Redhawk Resources, Inc.

(An Exploration Stage Company)

Consolidated Financial Statements

Years ended March 31, 2010 and 2009

(Canadian Funds)

Auditors' Report

To the Shareholders of
Redhawk Resources, Inc.

We have audited the consolidated balance sheets of Redhawk Resources, Inc. as at March 31, 2010 and 2009 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Signed *PricewaterhouseCoopers LLP*

Chartered Accountants
Vancouver, B.C., Canada
June 25, 2010

Redhawk Resources, Inc.

(An Exploration Stage Company)

Consolidated Balance Sheets

As at March 31

Canadian Funds

ASSETS		2010		2009
Current				
Cash and cash equivalents	$	**108,956**	$	11,615
Short-term investments		**604,463**		221,136
Accounts receivable and prepaid expenses		**58,126**		58,689
		771,545		291,440
Reclamation bond		**17,130**		17,130
Property and equipment *(Note 4)*		**21,704**		11,860
Resource properties *(Note 5)*		**14,009,416**		13,183,751
	$	**14,819,795**	$	13,504,181

LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**67,715**	$	220,470
Long term debt *(Note 6)*		**1,920,607**		2,714,470
		1,988,322		2,934,940
SHAREHOLDERS' EQUITY				
Share capital *(Note 7)*		**23,732,923**		21,697,152
Warrants *(Note 9)*		**848,170**		605,910
Stock options *(Note 8)*		**2,680,072**		2,344,687
Deficit		**(14,429,692)**		(14,078,508)
		12,831,473		10,569,241
	$	**14,819,795**	$	13,504,181

Nature of Operations (Note 1)
Commitments (Notes 5 & 12)
Subsequent Events (Note 16)

ON BEHALF OF THE BOARD:

Director: “Darryl J. Yea”

Director: “J. Stephen Barley”

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

Redhawk Resources, Inc.

(An Exploration Stage Company)

Consolidated Statements of Operations, Comprehensive Loss and Deficit
For the Years Ended March 31

Canadian Funds

		2010		2009
Administrative Costs				
Accounting and audit	$	99,454	$	95,065
Amortization		2,062		15,084
Filing fees		12,421		8,020
Insurance		20,278		33,210
Investor relations		85,084		84,777
Legal		32,503		53,622
Management fees and consulting		252,860		187,520
Office and sundry		15,295		25,859
Salaries and benefits		-		108,435
Rent		10,460		35,849
Stock based compensation expense *(Note 8 (c))*		331,930		252,954
Transfer agent		9,060		6,854
Travel and accommodation		30,538		37,859
Foreign exchange loss (gain)		(509,184)		530,897
Loss before the following		392,761		1,476,005
Other expenses (income)				
Interest income		(5,820)		(18,773)
Interest expense		-		5,792
Loss on securities held for resale		830		8,036
Loss on write down of equipment		8,589		49,158
Impairment loss *(Note 5(f))*		42,185		1,035,754
Mining exploration tax credit		(87,361)		-
Loss and comprehensive loss for the year		351,184		2,555,972
Deficit - beginning of year		14,078,508		11,522,536
Deficit - end of year	$	14,429,692	$	14,078,508
Loss per share - basic and diluted	$	(0.004)	$	(0.035)
Weighted average shares outstanding - basic		84,996,692		73,425,209
Weighted average shares outstanding - diluted		89,725,052		73,425,209

