

# **Redhawk Resources, Inc.**

*(An Exploration Stage Company)*

## **Interim Consolidated Financial Statements**

**September 30, 2009**

(Canadian Funds)

(Unaudited)

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**Notice of no Auditor Review of Interim Financial Statements**

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

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

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# Redhawk Resources, Inc.

(An Exploration Stage Company)

## Interim Consolidated Balance Sheets

Canadian Funds  
Unaudited

ASSETS	September 30, 2009	March 31, 2009 (audited)
<b>Current</b>		
Cash and cash equivalents	\$ 290,857	\$ 11,615
Short-term investments	830	221,136
Accounts receivable and prepaid expense	32,781	58,689
	<u>324,468</u>	291,440
<b>Reclamation bond</b>	17,130	17,130
<b>Property and equipment</b> (Note 4)	1,850	11,860
<b>Resource properties</b> (Note 5)	13,547,191	13,183,751
	<u>\$ 13,890,639</u>	\$ 13,504,181
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 230,905	\$ 220,470
Current portion of long term debt (Note 6)	401,250	-
	<u>632,155</u>	220,470
<b>Long term debt</b> (Note 6)	\$ 1,959,940	\$ 2,714,470
	<u>2,592,095</u>	2,934,940
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> (Note 7)	22,038,397	21,697,152
<b>Stock options</b> (Note 8)	2,500,538	2,344,687
<b>Warrants</b> (Note 9)	770,015	605,910
<b>Deficit</b>	(14,010,406)	(14,078,508)
	<u>11,298,544</u>	10,569,241
	<u>\$ 13,890,639</u>	\$ 13,504,181

Nature of Operations and Going Concern (Note 1)

Commitments (Notes 5 & 12)

Subsequent Events (Note 16)

ON BEHALF OF THE BOARD:

Director: "Darryl J. Yea"

Director: "J. Stephen Barley"

# Redhawk Resources, Inc.

(An Exploration Stage Company)

## Interim Consolidated Statements of Operations, Comprehensive Loss and Deficit

Canadian Funds

Unaudited

	Three Months Ended September 30 2009		2008		Six Months Ended September 30 2009		2008	
<b>Administrative Costs</b>								
Audit and accounting	\$	21,100	\$	28,070	\$	43,438	\$	47,005
Amortization		150		4,604		1,420		9,209
Filing fees		5,264		5,290		7,960		6,236
Insurance		5,231		10,351		10,463		21,831
Investor relations		24,779		11,751		41,962		53,064
Legal		2,803		15,504		2,803		43,011
Management fees and consulting		69,000		38,000		126,000		77,000
Office and sundry		3,365		6,795		6,769		14,789
Salaries and benefits		(1,668)		33,798		(1,668)		86,057
Rent		2,100		10,953		4,200		24,027
Stock based compensation expense (Note 8)		6,419		80,578		127,374		188,657
Transfer agent		1,856		1,450		2,930		3,153
Travel and accommodation		7,433		34,370		7,433		38,209
Foreign exchange (gain) loss		(193,554)		103,643		(407,668)		80,459
<b>(Income) Loss before the following</b>		<b>(45,722)</b>		<b>385,157</b>		<b>(26,584)</b>		<b>692,707</b>
<b>Other (income) expenses</b>								
Interest income		(500)		(8,883)		(4,931)		(14,420)
Interest expense		-		-		-		5,792
Loss on write down of equipment		-		-		8,589		-
Impairment loss		30,685		-		42,185		-
<b>(Income) loss for the period</b>		<b>(15,537)</b>		<b>376,274</b>		<b>19,259</b>		<b>684,079</b>
Unrealized loss on security held for resale		-		8,036		-		8,036
<b>(Income) loss and comprehensive (income) loss for the period before taxes</b>		<b>(15,537)</b>		<b>384,310</b>		<b>19,259</b>		<b>692,115</b>
Mining exploration tax credit		-		-		(87,361)		-
<b>Net (income) loss and comprehensive (income) loss for the period</b>		<b>(15,537)</b>		<b>384,310</b>		<b>(68,102)</b>		<b>692,115</b>
Deficit – beginning of period		14,025,943		11,830,341		14,078,508		11,522,536
<b>Deficit – end of period</b>	\$	<b>14,010,406</b>	\$	<b>12,214,651</b>	\$	<b>14,010,406</b>	\$	<b>12,214,651</b>
<b>(Income) loss per share – basic and diluted</b>	\$	<b>(0.000)</b>	\$	<b>0.005</b>	\$	<b>(0.000)</b>	\$	<b>0.010</b>
<b>Weighted average shares outstanding-basic</b>		<b>83,186,907</b>		<b>73,910,820</b>		<b>81,022,842</b>		<b>72,176,448</b>
<b>Weighted average shares outstanding-diluted</b>		<b>91,473,069</b>		<b>73,910,820</b>		<b>89,309,004</b>		<b>72,176,448</b>

