

Redhawk Resources, Inc.
Condensed Consolidated Interim Financial Statements
Six Months Ended September 30, 2012
(Unaudited – prepared by Management)
(Expressed in Canadian Dollars)

Unaudited Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the interim unaudited condensed consolidated interim financial statements for the period ended September 30, 2012.

Redhawk Resources, Inc.
Condensed consolidated interim statements of financial position
(Expressed in Canadian dollars - unaudited)

	Notes	September 30, 2012	March 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents		\$ 207,666	\$ 235,536
Short-term investments	2	5,070,826	6,672,465
Receivables and prepaid expenses	3	219,049	425,745
		5,497,541	7,333,746
Non-current assets			
Reclamation deposits	4	41,624	42,229
Property and equipment	2	292,961	308,250
Exploration and evaluation assets	5	31,272,077	28,786,258
		31,606,662	29,136,737
TOTAL ASSETS		\$ 37,104,203	\$ 36,470,483
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	6	\$ 194,515	\$ 722,897
Current portion of long-term debt	7	114,742	116,411
		309,257	839,308
Non-Current liabilities			
Long-term debt	7	1,564,851	1,546,851
TOTAL LIABILITIES		1,874,108	2,386,159
SHAREHOLDERS' EQUITY			
Share capital	8	47,222,204	44,533,596
Reserves – other	8	9,865,608	9,714,980
Reserves – foreign currency translation	8	(1,221,277)	(749,285)
Deficit		(20,636,440)	(19,414,967)
TOTAL SHAREHOLDERS' EQUITY		35,230,095	34,084,324
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 37,104,203	\$ 36,470,483

ON BEHALF OF THE BOARD:

Director: “Darryl J. Yea”

Director: “J. Stephen Barley”

See accompanying notes to the condensed consolidated interim financial statements

Redhawk Resources, Inc.

Condensed consolidated interim statements of loss and comprehensive loss

(Expressed in Canadian dollars - unaudited)

	Three month period ended September 30,		Six month period ended September 30,	
	2012	2011	2012	2011
Expenses				
Director fees	\$ 33,742	\$ 32,461	\$ 53,117	\$ 51,815
Filing fees	13,613	134,498	50,972	168,977
Insurance	8,262	3,844	16,524	7,688
Investor relations	20,461	46,214	76,159	165,792
Management and consulting fees	185,651	88,478	293,818	178,023
Office and sundry	19,151	11,154	41,226	23,041
Professional fees	30,132	55,140	67,357	121,630
Rent	3,664	10,100	9,697	18,151
Share-based payments (note 8)	268,960	260,662	575,984	461,457
Transfer agents	3,210	1,553	5,128	73,419
Travel and accommodations	14,571	42,832	28,526	69,238
	(601,417)	(686,936)	(1,218,508)	(1,339,231)
Other items				
Interest income	16,794	43,609	36,763	94,839
Interest expense	(21,202)	(22,272)	(40,976)	(44,012)
Foreign exchange gain (loss)	6,320	(23,519)	1,248	(19,980)
Net loss for period	\$ (599,505)	\$ (689,118)	\$ (1,221,473)	\$ (1,308,384)
Other comprehensive income (loss)				
Exchange differences on translating foreign operations	(1,036,004)	1,606,969	(471,992)	1,512,016
Total other comprehensive income (loss)	\$ (1,635,509)	\$ 917,851	\$ (1,693,465)	\$ 203,632
Loss per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	149,425,876	138,344,549	145,857,350	138,448,244

See accompanying notes to the condensed consolidated interim financial statements