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

Redhawk Resources, Inc.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

For the Years Ended March 31

Canadian Funds

		2010		2009
Cash flows from (applied to) operating activities				
Loss and comprehensive loss for the year	$	**(351,184)**	$	(2,555,972)
Items not affecting cash				
Amortization		**2,062**		15,084
Stock-based compensation expense *(Note 8(c))*		**331,930**		252,954
Loss on securities held for resale		**830**		8,036
Loss on write down of equipment		**8,589**		49,158
Impairment loss *(Note 5(f))*		**42,185**		1,035,754
Unrealized foreign exchange (gain) loss		**(600,898)**		482,094
		(566,486)		(712,892)
Changes in non-cash working capital		**(150,575)**		(330,729)
		(717,061)		(1,043,621)
Cash flows applied to investing activities				
Short-term investments		**(384,157)**		(220,306)
Property and equipment		**(20,495)**		(3,804)
Resource property		**(808,453)**		(1,794,769)
		(1,213,105)		(2,018,879)
Cash flows from financing activities				
Principal repayment of long term debt		**(192,965)**		-
Share capital issued for cash net, of issuance costs		**1,158,678**		2,915,777
Share purchase warrants exercised		**1,050,000**		-
Stock options exercised		**11,794**		-
		2,027,507		2,915,777
Net increase (decrease) in cash and cash equivalents		**97,341**		(146,723)
Cash and cash equivalents - beginning of year		**11,615**		158,338
Cash and cash equivalents - end of year	$	**108,956**	$	11,615

Supplemental Schedule of Non-Cash Transactions				
Shares issued for resource properties	$	**24,750**	$	18,500
Stock based compensation expense capitalized in resource properties	$	**36,265**	$	63,947
Change in accounts payable included in resource properties	$	**(1,617)**		-

The accompanying notes form an integral part of these consolidated 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, 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. Refer to subsequent event *Note 16*.

2. Significant Accounting Policies

These year end consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All inter-company transactions and balances have been eliminated.

b) Resource Properties

The Company is in the process of exploring its resource 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 impaired or 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 resource 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.

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) Use of 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 and valuation of assets and liabilities and the 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. Significant areas requiring the use of management's judgement include evaluating the carrying value and recoverability of property and equipment, resource properties; determining amortization rates; estimating current and future income taxes; determining the value of stock-based compensation and securities issued for non-cash consideration; and allocating proceeds received from issuance of units to the component securities. The use of such judgement

2. Significant Accounting Policies- *continued*

includes, but is not limited to, the estimations of resource properties, future resource prices, and operating and reclamation costs. Actual results could differ and such estimates may be subject to change in the future.

e) Short-term Investments

Short-term investments are comprised of cashable guaranteed investment certificates with a term to maturity of one year from date of acquisition. These investments are initially are recorded at fair market value and are classified as held for trading due to the liquidity of the investment.

f) 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 practices 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 substantively enacted statutory rates that are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. A valuation allowance is provided against future income tax assets to the extent it is considered more likely than not that the future income tax assets will not be realized.

g) 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, over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

h) Share Capital

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

i) 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.

j) 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 normally three months or less from the date of acquisition. 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.

k) 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.

2. Significant Accounting Policies- *continued*

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. Management has determined that there was no asset retirement obligation at the current year end.

l) Impairment of Long-lived Assets

Long-lived assets held and used by the Corporation and subject to amortization are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the sum of discounted value of the future cash flows is less than the carrying amount of the asset or if long-lived assets are abandoned, the excess of the carrying amount over the estimated fair value, based on discounted future cash flows, is recorded as a charge to net income.

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) Flow-Through Shares

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital. If a company has sufficient unused tax losses and deductions (“losses”) to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded through earnings up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

o) Financial Instruments

Recognition and Measurement

The Company is required to designate its financial instruments into one of the following five categories: held-for-trading: available-for-sale: held-to-maturity: loans and receivables: and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held-for-trading or available-for-sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

Disclosure and Presentation

CICA Handbook Section 3862 and 3863 replaces Section 3861, “Financial Instruments – Disclosure and Presentation”, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on qualitative and quantitative disclosures about the nature and extent of risks arising from financial instruments, including specified minimum disclosure of credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and price risk). The quantitative disclosures must provide information on the extent to which the entity is exposed to risk, based on information provided internally to the entity’s key management personnel. Refer to *Note 3*.

2. Significant Accounting Policies- *continued*

p) Comprehensive Income

Section 1530, Comprehensive Income is the change in the Company's net assets that result from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available-for-sales securities, which are not included in net income (loss) until realized. The adoption of Section 1530 had no impact on the opening equity or balance sheet of the Company.

q) Capital Disclosures

CICA Handbook Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to determine if the entity has complied with capital requirements and if not, the consequences of such noncompliance. Refer to *Note 14*.

r) Changes in Accounting Policies

The CICA issued the new Handbook Section 3064, "Goodwill and Intangible Assets" which replaces Section 3062, "Goodwill and Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred if the costs do not meet the definition of property, plant and equipment. On April 1, 2009, the Company adopted these changes, with no impact on the consolidated financial statements.