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

# Redhawk Resources, Inc.

(An Exploration Stage Company)

## Interim Consolidated Statements of Cash Flows

Canadian Funds

Unaudited

	Three Months ended September 30 2009		Six Months Ended September 30 2009		2008		2008	
<b>Cash flows from operating activities</b>								
Income (loss) and comprehensive income (loss) for the period	\$	15,537	\$	(384,310)	\$	68,102	\$	(692,115)
Items not affecting cash								
Amortization		150		4,604		1,420		9,209
Stock based compensation expense (Note 8(b))		6,419		80,578		127,374		188,657
Unrealized loss on security held for resale		-		8,036		-		8,036
Loss on write down of equipment		-		-		8,589		-
Impairment loss		30,685		-		42,185		-
		52,791		(291,092)		247,670		(486,213)
Changes in non-cash working capital		8,968		(129,995)		36,344		(383,891)
		61,759		(421,087)		284,014		(870,104)
<b>Cash flows from (applied to) investing activities</b>								
Short-term investments		-		-		220,306		-
Property, plant and equipment		-		-		-		(3,804)
Resource property		(363,175)		(147,432)		(705,678)		(1,016,040)
		(363,175)		(147,432)		(485,372)		(1,019,844)
<b>Cash flows from investing activities</b>								
Share capital issued for cash, net of issuance costs		-		-		450,600		2,566,202
Share purchase warrants exercised		30,000		-		30,000		-
		30,000		-		480,600		2,566,202
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(271,416)</b>		<b>(568,519)</b>		<b>279,242</b>		<b>676,254</b>
Cash – beginning of period		562,273		1,403,111		11,615		158,338
<b>Cash – end of period</b>	\$	<b>290,857</b>	\$	834,592	\$	<b>290,857</b>	\$	834,592
<b>Supplemental Schedule of Non-Cash Transactions</b>								
Stock-based compensation capitalized in resource properties	\$	3,894	\$	18,839	\$	28,477	\$	43,463
Shares issued for resource properties	\$	24,750	\$	-	\$	24,750	\$	12,000

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

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# Redhawk Resources, Inc.

*(An Exploration Stage Company)*

## **Notes to Interim Consolidated Financial Statements For the Six Months Ended September 30, 2009**

*Canadian Funds  
Unaudited*

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### **1. Nature of Operations and Going Concern**

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

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going-concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company for the period ended September 30, 2009 realized net income of \$68,102, had a working capital deficit of \$307,687 and an accumulated shareholders' deficit of \$14,010,406.

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

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

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

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### **2. Significant Accounting Policies**

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods consistent with those used in the preparation of the most recent annual audited consolidated financial statements. The interim consolidated financial statements do not include all information and note disclosures required by Canadian GAAP for annual financial statements, and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2009.

#### Recently Issued Accounting Pronouncements

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

The CICA issued three new accounting standards in January 2009: Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements and Section 1602 – Non-Controlling Interests. These sections are harmonized with International Financial Reporting Standards. Section 1582 specifies a number of changes, including: an expanded definition of a business combination, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. These Standards will be applicable to the Company for annual and interim accounting periods beginning on January 1, 2011.

