note 3)*				
Deferred Expenditures				
Assaying and laboratory	**-**	-	**-**	3,242
Engineering and consulting	**-**	220	**-**	3,139
Field costs	**-**	534	**-**	1,327
	-	754	**-**	7,708
Write-off of resource properties	**-**	(754)	**-**	(7,708)
	-	-	**-**	-
Deferred Exploration Costs for the Period	**633,136**	471,211	**957,729**	554,262
Write-off of Resource Properties for the Period	**-**	(754)	**-**	(7,708)
	633,136	470,457	**957,729**	546,554
Balance – Beginning of Period	**5,871,158**	3,030,230	**5,546,565**	2,954,133
Balance – End of Period	**$ 6,504,294**	$ 3,500,687	**$ 6,504,294**	$ 3,500,687

1. Nature of Operations

Redhawk Resources, Inc. (the "Company") engages principally in the acquisition, exploration and development of resource properties. As discussed in the notes to the financial statements, the recovery of the Company's investment in resource properties and the attainment of profitable operations is dependent upon the discovery and development of economic ore reserves and the ability to arrange sufficient financing to bring the ore reserves into production. The ultimate outcome of these matters cannot presently be determined because they are contingent on future events.

---

2. Significant Accounting Policies

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Redhawk Resources (USA) Inc., located in Nevada, USA and Redhawk Copper, Inc., located in Arizona, USA. These subsidiaries have been accounted for using the purchase method. All inter-company transactions and balances have been eliminated.

b) Mineral Operations

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

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

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

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of knowledge, title to all of its properties is in good standing.

c) Property Option Payments

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

d) Loss per Share

Loss per share amounts have been calculated and presented in accordance with the recommendations of the Canadian Institute of Chartered Accountants. Basic earnings per share are computed by dividing income available to common shareholders by the weighted average number of shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

2. Significant Accounting Policies – *continued*

e) Management's Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

f) Investments

Investments in which the Company has less than a 20% interest and does not have significant influence are recorded at the lower of cost or market value. Investments are written down to market value when the decline in market value is deemed to be other than temporary.

g) Future Income Taxes

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

h) Stock-Based Compensation

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

i) Share Capital

i) The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant are enabled the holder to purchase a share in the Company.

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

j) Property and equipment

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

k) Cash and Cash Equivalents

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

2. Significant Accounting Policies - *continued*

l) Asset Retirement Obligations

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

When estimating the costs that are expected to be incurred, there are many factors to be considered such as the extended period over which the costs are to be incurred, the discount factors, and significant judgments and estimates. As such the fair value of the retirement obligations could change materially from year to year. In addition, changes in laws and regulations could cause significant changes in the expected costs and the related fair value.

During the year, management determined that there was no change to the estimates for asset retirement.

m) Foreign currency translation

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

n) Variable Interest Entities

The Accounting Standards Board (AcSB) issued Accounting Guideline AcG 15 “Consolidation of Variable Interest Entities”, to harmonize the Guideline with the equivalent FASB Interpretation No. 46R, “Consolidation of Variable Interest Entities” (“VIE”). The Guideline provides criteria for identifying VIEs and further criteria for determining what entity, if any, should consolidate them. The Guideline is effective for annual and interim periods beginning on or after April 1, 2005, and upon adoption, will not materially impact the Company’s results of operations and financial position.

o) Risk management

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

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

The Company’s functional currency is the Canadian dollar. The Company operates in foreign jurisdictions, giving rise to significant exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

---

3. Fair Value of Financial Instruments

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

---

4. Property and Equipment

	(Unaudited) September 30, 2006			(Audited) Mar 31, 2006		
	Cost	Accumulated Amortization	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 34,646	7,281	$ **27,365**	$ 36,723	4,756	$ **31,967**
Computer equipment	22,794	7,974	**14,820**	25,135	5,596	**19,539**
Software	33,848	9,215	**24,633**	33,848	5,077	**28,771**
	$ 91,288	24,470	$ **66,818**	$ 95,706	15,429	$ **80,277**