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 - Observable inputs other than quoted prices that are observable for the asset or liability either directly or indirectly: and
Level 3 - Inputs that are not based on observable market data.

The Company adopted the new recommendations in fiscal 2010.

EIC – 173, Credit Risk and the Fair Value of Financial Assets and Liabilities
In January 2009, the Emerging Issues Committee ("EIC") issued EIC -173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." This abstract requires companies to take counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. This new standard was effective for the Company's annual consolidated financial statements for the year ended March 31, 2010 and did not have an impact on the Company's financial statements.

EIC – 174, Mining Exploration Costs
On March 27, 2009, the CICA approved EIC-174 "Mining Exploration Costs." This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. This new standard is effective for the Company's annual consolidated financial statements for the year ended March 31, 2010. The accounting treatment provided for in EIC-174 has been applied in the preparation of these financial statements.

Recent Accounting Pronouncements Issued

The CICA issued three new accounting standards in January 2009: Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements and Section 1602 – Non-Controlling Interests, these sections are harmonized with International Financial Reporting Standards. Section 1582 specifies a number of changes, including: an expanded definition of

2. Significant Accounting Policies- *continued*

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.

3. Financial Instruments

Fair value

The Company's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, reclamation bond, and accounts payable and accrued liabilities, and long term debt. The estimated fair values of cash and cash equivalents, short term investments, accounts receivable, reclamation bond, and accounts payable and accrued liabilities, and long term debt, approximate their respective carrying values.

The Company has designated its financial instruments as follows;

- Cash, cash equivalents and short-term investments are classified as "held for trading". Due to their short-term nature, their carrying value equals their fair value;
- Other receivables and reclamation bond are classified as "Loans and Receivables". These financial assets are recorded at values that approximate their amortized cost using the effective interest method; and
- Accounts payable and accrued liabilities and long term debt are classified as "Other Financial Liabilities". These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in CICA Handbook section 3862 – Financial Instruments – Disclosures:

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs which are supported by little or no market activity.

The following table summarizes the Company's financial instruments at March 31, 2010, and shows the level within the fair value hierarchy in which they have been classified (for financial instruments measured at fair value):

	Fair Value Hierarchy Level	2010	2009
Financial Assets			
Held for trading			
Cash and cash equivalents	Level 1	$ 108,956	$ 11,615
Short-term investments	Level 1	$ 604,463	$ 221,136

3. Financial Instruments- *continued*

Management of Financial Risk

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and copper price risk).

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and short term investments which are held in large Canadian financial institution. The carrying value of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk as at March 31, 2010.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. As at March 31, 2010, the Company had cash and short-term investment of $713,419 (2009 - $232,751) to settle current liabilities of $67,715 (2009 - $220,470). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. See subsequent events *Note 16*.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, and foreign exchange rates.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and fixed interest-bearing debt. The Company believes it has no significant interest rate risk.

(b) Foreign currency risk

The Company's exploration expenditures are predominately in US dollars and equity raised is predominately in Canadian dollars. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company is subject to fluctuations in foreign currency at the time payments are due on the US dollar promissory note. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

At March 31, 2010 and 2009, the Company is exposed to currency risk through the following financial liabilities denominated in US dollars:

	March 31, 2010 USD	March 31, 2009 USD
Long term debt	1,882,948	2,154,341

A 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase or decrease of approximately $188,290 in the Company's net earnings (loss).

4. Property and Equipment

	March 31, 2010				
	Cost	Additions	Write off/ Disposal	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 1	$ 20,495	$ -	$ 342	$ 20,154
Computer equipment	35,307	-	28,637	5,120	1,550
	$ 35,308	$ 20,495	$ 28,637	$ 5,462	$ 21,704

	March 31, 2009			
	Cost	Accumulated Amortization	Write off/ Disposal	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