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# Redhawk Resources, Inc.

(An Exploration Stage Company)

## Notes to Interim Consolidated Financial Statements For the Six Months Ended September 30, 2009

Canadian Funds  
Unaudited

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### 3. Fair Value of Financial Instruments

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

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### 4. Property and Equipment

	September 30, 2009			
	Cost	Accumulated Amortization	Write off	Net Book Value
Computer equipment	\$ 35,307	\$ 24,868	\$ 8,589	\$ 1,850

	March 31, 2009			
	Cost	Accumulated Amortization	Write off	Net Book Value
Furniture and equipment	\$ 66,336	\$ 28,833	\$ 37,502	\$ 1
Computer equipment	35,307	23,448	-	11,859
Software	33,848	22,192	11,656	-
	\$ 135,491	\$ 74,473	\$ 49,158	\$ 11,860

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# Redhawk Resources, Inc.

(An Exploration Stage Company)

## Notes to Interim Consolidated Financial Statements For the Six Months Ended September 30, 2009

Canadian Funds  
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### 5. Resource Properties

	Ramona, Nevada, USA (b)	Copper Creek, Arizona, USA (c,d & e)	Total
<b>Balance March 31, 2009</b>	\$ -	\$ 13,183,751	\$ 13,183,751
Acquisition	36,250	166,848	203,098
Deferred exploration	-	17,094	17,094
Deferred general and administration	-	48,915	48,915
Deferred property development	-	30,490	30,490
Deferred property maintenance	5,935	71,616	77,551
Stock based compensation	-	28,477	28,477
Impairment loss (f)	(42,185)	-	(42,185)
<b>Balance September 30, 2009</b>	\$ -	\$ 13,547,191	\$ 13,547,191

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

#### 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

In May 2004, the Company optioned to purchase the Ramona Gold project in Nevada from a third party. The Company can acquire 100% interest in the property by paying US\$770,000 in advance royalty payments over 16 years (US\$145,000 paid, \$115,000 in cash and 150,000 shares for a value of \$30,000), by issuing to the third party a total of 100,000 (100,000 issued) shares of the Company in years two to five, and by paying up to a 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.



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# Redhawk Resources, Inc.

(An Exploration Stage Company)

## Notes to Interim Consolidated Financial Statements For the Six Months Ended September 30, 2009

Canadian Funds  
Unaudited

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### 5. Resource Properties- *continued*

#### c) **Copper Creek Agreement**

In November 2005, the Company acquired the Copper Creek property in Arizona for a cash payment on closing of \$1.6 million and annual advance royalty payments of \$125,000 per year while the Company retains an interest in the property. On November 21, 2008 the Company entered into an amending agreement to defer the \$125,000 advance royalty payment due November 2, 2008 as follows: \$31,250 plus an advance of \$5,000 interest for a total initial payment of \$36,250 due and paid November 26, 2008, \$31,250 due and paid February 28, 2009, \$31,250 due and paid May 31, 2009 and \$31,250 due and paid July 31, 2009.

Upon commercial production, the Company is required to pay a 2.25% royalty payment until a total of \$25,000,000, in combined advance royalty and royalty payments have been made to AMT International Mining Corporation and AMT (USA) Inc. (collectively "AMT").

In accordance with the purchase and sale agreement with AMT the property is subject to a 3% Net Return Royalty granted by AMT to BHP Copper, Inc. by a Royalty Deed and Agreement dated July 30, 1998 with pre-determined reductions if the Comex price of copper is at or below \$1.20 per pound. (See Note 16(a))

#### d) **D & G Mining Agreement**

In November 2005, the Company entered into a lease to purchase agreement with a third party for additional property within the Copper Creek boundaries. The Company paid US\$80,000 at the end of years one and two and was required to pay US\$100,000 in November 2008 and annually thereafter until the end of year fifteen. On October 16, 2008 the Company entered into an amending agreement to defer the US\$100,000 advanced royalty payment due November, 2008 as follows: US\$40,000 due and paid November 16, 2008, US\$20,000 due and paid February 16, 2009, US\$20,000 due and paid May 16, 2009 and US\$20,000 due and paid August 16, 2009.