5. Resource Properties

	September 30 2006	September 30 2005
Red Bird – Kootenay Land District, B.C.		
Acquisition	$ **90,151**	$ 90,151
Exploration and development	**2,153,807**	2,066,266
Recoveries	**(223,151)**	(223,151)
	2,020,807	1,933,266
Red Bird Extension – Kootenay Land District, B.C.		
Acquisition	**58,476**	58,476
Reeves – Kootenay Land District, B.C.		
Acquisition	**323,851**	266,356
Exploration and development	**338,662**	331,381
Recoveries	**(257,690)**	(257,690)
	404,823	340,047
Ramona – Nevada, USA		
Acquisition	**73,367**	45,221
Exploration and development	**71,608**	58,171
	144,975	103,392
Alien - Nevada, USA		
Acquisition	**60,605**	35,005
Exploration and development	**600,604**	569,614
	661,209	604,619
Copper Creek – Arizona, USA		
Acquisition	**1,865,929**	300,000
Exploration and development	**1,348,075**	160,887
	3,214,004	460,887
Other Properties		
Exploration and development	**269,378**	270,132
Write-off of resource properties	**(223,614)**	(224,368)
Recoveries	**(45,764)**	(45,764)
	-	-
Total	$ **6,504,294**	$ 3,500,687

5. Resource Properties - *continued*

a) Red Bird - Kootenay Land District

The May 25, 1985 mineral lease granting the rights to explore and develop the Diem claims has been superseded by a purchase and sales agreement dated April 22, 1993. Under this Agreement, the Company purchased 100% of the Diem claims for US$30,000 (paid) subject only to a 2 1/2% net smelter return royalty with a cumulative maximum of US$1,000,000.

b) Red Bird Extension - Kootenay Land District

On January 31, 1996, the Company acquired a 100% interest in a 32-unit property, adjacent to its Red Bird property, from G. Klein for the payment of $15,000 cash, the issuance of 100,000 shares at fair value of $65,000 and the granting of a 2% net smelter return royalty to the vendor. The Company, at any time, can purchase 75% of that net smelter royalty for $1,500,000, which would result in a remaining net smelter royalty of 0.5%.

c) Redhawk-Reeves Agreement

Under the Reeves agreement, as amended February 27, 2002, the Company has an option to purchase the Reeves property, on or before February 15, 2009, by paying US$2,300,000 on or before February 15, 2007, increasing by US$300,00o each subsequent year. The Company has the option to extend the exercise date annually by paying US$50,000 (paid February 2006) on or before February 15th. To date, the Company has paid a total of US $295,000 to keep the option in good standing. As part of this agreement Reeves subscribed for a $100,000 private placement of 250,000 common shares of the Company at $0.40 per share.

d) Alien Agreement

On October 3, 2003, the Company optioned to acquire a 100% interest, subject to a net smelter royalty of up to 3%, in a long-term mineral lease in 16 unpatented mining claims located in Nye County, Nevada, known as the Alien Gold project. In consideration, over an initial six-year period, the Company will make advance royalty payments of US$100,000 (US$38,500 paid), incur exploration expenditures of US$725,000 (US$436,600 completed) and issue 500,000 shares (150,000 shares issued). Thereafter, the Company shall make a series of minimum advance royalty payments on an annual basis.

e) Ramona Agreement

In May 2004, the Company optioned to purchase the Ramona Gold project in Nevada from a third party. The Company can acquire 100% interest in the property by spending US$32,000 over two years (US$59,230 spent), by paying US$770,000 in advance royalty payments over 16 years (US$50,000 paid), by issuing to the third party a total of 100,000 (50,000 issued) shares of the Company in years two to five, and by paying up to a 4% net smelter royalty from commercial production. The Company has the right to reduce the 4% net smelter royalty to 2% at any time by paying the third party US$1,200,000.

f) Copper Creek Agreement

In November 2005, the Company closed the acquisition of the Copper Creek property in Arizona by signing a letter agreement with AMT International Mining Corporation, to purchase the property for a total purchase price of $1.6 million (paid) and annual advance royalty payments of $125,000 per year while the Company retains interest in the property, the first of which has been paid during the year. Upon commercial production, the Company will have to pay a 2.25% royalty payment until a total of $25,000,000, in combined advance royalty and royalty payments have been made to AMT.