5. Resource Properties

	Ramona, Nevada, USA(b)	**Copper Creek, Arizona, USA (c,d &e)**	**Total**
Balance March 31, 2009	$ -	$ 13,183,751	$ 13,183,751
Acquisition	36,250	403,038	439,288
Deferred exploration	-	59,342	59,342
Deferred general and administration	-	139,560	139,560
Deferred property development	-	82,793	82,793
Deferred property maintenance	5,935	104,667	110,602
Stock based compensation	-	36,265	36,265
Impairment loss	(42,185)	-	(42,185)
Balance March 31, 2010	$ -	$ 14,009,416	$ 14,009,416

5. Resource Properties - *continued*

	Alien, Nevada, USA (a)	Ramona, Nevada, USA(b)	Copper Creek, Arizona, USA (c,d &e)	Total
Balance March 31, 2008	$ 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	(800,894)	(234,860)	-	(1,035,754)
Balance March 31, 2009	$ -	$ -	$ 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 issued 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. (*See subsequent events Note 16).*

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, 2009 the Company entered into an amending agreement to defer the $125,000 advance royalty payment due November 2, 2009 as follows: $50,000 plus an advance of $5,000 interest for a total initial payment of $55,000 due and paid November 16, 2009, $25,000 due and paid February 16, 2010 $25,000 due and paid May 17, 2010 and $25,000 due August 16 2010.

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.

5. Resource Properties- *continued*

d) **D & G Mining Agreement**

In November 2005, the Company entered into a lease to purchase agreement with a third party for additional property within the Copper Creek boundaries. The Company paid US$80,000 at the end of years one and two and was required to pay US$100,000 in November 2008 and annually thereafter until the end of year fifteen. On November 4, 2009 the Company entered into an amending agreement to defer the US$100,000 advanced royalty payment due November, 2009 as follows: US$40,000 due and paid November 16, 2009 and US$60,000 paid January 6 2010.

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

e) **Freeport-McMoRan Agreement**

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

f) **Impairment Loss**

Management performed impairment tests on the Company's resource properties. The Company follows four relevant pronouncements from the CICA standards, as follows Section 3061.21, Section 3063, AcG11 and EIC 174. The events that the Company considers would require an impairment charge are as follows:

1) The right to explore has, or will, in the near future, expire and renewal is not expected
2) Further exploration is not budgeted nor planned
3) Decision to discontinue due to lack of discovery
4) Potential development, but unlikely to recover asset value

Based on these pronouncements and the aforementioned events, the Company has reflected an impairment charge for the year ended March 31, 2010 on the Ramona properties totalling $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.

6. Long Term Debt

	March 31, 2010		March 31, 2009	
	USD	CAD	USD	CAD
Long term debt	$ 1,882,948	$ 1,920,607	$ 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 March 31, 2010 balance of $1,920,607 ((US$ 1,882,948). The promissory note is repayable over 12 years and bears interest at 5% per annum. On October 17, 2008 the Company and Freeport entered into an amending agreement to reduce the US$500,000 promissory note payment due October 1, 2008 to US$ 125,000 paid in January 2009 and the US$500,000 promissory note payment due April 1, 2010 to US$375,000 paid in March 2010. The payment deferrals have been added to the end of the existing promissory note payment period.

6. Long Term Debt - *continued*

The payment schedule in USD as indentified within the amended promissory note agreement is as follows:

Date		Principal
April 2011		105,853
April 2012		111,145
April 2013		116,703
April 2014		122,538
April 2015		128,664
Balance due beyond 5 years		1,298,045
	US$	1,882,948

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	9,687,500		1,250,000
Fair value of share purchase warrants *(Note 9)*	-		(431,795)
Share issue costs	-		(91,322)
Share purchase warrants exercised	7,000,000		1,050,000
Fair value of share purchase warrants exercised *(Note 9)*	-		189,534
Stock options exercised	69,375		11,794
Fair value of stock options exercised *(Note 8)*	-		32,810
Shares issued for resource property	150,000		24,750
Balance - March 31, 2010	94,917,695		23,732,923

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 all warrants expired on May 26, 2010, see subsequent event s note 16.

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.

7. Share Capital- *continued*

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 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, all warrants were exercised as at March 31, 2010.