The Company has the option to purchase the property for US\$1,600,000 with the purchase price increasing by US\$200,000 per year until year fifteen. All yearly lease payments made prior to exercising the option to purchase will be applied as credits toward the purchase price in the year the Company exercises its property purchase option. (See Note 16(b)).

#### e) **Freeport-McMoRan Agreement**

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

#### f) **Impairment Loss**

Management performed impairment tests on the Company's resource properties. The Company follows four relevant pronouncements from the CICA standards; Section 3061.21, Section 3063, AcG11 and EIC 174.

The events that the Company considers for 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 ending September 30, 2009 on the Ramona property of \$42,185 and for the year ended March 31, 2009 on the Alien and Ramona properties totalling \$1,035,754. This was the total amount recorded as acquisition and exploration costs for these properties to date. The Company continues to actively exploit the expected realizable value from the Copper Creek properties. Based on the relevant pronouncements and management's assessment, no impairment is deemed necessary on the Copper Creek properties at this time.

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# Redhawk Resources, Inc.

(An Exploration Stage Company)

## Notes to Interim Consolidated Financial Statements For the Six Months Ended September 30, 2009

Canadian Funds  
Unaudited

### 6. Long Term Debt

	September 30, 2009		March 31, 2009	
	USD	CAD	USD	CAD
Long term debt	\$ 2,206,720	\$ 2,361,190	\$ 2,154,341	\$ 2,714,470
Less: current portion	(375,000)	(401,250)	-	-
Long term portion	\$ 1,831,720	\$ 1,959,940	\$ 2,154,341	\$ 2,714,470

In conjunction with the Company's acquisition of mining claims in the Copper Creek District from Freeport, the Company entered into a promissory note with a September 30, 2009 balance of \$2,361,190 (US\$ 2,206,720). The promissory note was repayable over 12 years and bears interest at 5% per annum. On October 17, 2008 the Company and Freeport entered into an amending agreement to reduce the US\$500,000 promissory note payment due October 1, 2008 to US\$ 125,000 paid on January 14, 2009 and the US\$500,000 promissory note payment due April 1, 2010 to US\$375,000. The payment deferrals have been added to the end of the existing promissory note payment period.

Repayment of the promissory note is in US dollars, consequently the Company may be exposed to foreign currency fluctuations.

The payment is as follows:

	Date	Principal
	April 2010	US\$ 189,181
	April 2011	105,853
	April 2012	111,145
	April 2013	116,703
	April 2014	122,538
	Balance due beyond 5 years	1,426,709
		2,072,129
	Accrued interest	259,591
	Payment	(125,000)
	Total debt	US\$ 2,206,720

### 7. Share Capital

Details are as follows:

Authorized: Unlimited common shares without par value

	Number	Amount
Balance - March 31, 2008	68,152,820	\$ 19,368,785
Shares issued for cash	9,733,000	2,979,850
Fair value of share purchase warrants (Note 9)	-	(605,910)
Share issue costs	-	(64,073)
Shares issued for resource property	125,000	18,500
Balance - March 31, 2009	78,010,820	\$ 21,697,152
Shares issued for cash	5,000,000	500,000
Share issue costs	-	(49,400)
Fair value of share purchase warrants (Note 9)	-	(168,526)
Shares issued for resource property (Note 11(e))	150,000	24,750
Share purchase warrants exercised	200,000	30,000
Fair value of share purchase warrants (Note 9)	-	4,421
Balance - September 30, 2009	83,360,820	\$ 22,038,397

# Redhawk Resources, Inc.

(An Exploration Stage Company)

## Notes to Interim Consolidated Financial Statements For the Six Months Ended September 30, 2009

Canadian Funds  
Unaudited

### 7. Share Capital- *continued*

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

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

On June 3, 2008 the Company issued 25,000 shares at a value of \$0.48 per share for a property payment as part of the Ramona property agreement.