g) D & G Mining Agreement

In November 2005, the Company also entered into a lease to purchase agreement with a third party for an additional property within the Copper Creek boundaries. The Company has paid US$80,000 and will pay a further US$80,000 for years one and two and US$100,000 for years three to fifteen. The Company has the option to purchase the property prior to the first anniversary for US$1,200,000. The purchase price increases by US$200,000 per year each subsequent anniversary until year 15. All yearly lease payments made prior to exercising the option to purchase will be applied as credits toward the purchase price in the year the Company exercises its property purchase option.

6. Share Capital

a) Details are as follows:

Authorized:
Unlimited common shares without par value

	Number		Amount
Balance, March 31, 2005	21,058,820	$	6,855,980
Shares issued for resource properties	75,000		20,000
Share purchase warrants exercised	1,725,000		727,500
Private placements	23,167,000		5,275,050
Finder's fee	1,140,000		243,000
Share issue costs	-		(379,509)
Balance, March 31, 2006	47,165,820		12,742,021
Shares issued for resource properties (i)	25,000		6,000
Share purchase warrants exercised	1,125,000		427,500
Stock options exercised	875,000		317,925
Balance, September 30, 2006	49,190,820	$	13,493,446

i. On April 15, 2004, the Company closed a private placement issuing 2 million units at $0.30 per unit to raise $600,000. Each unit consists of one common share and one share purchase warrant. Each warrant may be exchanged for one common share at $0.35 until April 14, 2005 and thereafter at a price of $0.45 per share until October 14, 2005. The company paid $38,400 and issued 160,000 non-transferable warrants as a finder's fee.

ii. From May 2004 to October 2004, 2,669,000 common shares were issued at $0.10 per share on the exercise of warrants for proceeds of $266,900

iii. In September 27, 2004, 150,000 common shares were issued at $0.135 per share on the exercise of warrants for proceeds of $20,250

iv. In November 2004, 50,000 common shares were issued at a deemed price of $0.135 for option payment under the Alien Agreement (Note 5)

v. On September 26, 2005 the Company closed a private placement issuing 17,167,000 units at a price of $0.15 per unit, to raise proceeds of $2,575,050. Each unit is composed of one common share and one share purchase warrant, each warrant entitling the holder to purchase an additional common share of Redhawk at a price of $0.30 per share up to September 26, 2007.

In consideration of arranging the private placement, WestPoint Merchant Ventures Inc. of Vancouver, B.C. received a finder's fee by the issuance of 900,000 units of Redhawk. Each finder's unit has the same terms and conditions as the units issued to the placees. This has been valued at $135,000 as a finder's fee.

vi. On November 15, 2005, the Company issued, to an unrelated party, a total of 50,000 common shares at a value of $0.28 under the terms of the Alien Agreement (Note 5)

vii. In February 2006, 1,625,000 shares were issued on the exercise of warrants as follows: 1,400,000 common shares were issued at $0.45 on exercise of warrants for proceeds of $630,000 and 225,000 common shares were issued at $0.30 on exercise of warrants for proceeds of $67,500

viii. In March 2006, 100,000 common shares were issued at $0.30 on exercise of warrants for proceeds of $30,000.

6. Share Capital - ***continued***

ix. On March 30, 2006 the Company closed a private placement issuing 6 million units at $0.45 per unit to raise $2.7 million. Each unit consists of one common share and one share purchase warrant. Each warrant may be exchanged for one common share at $0.65 if exercised within the first 12 months from the date of issue and at $0.85 thereafter up to 24 months from the date of issue. In addition, a finder's fee of $108,000 and 240,000 shares at $0.45 per share was paid for arranging this financing. The 240,000 shares have been valued at $108,000 as finders' fees.

x. On March 26, 2006, the Company issued 25,000 common shares at a value of $0.24 under the terms of the Ramona agreement (Note 5) as follows; 12,500 shares to an officer of Redhawk Copper, Inc. and 12,500 common shares to an unrelated party.