On June 9, 2009 the Company completed a non-brokered private placement for 5,000,000 units at a price of $0.10 per unit for gross proceeds of $500,000 and net proceeds of $450,600. Each unit consists of one common share and one transferable common share purchase warrant, each warrant entitling the holder to acquire one additional common share until June 9, 2010 at a price of $0.15 per share. 3,000,000 warrants were exercised as at March 31, 2010, and 2,000,000 were exercised subsequent to the year end, see subsequent event *Note 16.*

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. *See Note 11(d).*

On December 22, 2009 the Company completed a non-brokered private placement for 4,687,500 units at a price of $0.16 per unit for gross proceeds of $750,000 and net proceeds of $708,078. Each unit consists of one common share and one transferable common share purchase warrant, each warrant entitling the holder to acquire one additional common share until December 22, 2011 at a price of $0.23 per share. 272,500 warrants were exercised subsequent to the year end, see subsequent event *Note 16*.

On January 22, 2010 35,000 stock options were exercised at $0.17 for total proceeds of $5,950.

On February 17, 2010 34,375 stock options were exercised at $0.17 for total proceeds of $5,844.

The following table details the share purchase warrants exercised during the year:

Date warrants exercised	Number of Warrants Exercised	Exercise Price	Proceeds
August 20, 2009	100,000	$0.15	$15,000
September 11, 2009	100,000	$0.15	$15,000
November 24, 2009	3,200,000	$0.15	$480,000
January 12, 2010	50,000	$0.15	$7,500
January 16, 2010	50,000	$0.15	$7,500
January 21, 2009	250,000	$0.15	$37,500
February 4, 2010	400,000	$0.15	$60,000
February 11, 2010	100,000	$0.15	$15,000
February 12, 2010	50,000	$0.15	$7,500
February 22, 2010	2,450,000	$0.15	$367,500
March 29, 2010	250,000	$0.15	$37,500
	7,000,000		$1,050,000

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		368,195
Fair value of stock options exercised *(Note 7)*		(32,810)
Balance – March 31, 2010	$	2,680,072

8. Stock Options - *continued*

a) The following table summarizes information about the issued and outstanding stock options accounted for under the shareholders' equity as at March 31, 2010:

Number Outstanding March 31, 2009	Repriced	Granted	Exercised	Forfeited	Number Outstanding March 31, 2010	Exercise Price Per Share	Expiry Date
420,000	-	-	-	-	420,000	$ 0.16	July 8, 2010
1,000,000	-	-	-	-	1,000,000	$ 0.60	February 27,2011
435,000	(135,000)	-	-	-	300,000	$0.60	August 1, 2011
-	51,000	-	(35,000)	-	16,000	$.017	August 1, 2011
-	84,000	-		-	84,000	$.025	August 1, 2011
250,000	-	-	-	-	250,000	$0.65	February 22, 2012
250,000	-	-	-	(250,000)	-	$0.66	-
750,000	(250,000)	-	-	-	500,000	$0.60	July 5, 2012
-	150,000	-	(25,000)	-	125,000	$.017	July 5, 2012
-	100,000	-		-	100,000	$.025	July 5, 2012
150,000	-	-	-	-	150,000	$0.60	November 1, 2012
1,050,000	(100,000)	-	-	(750,000)	200,000	$0.60	December 10, 2012
-	90,000	-	-	-	90,000	$.017	December 10, 2012
-	10,000	-	-	-	10,000	$.025	December 10, 2012
-	-	1,045,000	-	-	1,045,000	$0.25	April 6, 2014
-	-	1,650,000	(9,375)	-	1,640,625	$0.17	April 6, 2014
-	-	1,350,000	-	-	1,350,000	$0.22	November 10, 2014
4,305,000	-	4,045,000	(69,375)	(1,000,000)	7,280,625 (1)	$ 0.16- $0.65	July 8, 2010 – November 10, 2014

(1) At March 31, 2010 5,429,766 of these options are exercisable.

b) The following table summarizes information about the issued and outstanding stock options accounted for under the shareholders' equity as at March 31, 2009:

Number Outstanding March 31, 2008	Granted	Exercised	Forfeited and Expired	Number Outstanding March 31, 2009	Exercise Price Per Share	Expiry Date
400,000	-	-	400,000	-	$ 0.30	January 19, 2009
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	-	$0.48	March 1, 2009
250,000	-	-	-	250,000	$0.65	February 22, 2012
250,000	-	-	-	250,000	$0.66	May 3, 2012
1,000,000	-	-	250,000	750,000	$0.60	July 5, 2012
150,000	-	-	-	150,000	$0.60	November 1, 2012
1,550,000	-	-	500,000	1,050,000	$0.60	December 10, 2012
5,705,000	-	-	1,400,000	4,305,000 (1)	$ 0.16-$0.66	July 8, 2010 – December 10, 2012

(1) At March 31, 2009 4,175,788 of these options are exercisable.

c) The fair value of stock options used to calculate compensation for employees and consultants is estimated using the Black-Scholes Option Pricing Model. Since the options were granted under a graded vesting schedule, $ 368,195 (2009-$316,901) of the fair value has been recorded in the accounts of the Company during the year with $331,930 (2009-$252,954) recognized on the consolidated statement of operations and comprehensive loss, $36,265 (2009-$63,947) capitalized to resource properties. This value is estimated at the date of the grant with the following weighted average assumptions:

8. Stock Options- *continued*

	March 31, 2010	March 31, 2009
Average risk-free interest rate	**3.06**	3.10%
Expected dividend yield	**-**	-
Expected stock price volatility	**83.46%**	81.69%
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.

The fair value of stock options used to recalculate compensation for employees and consultants on amended options is estimated using the Black Scholes Option Pricing Model. The recalculated value of $19,033 is estimated at April 6, 2009 with the following weighted average assumptions:

	April 6, 2009
Average risk-free interest rate	**2.40%**
Expected dividend yield	**-**
Expected stock price volatility	**84.57%**
Average expected option life in years	**3.07**

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

9. Share Purchase Warrants

a) A summary of the Company's share purchase warrants at March 31, 2010 is presented below:

	Number		Amount
Balance - March 31, 2008	-	$	-
Issue of share purchase warrants *(Note 7)*	9,733,000		605,910
Balance – March 31, 2009	9,733,000	$	605,910
Issue of share purchase warrants *(Note 7)*	9,687,500		431,794
Share purchase warrants exercised *(Note 7)*	(7,000,000)		(189,534)
Balance – March 31, 2010	12,420,500	$	848,170

9. Share Purchase Warrants- *continued*

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

Number Outstanding March 31, 2009	Issued	Exercised	Number Outstanding March 31, 2010	Exercise Price Per Warrant	Expiry Date
5,733,000	-	-	5,733,000	$ 0.65	May 26, 2010
4,000,000	-	4,000,000	-	$ 0.15	February 23,2010
-	5,000,000	3,000,000	2,000,000	$0.15	June 9, 2010
-	4,687,500	-	4,687,500	$0.23	December 22,2011
9,733,000	9,687,500	7,000,000	12,420,500	$ 0.15-$0.65	February 23, 2010 – December 22, 2011

On May 26, 2008 the Company issued 5,733,000 warrants, these warrants have been valued at $517,490 based upon the Black Scholes model which utilized the following assumptions: Expected dividend yield of nil, expected stock price volatility of 61.92 %, risk free interest rate of 3.34%, expected life of warrants of 2 years. The share purchase warrants expired unexercised on May 26, 2010. See subsequent events *Note 16*.

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.

On June 9 2009 the Company issued 5,000,000 transferable 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 9, 2010. See subsequent events *Note 16*.

On December 22, 2009 the Company issued 4,687,500 transferable common share purchase warrants, these warrants have been value at $263,269 based upon the Black Scholes model which utilized the following assumptions: Expected dividend yield of nil, expected stock price volatility of 102.12 %, risk free interest rate of 1.30%, expected life of warrants of 2 years. The share purchase warrants expire December 22, 2011.