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

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

On 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 August 20, 2009 100,000 share purchase warrants and on September 11, 2009 100,000 share purchase warrants were exercised at \$0.15 for total proceeds of \$30,000.

### 8. Stock Options

	Amount
Balance - March 31, 2008	\$ 2,027,786
Fair value of stock options vested	316,901
Balance – March 31, 2009	\$ 2,344,687
Fair value of stock options vested	155,851
Balance –September 30, 2009	<u>\$ 2,500,538</u>

a) The following table summarizes information about the issued and outstanding stock options accounted for under the shareholders' equity as at September 30, 2009:

Number Outstanding March 31, 2009	Granted	Exercised	Forfeited	Number Outstanding September 30, 2009	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	-	-	-	435,000	\$0.60	August 1, 2011
250,000	-	-	-	250,000	\$0.65	February 22, 2012
250,000	-	-	(250,000)	-	\$0.66	-
750,000	-	-	-	750,000	\$0.60	July 5, 2012
150,000	-	-	-	150,000	\$0.60	November 1, 2012
1,050,000	-	-	(750,000)	300,000	\$0.60	December 10, 2012
-	1,045,000	-	-	1,045,000	\$0.25	April 6, 2014
-	1,650,000	-	-	1,650,000	\$0.17	April 6, 2014
4,305,000	2,695,000	-	(1,000,000)	6,000,000 (1)	\$ 0.16-\$0.65	July 8, 2010 – April 6 2014

(1) At September 30, 2009, 4,315,625 of these options are exercisable.

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# Redhawk Resources, Inc.

(An Exploration Stage Company)

## Notes to Interim Consolidated Financial Statements For the Six Months Ended September 30, 2009

Canadian Funds  
Unaudited

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### 8. Stock Options- *continued*

- b) The fair value of stock options used to calculate compensation for employees and consultants is estimated using the Black-Scholes Option Pricing Model. Since the options were granted under a graded vesting schedule, \$155,851 (2008-\$232,120) of the fair value has been recorded in the accounts of the Company during the period with \$127,374 (2008-\$188,657) recognized on the consolidated statement of operations and comprehensive loss, \$28,477 (2008-\$43,463) capitalized to resource properties. This value is estimated at the date of the grant with the following weighted average assumptions:

	September 30, 2009	September 30, 2008
Average risk-free interest rate	3.13%	3.40%
Expected dividend yield	-	-
Expected stock price volatility	82.93%	81.29%
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.

Fair value of stock options used to recalculate compensation for employees and consultants 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.

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### 9. Share Purchase Warrants

A summary of the Company's share purchase warrants at September 30, 2009 is presented below:

	Number	Amount
Balance - March 31, 2008	-	\$ -
Fair value of share purchase warrants (Note 7)	9,733,000	605,910
Balance - March 31, 2009	9,733,000	\$ 605,910
Fair value of share purchase warrants (Note 7)	5,000,000	168,526
Fair value of share purchase warrants exercised (Note 7)	(200,000)	(4,421)
Balance - September 30, 2009	14,533,000	\$ 770,015

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

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# Redhawk Resources, Inc.

(An Exploration Stage Company)

## Notes to Interim Consolidated Financial Statements For the Six Months Ended September 30, 2009

Canadian Funds  
Unaudited

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### 9. Share Purchase Warrants- *continued*

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

On June 15, 2009 the Company issued 5,000,000 transferable common share purchase warrants, these warrants have been value 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. The share purchase warrants expire June 15, 2010.

On August 20, 2009 and September 11, 2009, 200,000 share purchase warrants were exercised, the fair value of these warrants was \$4,421.

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### 10. Income Taxes

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

2026	\$	359,651
2027		1,355,359
2028		117,769
2029		738,310
	\$	<u>2,571,089</u>

Future income tax assets and liabilities are calculated on an annual basis, as more fully described in Note 10(b) to the March 31, 2009 audited financial statements.