xi. For the six months ended September 30, 2006 $92,425 increased Share Capital from a transfer contributed surplus resulting from the exercise of 385,000 options previously calculated for the Black-Scholes rules on stock options.

b) Contributed Surplus

Balance, March 31, 2005	$	371,376
Fair value of stock options issued		297,561
Balance, March 31, 2006		668,937
Fair value of stock options issued		86,147
Balance, June 30, 2006		755,084
Fair value of stock options issued		300,417
Transferred to share capital on options exercised		(92,425)
Balance, September 30, 2006	$	963,076

c) Share Purchase Warrants

i. Under an agreement dated July 8, 2002, ZincOx Resources plc, in consideration of technical and metallurgical support, was granted an option to purchase an additional 600,000 shares in the Company at any time during the next four years, at a price of $0.35 per share for the first two years and $0.50 for the following two years. Subsequent to the year end these options to purchase shares expired without being exercised.

ii. On December 30, 2003, 4,762,665 warrants were issued with respect to a non-brokered private placement. Each warrant entitled the holder to purchase an additional share of the Company until December 30, 2004 at a price of $0.35 per share. In December 2004, the Company extended the warrants until June 15, 2005, and the warrants expired without exercise.

iii. On April 15, 2004, 2,000,000 warrants were issued with respect to a non-brokered private placement. Each warrant entitles the holder to acquire one common share at a price of $0.35 per share until April 14, 2005 and thereafter at a price of $0.45 per share until October 14, 2005. The Company paid $38,400 and issued 160,000 non-transferable warrants as a finder's fee. The finders fee warrants expired during the year. In October 2005, the Company extended the April private placement warrants until April 14, 2006. During the current year a total of 1,400,000 warrants were exercised for consideration of $630,000. Subsequent to year-end, the remaining 600,000 warrants were exercised for total proceeds of $270,000.

iv. On September 26, 2005, as part of a private placement, the Company issued 17,167,000 warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.30 per share until September 26, 2007. The Company paid a finder's fee of 900,000 shares at a price of $0.15 per share, and issued 900,000 warrants exercisable at $0.30 per share until September 26, 2007. During the year a total of 325,000 warrants were exercised for consideration of $97,500. Subsequent to year-end, 525,000 warrants were exercised for total proceeds of $157,500.

v. On March 30, 2006 the Company closed a private placement issuing 6 million units at $0.45 per unit to raise $2.7 million. Each unit consists of one common share and one share purchase warrant. Each warrant may be exchanged for one common share at $0.65 if exercised within the first 12 months from the date of issue and at $0.85 thereafter up to 24 months from the date of issue.

6. Share Capital - *continued*

vi. During the year ended March 31, 2006, 1,400,000 warrants at a price of $0.45 and 325,000 warrants at a price of $0.30 were exercised.

vii. During the three months ended June 30, 2006, 525,000 warrants at a price of $0.30 and 600,000 warrants at a price of $0.45 were exercised.

viii. During the three months ended September 30, 2006, 600,000 warrants with an exercise price of $0.50 expired on July 8, 2006.

Number Outstanding March 31, 2006	Granted	Exercised	Cancelled	Expired	Number Outstanding September 30, 2006	Exercise Price Per Share	Expiry Date
600,000	-	-	-	600,000	-	$ 0.50	July 8, 2006
600,000	-	600,000	-	-	-	$0.30	April 14, 2006
17,217,000	-	525,000	-	-	17,217,000	$0.30	Sept 26, 2007
6,000,000	-	-	-	-	6,000,000	$ 0.65 to Mar 24, 07 $0.85 From Mar 24, 08	Mar 30, 2008
23,817,000	-	1,125,000	-	600,000	23,217,000	$ 0.16-$0.60	April 14, 2005 – March 30, 2008

7. Share Purchase Options

The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant. Options shall be exercisable ("vested") as to 25% on the date of grant of the Option and 12.5% every quarter thereafter.

a) A summary of the Company's options at September 30, 2006 and the changes for the period are as follows:

Number Outstanding March 31, 2006	Granted	Exercised	Cancelled	Expired	Number Outstanding September 30, 2006	Exercise Price Per Share	Expiry Date
1,220,000	-	540,000	-	-	680,000	$ 0.25	March 5, 2008
1,240,000	-	235,000	-	-	1,005,000	$ 0.30	January 19, 2009
100,000	-	100,000	-	-	-	$ 0.20	May 12, 2009
50,000	-	-	-	-	50,000	$ 0.25	June 28, 2009
150,000	-	-	-	-	150,000	$ 0.35	March 17, 2010
50,000	-	-	-	-	50,000	$ 0.30	April 13, 2010
420,000	-	-	-	-	420,000	$ 0.16	July 8, 2010
425,000	-	-	-	-	425,000	$ 0.22	July 21, 2010
1,250,000	-	-	-	-	1,250,000	$ 0.60	February 27,2011
-	1,335,000	-	-	-	1,335,000	$0.60	August 1, 2011
4,905,000	1,335,000	875,000	-	-	5,365,000	$ 0.16-$0.60	March 5, 2008 – August 1, 2011

i. In March 2003, the Company granted additional stock options under its Stock Option Plan to directors and employees exercisable for up to 1,220,000 shares of the Company. The options are exercisable on or before March 5, 2008. During the March of 2004 year-end, 5,000 of these options were cancelled.

ii. In January 2004, the Company granted additional stock options under its Stock Option Plan to directors and employees exercisable for up to 1,240,000 shares of the Company. The options are exercisable on or before January 19, 2009. In

7. Share Purchase Options- *continued*

October 2004, the Company re-priced these options to $0.30 per share from $0.40 per share. The estimated value of these stock options is $409,447 on the grant date.

iii. In May 2004, the Company granted additional stock options under its Stock Option Plan to a consultant exercisable for up to 100,000 shares of the Company, with an estimated value of $14,828 on the grant date. The options are exercisable on or before May 12, 2009, at a price of $0.20 per share.

iv. In June 2004, the Company granted additional stock options under its Stock Option Plan to a consultant exercisable for up to 50,000 shares of the Company, with an estimated value of $9,561 on the grant date. The options are exercisable on or before June 28, 2009, at a price of $0.25 per share.

v. In March 2005, the Company granted additional stock options under its Stock Option Plan to consultants exercisable for up to 150,000 shares of the Company, with an estimated value of $31,971 on the grant date. The options are exercisable on or before March 17, 2010, at a price of $0.35 per share.

vi. In April 2005, the Company granted additional stock options under its Stock Option Plan to consultants exercisable for up to 50,000 shares of the Company, with an estimated value of $6,864 on the grant date. The options are exercisable on or before April 13, 2010, at a price of $0.30 per share.

vii. In July 2005, the Company granted additional stock options under its Stock Option Plan to consultants exercisable for up to 420,000 shares of the Company, with an estimated value of $64,662 on the grant date. The options are exercisable on or before July 8, 2010, at a price of $0.16 per share.

viii. In July 2005, the Company granted incentive stock options under its Stock Option Plan to directors and a consultant exercisable for up to 425,000 shares of the Company, with an estimated value of $74,087 on the grant date. The options are exercisable on or before July 21, 2010, at a price of $0.22 per share.

ix. In February 2006, the company granted additional stock options under its Stock Option Plan to directors and a consultant exercisable for up to 1,250,000 shares of the Company, with an estimated value of $750,000 on the grant date. The options are exercisable on or before February 11, 2011, at a price of $0.60 per share.

x. In August 2006, the company granted additional stock options under its Stock Option Plan to directors, consultants and an employee exercisable for up to 1,335,000 shares of the Company, with an estimated value of $801,000 on the grant date. The options are exercisable on or before August 1, 2011, at a price of $0.60 per share.

xi. During the three months ended June 30, 2006, 440,000 shares at $0.25 and 135,000 shares at $0.30 were issued on the exercise of options.

xii. During the three months ended September 30, 2006, 100,000 shares at $0.25, 100,000 shares at $0.30 and 100,000 shares at $0.20 were issued on the exercise of options.