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

	Share capital		Reserves - other	Reserves	Deficit	Total
	Number of shares	Amount				
Balance at March 31, 2011	137,998,287	\$ 43,259,520	\$ 8,473,525	\$ (1,105,720)	\$ (16,860,769)	\$ 33,766,556
Share issued for cash - warrants exercised	425,000	131,500	-	-	-	131,500
Fair value of warrants exercised		34,017	(34,017)	-	-	-
Share issued for cash - options exercised	104,000	23,120	-	-	-	23,120
Fair value of options exercised		7,751	(7,751)	-	-	-
Share-based payments	-	-	493,722	-	-	493,722
Currency translation adjustment	-	-	-	1,512,016	-	1,512,016
Loss for the period	-	-	-	-	(1,308,384)	(1,308,384)
Balance at September 30, 2011	138,527,287	\$ 43,455,908	\$ 8,925,479	\$ 406,296	\$ (18,169,153)	\$ 34,618,530
Balance at March 31, 2012	142,249,609	\$ 44,533,596	\$ 9,714,980	\$ (749,285)	\$ (19,414,967)	\$ 34,084,324
Share issued for cash - warrants exercised	3,796,429	1,898,214	-	-	-	1,898,214
Fair value of warrants exercised		521,395	(521,395)	-	-	-
Share issued for cash - options exercised	755,000	178,650	-	-	-	178,650
Fair value of options exercised	-	90,349	(90,349)	-	-	-
Share-based payments	-	-	762,372	-	-	762,372
Currency translation adjustment	-	-	-	(471,992)	-	(471,992)
Loss for the period	-	-	-	-	(1,221,473)	(1,221,473)
Balance at September 30, 2012	146,801,038	\$ 47,222,204	\$ 9,865,608	\$ (1,221,277)	\$ (20,636,440)	\$ 35,230,095

See accompanying notes to the condensed consolidated interim financial statements

Redhawk Resources, Inc
Condensed consolidated interim statements of cash flows
(Expressed in Canadian dollars - unaudited)

	Three month period ended September 30,		Six month period ended September 30,	
	2012	2011	2012	2011
Operating activities				
Loss for the period	\$ (599,505)	\$ (689,118)	\$ (1,221,473)	\$ (1,308,384)
Adjustments for non-cash items:				
Depreciation	5,506	1,059	11,091	2,194
Share-based payments	268,960	260,662	575,984	461,457
Unrealized foreign exchange (gain) loss	-	150,625	-	40,425
Changes in non-cash working capital items:				
Receivables and prepaid expenses	26,938	(139,457)	206,696	(61,056)
Trade payables and accrued liabilities	3,509	37,951	(22,464)	166,557
Net cash flows used in operating activities	(294,592)	(378,278)	(450,166)	(698,807)
Investing activities				
Expenditures on exploration and evaluation assets	(963,306)	(3,120,326)	(3,164,351)	(4,939,696)
Purchase of property plant and equipment	-	(215,206)	-	(215,206)
Reclamation bond	-	(24,460)	-	(24,460)
Term deposits	1,288,066	3,381,627	1,601,638	4,064,477
Net cash flows gain (used) in investing activities	324,760	21,635	(1,562,713)	(1,114,885)
Financing activities				
Proceeds on issuance of common shares	178,650	54,720	2,076,865	154,621
Net cash flows received from investing activities	178,650	54,720	2,076,865	154,621
Currency impact on cash and cash equivalent	(114,576)	229,061	(91,856)	218,067
Increase (decrease) in cash and cash equivalents	94,242	(72,862)	(27,870)	(1,441,004)
Cash and cash equivalents, beginning	113,424	393,837	235,536	1,761,979
Cash and cash equivalents, ending	\$ 207,666	\$ 320,975	\$ 207,666	\$ 320,975

See accompanying notes to the condensed consolidated interim financial statements

1. Nature of operations

Redhawk Resources, Inc. (the "Company") and its wholly owned subsidiaries, Redhawk Copper, Inc. and Redhawk Resources (USA), Inc. are engaged principally in the acquisition, exploration and development of resource properties in the U.S.

The head office and principal address of the Company is located at 1066 West Hastings Street, Suite 1220, Vancouver, British Columbia, Canada, V6E 3X1. The Company's registered and records office address is 1066 West Hastings Street, Suite 2600, Vancouver, British Columbia, Canada, V6E 3X1.

2. Significant accounting policies and basis of preparation

These condensed consolidated interim financial statements are unaudited and prepared on a condensed basis in accordance with the International Accounting Standards ("IAS") 34, *Interim Financial Reporting* issued by the International Accounting Standard Board. These condensed interim financial statements have been prepared in accordance with the accounting policies described in Note 3 of the Company's Annual Financial Statements as at and for the year ended March 31, 2012. Accordingly, these condensed interim statements for the six month periods end September 30, 2012 and 2011 should be read together with the Annual Financial Statements as at and for the year ended March 31, 2012.

These condensed consolidated interim financial statements of the Company were approved by the Board of Directors on November 13, 2012.