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### 11. Related Party Transactions

Except as disclosed elsewhere in these financial statements related party transactions incurred during the period ended September 30, 2009 are as follows:

- Consulting fees totalling \$14,000 (2008- \$17,000) for services provided by the Chief Financial Officer of the Company. The balance owing at September 30, 2009 is nil.
- Consulting fees totalling \$30,000 (2008 - nil) were paid to a Company controlled by the managing director of the Company. The balance owing at September 30, 2009 is nil.
- Management fees totalling \$60,000 (2008-\$60,000) were accrued to a Company controlled by two directors of the Company. The balance owing at September 30, 2009 is \$205,000 with no specific repayment terms or conditions.
- Consulting fees totalling US\$30,000 (2008- US\$83,250) were paid to the president and director of the Company. The balance owing at September 30, 2009 is nil.
- 125,000 shares valued at \$20,625 were issued to the President and director of the Company for the option payment on the Ramona property.
- Salaries, rent and office supplies totalling \$3,715 (2008- 56,606) was charged to a company with common management. The amount receivable at September 30, 2009 is \$1,822 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.

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# Redhawk Resources, Inc.

(An Exploration Stage Company)

## Notes to Interim Consolidated Financial Statements For the Six Months Ended September 30, 2009

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### 12. Commitment

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

2010	22,272
2011	44,969
2012	45,180
2013	15,060
	<hr/>
	\$ 127,481

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.

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### 13. Segmented Information

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

	September 2009		March 2009	
Assets by geographic area				
USA	\$	13,580,296	\$	13,211,825
Canada		310,343		292,356
	\$	13,890,639	\$	13,504,181

  

	Three Months Ended		Six Months Ended	
	September,	September,	September,	September,
	2009	2008	2009	2008
Net loss (income) by geographic area				
USA	\$	44	\$	59
Canada		(15,581)		(68,161)
	\$	(15,537)	\$	(68,102)
		384,310		692,115

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### 14. Comparative Periods

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

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### 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, (see going concern note 1).

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

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# Redhawk Resources, Inc.

(An Exploration Stage Company)

## Notes to Interim Consolidated Financial Statements For the Six Months Ended September 30, 2009

Canadian Funds

Unaudited

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### 15. Capital Disclosures- *continued*

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

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

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### 16. Subsequent Events

- (a) Copper Creek Agreement– Subsequent to September 30 the Company, AMT International Mining Corporation and AMT (USA) Inc. have entered into an amending agreement to defer the \$125,000 advance royalty payment due November 2, 2009 as follows:

\$55,000 due and paid November 16, 2009  
\$ 25,000 due February 16, 2010  
\$ 25,000 due May 17, 2010  
\$ 25,000 due August 16, 2010

In consideration for the deferral the Company entered into a forbearance agreement where the Company agreed not to pursue any legal claims or defences previously raised by the Company and reaffirmed the validity of the underlying agreement

- (b) D&G Mining Agreement – Subsequent to September 30 the Company and D&G Mining Company have entered into an amending agreement whereby the US\$100,000 due November 2009 would be deferred as follows:

\$40,000 due and paid November 16, 2009  
\$ 20,000 due February 16, 2010  
\$20,000 due May 16, 2010  
\$20,000 due August 16, 2010

- (c) Subsequent to the period ending September 30, 2009, 3,200,000 share purchase warrants were exercised at \$0.15 for total proceeds of \$480,000.
- (d) Subsequent to the period ending September 30, 2009 the Company granted to consultants and insiders a total of 2,000,000 stock options at a \$0.22 exercise price, the options have a five year term. The option grants are subject to TSX Venture Exchange approval.
- (e) Subject to TSX Venture Exchange approval the Company announced on November 11, 2009 a non-brokered private placement for 4,687,500 units at a price of \$0.16 per unit to raise gross proceeds of \$750,000. Each unit consists of one common share and one transferable common share purchase warrant, each warrant entitling the holder to acquire one additional common share for two years at a price of \$0.20 per share.