b) The fair value of stock options used to calculate compensation for employees is estimated using the Black-Scholes Option Pricing Model. Since the options were granted under a graded vesting schedule, $386,563 (2005 - $62,472) of the fair value has been recorded in the accounts of the Company during the six months period. The offsetting entry is to contribute surplus *(Note 6(b))*. This value is estimated at the date of the grant with the following weighted average assumptions:

Number of options granted	1,240,000	100,000	50,000	150,000	50,000	420,000	425,000	1,250,000	1,335,000
Risk-free interest rate	3.71%	4.14%	4.45%	4.19%	3.30%	3.35%	3.35%	4.07%	4.01%
Expected dividend yield	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Expected stock price volatility	108.912%	118.486%	119.745%	113.308%	90.120%	90.279%	91.50%	92.98%	97.61%
Expected option life in years	5	5	5	5	5	5	5	5	5

7. Share Purchase Options- *continued*

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

8. Income Taxes

a) The Company has accumulated non-capital losses for income tax purposes of approximately $2,204,863 as at March 31, 2006 that may be used to reduce future taxable income. These losses expire as follows:

2009	$	199,618
2010		180,183
2014		430,523
2015		286,762
2016		1,033,073
2017		74,704
	$	2,204,863

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

Future income tax assets		**March 31, 2006**		March 31, 2005
Statutory tax rate *(* Weighted Average - 2006)*		**36.06%**		34.12%
Non-capital losses	**$**	**755,198**	$	374,326
Equipment		**(18,555)**		2,902
Exploration and development expenditures		**156,905**		51,636
		893,548		428,864
Less: Valuation allowances		**(893,548)**		(428,864)
	$	**-**	$	-

** Weighted average is based upon British Columbia combined tax rate of 34.12% and Arizona combined tax rate of 38%*

b) The Company has incurred approximately $6,031,482 of resource related expenditures that may be carried forward indefinitely and used to reduce prescribed taxable income in future years.

The potential future tax benefits of these income tax losses, net capital losses and resource related expenditures have not been recognized in the accounts of the Company due to uncertainty surrounding realization of such benefits.

9. Related Party Transactions

Except as disclosed elsewhere in these financial statements related party transactions are as follows:

a) During the six months ended September 30, 2006, fees in the amount of $71,000 (2005 - $63,000) were paid to two directors (and one former director) of the Company, which are shown as management fees on the statement of operations.

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

10. Commitments

a) The Company has entered into management and consulting agreements with two directors for fees of $10,500 (one at $7,000 and one at $3,500) per month on a month-to-month basis.

b) On June 1, 2005, the Company entered into a finance consulting and advisory services agreement with a third party for fees of $10,000 per month for a period of one year. In June 2006 the company entered into a consulting agreement with a third party for fees of $7,500 per month.

c) On Sept 1, 2005, the Company entered into a property lease agreement with a third party for US$1,688 per month for a period of two years.

11. Segmented Information

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

		2006		2005
Assets by geographic area				
USA	**$**	**3,347,663**	$	1,293,898
Canada		**5,944,813**		4,957,714
	$	**9,292,476**	$	6,251,612

	Three months Ended September 30				Six Months Ended September 30			
		2006		2005		**2006**		2005
Net loss by geographic area								
USA	**$**	**43,987**	$	(33,701)	$	**82,412**	$	33,037
Canada		**525,686**		348,234		**918,575**		456,806
	$	**569,673**	$	314,533	$	**1,000,987**	$	489,843

12. Comparative Periods

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

13. Subsequent Events

Subsequent to the end of the quarter, the Company, engaged 314 Finance Corp. and its principal Tasso Baras of Vancouver, B.C. to assist in providing investor relations and communication services to Redhawk. The agreement is subject to regulatory approvals and is effective October 1, 2006, and expires on September 30, 2007, and thereafter is renewable upon mutual agreement of the parties. The agreement can be terminated by either party after December 31, 2006 upon 30 days notice. In consideration 314 Finance will be paid $5,000 per month plus pre-approved expenses. In addition the Company granted 314 Finance an option to acquire up to 250,000 common shares at an exercise price of $0.48 per share exercisable up to October 1, 2008.