3. Receivable and prepaid expenses

	September 30, March 31,	
	2012 2012	
Value-added tax receivables	\$ 26,303	\$212,646
Prepays	192,746	213,099
	\$ 219,049	\$425,745

4. Reclamation deposits

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

	September 30, March 31,	
	2012 2012	
Balance, beginning of period	\$ 42,229	\$ 18,422
Changes in period	(605)	23,807
Balance, end of period	\$ 41,624	\$ 42,229

5. Exploration and evaluation assets

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

	Period ended September 30, 2012	
	Copper Creek, Arizona	
Property acquisition costs		
Balance, March 31, 2012	\$	6,751,319
Additions		149,301
Balance, September 30, 2012	\$	6,900,620
Exploration and evaluation costs		
Balance, March 31, 2012	\$	22,034,939
Costs incurred during period:		
Assaying and laboratory		291,634
Drilling		995,531
Engineering and consulting		813,024
Other		251,839
Permits and fees		135,161
Road development		62,119
Share-based payment		186,388
		<u>2,735,696</u>
Currency translation adjustment		(399,178)
Balance, September 30, 2012	\$	24,371,457
Total at September 30, 2012	\$	31,272,077

a) Copper Creek Agreement

On September 17, 2010 the Company entered into a Royalty Purchase and Sale Agreement (the "Agreement") with AMT (USA) Inc. ("AMT") to buy out the advance royalty payment and the 2.25% Net Smelter Royalty retained by AMT as part of the original Copper Creek property acquisition for the sum total of \$1,250,000. The Agreement has now been paid in full.

AMT, under the Notice of Termination of Advance Royalty Interest and Royalty Interest, dated September 17, 2012, has irrevocably and unconditionally released the Company from any and all claims on this property.

5. Exploration and evaluation assets (cont'd)

b) D & G Mining Agreement

In November 2005, the Company entered into a lease to purchase agreement with a third party for additional property within the Copper Creek boundaries. The Company paid US\$80,000 in both 2006 and 2007 and was required to pay US\$100,000 in November 2008 and annually thereafter until the end of year fifteen. The Company is current with all payments.

The Company has the option to purchase the property for US\$1,600,000 with the purchase price increasing by US\$200,000 per year until year fifteen. All yearly lease payments made prior to exercising the option to purchase will be applied against the purchase price in the event that the Company exercises its property purchase option.

c) Freeport –McMoRan Agreement

In April 2007 the Company entered into a purchase agreement with Freeport-McMoRan Copper & Gold Inc. (“Freeport”) to acquire additional mining claims within the Copper Creek boundaries. The purchase price for the property was US \$3,200,000, payable by a deposit of US \$500,000 (paid), and delivery of a promissory note for US \$2.7 million. The additional mining claims are subject to a 1% Net Smelter Return royalty. (See Note 7)

6. Trade payables and accrued liabilities

	September 30, 2012		March 31, 2012	
Trade payables	\$	150,054	\$	568,737
Amounts due to related parties (Note 9)		21,185		33,200
Accrued liabilities		23,276		120,960
	\$	194,515	\$	722,897

7. Long-term debt

	September 30, 2012		March 31, 2012	
	USD	CAD	USD	CAD
Long term debt	\$	1,591,589	\$	1,564,851
	\$	1,550,727	\$	1,546,851

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

7. Long-term debt (cont'd)

The payment schedule as at September 30, 2012 is as follows (USD):

	Date	Principal
	April 2013	116,703
	April 2014	122,538
	April 2015	128,664
	April 2016	135,098
Balance due beyond 5 years		1,074,092
	US\$	1,577,095
Accrued interest		536,164
Interest paid		(404,967)
Total debt	US\$	1,708,292
Current portion of long term debt		(116,703)
Long term debt	US\$	1,591,589

8. Share capital and reserves

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At September 30 2012 there were 146,801,038 issued and fully paid common shares (March 31, 2012 – 142,249,609).

Shares issued during the period

During the six month period ended September 30, 2012 3,796,429 warrants were exercised at \$0.50 and for total proceeds of \$1,898,214. The share price weighted average at date of exercise was \$0.50. During the six month period ended September 30, 2012 755,000 stock options were exercised for total proceeds of \$178,650. The share price weighted average of stock options exercise was \$0.24.