10. Income Taxes

a) The Company has accumulated non-capital losses for income tax purposes of approximately $4,995,190 as at March 31, 2010 that may be used to reduce future taxable income. These losses expire as follows:

2026	$	427,769
2027		1,412,391
2028		354,203
2029		1,446,540
2030		1,354,287
	$	4,995,190

10. Income Taxes- *continued*

b) The recovery of income taxes differs from the amounts computed by applying statutory rates to the loss before income taxes due to the following:

		March 31, 2010		March 31, 2009
Loss for the year before income taxes	**$**	**351,184**	$	2,555,972
Statutory tax rate – weighted average		**25.11%**		25.30%
Expected income tax recovery		**88,182**		646,661
Increase (decrease) due to:				
Stock based compensation		**82,983**		63,239
Other		**5,200**		583,422
Future income tax recovery	**$**	**-**	$	-

(c) Future income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of future income tax assets and liabilities are as follows:

		March 31, 2010		March 31, 2009
Future tax assets				
Excess of tax basis over carrying value of assets	**$**	(207,110)	$	5,079
Operating loss carry-forwards		1,559,647		1,243,472
		1,352,537		1,248,550
Valuation Allowance		(1,352,537)		(1,248,550)
Net future tax asset	**$**	-	$	-

11. Related Party Transactions

Except as disclosed elsewhere in these financial statements related party transactions incurred during the year ended March 31, 2010 are as follows**:**

a) Consulting fees totalling $28,000 (2009-$31,000) for services provided by the Chief Financial Officer of the Company. The balance owing at March 31, 2010 is nil.
b) Consulting fees totalling $82,500 (2009-$32,500) were paid to a Company controlled by the managing director of the Company. The balance owing at March 31, 2010 is nil.
c) Management fees totalling $90,000 (2009-$120,000) were accrued to a Company controlled by two directors of the Company. The balance owing at March 31, 2010 is nil.
d) Consulting fees totalling US$82,500 (2009- US$120,750) were paid to the president and director of the Company. The balance owing at March 31, 2010 is nil. An option payment for the Ramona property in the amount of US $nil (2009- US$15,000) and 125,000 (2009-12,500) shares were paid and issued to the president and director of the Company.

11. Related Party Transactions- *continued*

e) Salaries, rent and office supplies totalling $9,536 (2009- $73,157) was charged to a company with common management. The amount receivable at March 31, 2010 is $4,553, with no specific terms or conditions.

The above transactions, 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.

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:

2011		44,969
2012		45,180
2013		15,060
	$	105,209

On November 1, 2008 the Company assigned the balance or the term of this office lease agreement to an unrelated third party with industry standard terms and conditions.

13. Segmented Information

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

	Year Ended March 31			
		2010		2009
Assets by geographic area				
USA	**$**	**14,091,023**	$	13,211,825
Canada		**728,772**		292,356
	$	**14,819,795**	$	13,504,181

		2010		2009
Loss by geographic area				
USA	**$**	**6,415**	$	42,540
Canada		**344,769**		2,513,432
	$	**351,184**	$	2,555,972

14. Capital Disclosures

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company' 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.

15. Comparative Periods

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

16. Subsequent Events

On April 30, 2010 the Company closed a non-brokered private placement for 11,462,860 units at a price of $0.35 per unit for gross proceeds of $4,012,001 and net proceeds of $3,893,621. Each unit consists of one common share and one-half of a transferable common share purchase warrant. Each whole share purchase warrant will be exercisable into one additional common share at an exercise price of $0.50 per common share for a period of two years, subject to accelerated expiry if the volume weighted average trading price of the Company's common shares is equal to or greater than $1.00 for 20 consecutive trading days. If at any time after the date that is 4 months and one day after the closing date the volume weighted average trading price for the Company's common shares on the TSX Venture Exchange (the "Exchange") (or such other stock exchange on which such shares are listed) is equal to or greater than $1.00 for 20 consecutive trading days, the Company may, within five days after such an event, provide notice (by issuing a news release) to the holders of warrants of early expiry and thereafter, the warrants will expire on the date which is 30 days after the date of the notice to such holders of warrants.

Subsequent to the year end 272,500 share purchase warrants were exercised at $0.23 for total proceeds of $62,675.

Subsequent to the year end 2,000,000 share purchase warrants were exercised at $0.15 for total proceeds of $300,000.

Subsequent to the year end 300,000 stock options were exercised at $0.17 for total proceeds of $51,000.

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

Subsequent to the year end, the US$50,000 advance royalty payment due June 15, 2010 for the Ramona property was not made, as a result the Company is currently in default with the Ramona option to purchase agreement.