Warrants

The following table summarizes information about the issued and outstanding warrants as at September 30, 2012 and March 31, 2012:

	September 30, 2012		March 31, 2012	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of period	20,938,532	\$ 0.82	24,840,854	\$ 0.77
Warrants exercised	(3,796,429)	0.50	(3,902,322)	0.24
Warrants expired	(1,208,572)	0.50	-	-
Warrants outstanding, end of period	15,933,531	\$ 0.97	20,938,532	\$ 0.82

8. Share capital and reserves (cont'd)

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX requirements, grant to directors, officers, employees and technical consultants of the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance is a fixed total of 27,705,457. Such options will be exercisable for a period of up to 5 years from the date of grant. Subject to the Board of Directors, options vest as to 25% on date of grant and as to 12.5% on each of the three, six, nine, twelve, fifteenth and eighteen month anniversaries of the date of grant.

The changes in options during the six month period ended September 30, 2012 and the year ended March 31, 2012 are as follows:

	September 30, 2012		March 31, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	11,040,000	\$ 0.47	7,951,500	\$ 0.43
Options granted	750,000	0.50	4,525,000	0.58
Options exercised	(755,000)	0.24	(349,000)	0.22
Options expired	(600,000)	0.63	(1,087,500)	0.67
Options outstanding, end of period	10,435,000	\$ 0.48	11,040,000	\$ 0.47
Options exercisable, end of period	7,772,500	\$ 0.46	7,425,000	\$ 0.41

The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	September 30, 2012	March 31, 2012
Expected life of options	5 years	4.25 years
Annualized volatility	115.74%	117.39%
Risk-free interest rate	1.12%	1.45%
Dividend rate	0%	0%

8. Share capital and reserves (cont'd)

Details of options outstanding as at September 30, 2012 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding	Number of options exercisable
\$0.17 - \$0.25	1.75	2,900,000	2,900,000
\$0.26 - \$0.50	3.89	2,275,000	1,431,250
\$0.51 - \$0.74	3.90	3,825,000	2,156,250
\$0.75 - \$0.79	2.95	1,435,000	1,285,000
	3.17	10,435,000	7,772,500

During the nine month period ended September 30, 2012 and 2011, the Company recorded share-based compensation of \$762,372 (2011 - \$493,722) relating to options vested during the period.

Reserves

Stock option reserve

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

Warrant reserve

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

Foreign currency translation reserve

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

9. Related party transactions

Related party balances

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

	September 30, 2012	March 31, 2012
Directors and officers of the Company	\$ 21,185	\$ 33,200

These amounts, which include directors fees and expense reimbursements, are unsecured, non-interest bearing and have no fixed terms of repayment. All amounts were paid subsequent to the period end.

9. Related party transactions (cont'd)

Key management compensation

	Six month period ended	
	September 30, 2012	September 30, 2011
Management fees (1)	\$ 108,398	\$ 110,061
Consulting	113,775	111,000
Director fees	53,117	51,815
Share-based payments	586,514	223,145
	<u>\$ 861,804</u>	<u>\$ 496,021</u>

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

10. Financial risk management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts which are held with major banks in Canada and U.S.A. This credit risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

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

Foreign exchange risk

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

The Company is not exposed to any significant foreign exchange risk.

10. Financial risk management (cont'd)

Interest rate risk

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

Capital Management

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

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

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

Fair value

The Company's financial instruments consist of cash and cash equivalents, short term investments, reclamation bonds, long term debt and trade payables and accrued liabilities. The fair value of these financial instruments approximates their carrying values.

Geographic segments

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

	As at September 30, 2012		
	Canada	U.S.	Total
Reclamation deposits	\$ 9,832	\$ 31,792	\$ 41,624
Equipment	382	292,579	292,961
Exploration and evaluation assets	-	31,272,077	31,272,077
	\$ 10,214	\$ 31,596,448	\$ 31,606,662

	As at March 31, 2012		
	Canada	U.S.	Total
Reclamation deposits	\$ 9,975	\$ 32,254	\$ 42,229
Equipment	616	307,634	308,250
Exploration and evaluation assets	-	28,786,258	28,786,258
	\$ 10,591	\$ 29,126,146	\$ 29,136,737

11. Segmented information

Operating segments

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

Redhawk Resources, Inc.
Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars - unaudited)
For the six month ended September 30, 2012 and 2011

12. Supplemental disclosure with respect to cash flows

During the six month period ended September 30, 2012 and 2011, the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	Six month period ended	
	September 30, 2012	September 30, 2011
Exploration and evaluation assets included in trade accounts payable and accrued liabilities	\$40,175	\$727,622
Exploration and evaluation share-based payments	\$186,388	\$32,265

13. Subsequent events

There were no material events requiring disclosure in these financial statements for the period September 30, 2012 to November 13, 2012, the date these financial statements were approved by the Board of Directors.