REDHAWK RESOURCES, INC.

2006 Q1

Interim Report

Redhawk Resources, Inc.
Form 51-102F1
Management Discussion and Analysis
For the Period Ended June 30, 2006

Forward Looking Information

This management discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to Redhawk Resources, Inc. ("Redhawk" or the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to Redhawk. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of Redhawk's exploration properties. Such statements reflect the current views of Redhawk with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of Redhawk to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

The Quarter in Review (April 1, 2006– June 30, 2006)

This past quarter has been a significant one in the development of Redhawk, with the appointment of a new management team in June to lead the Company into the development phase of its very exciting and highly prospective base metal projects in Arizona and British Columbia. The changes to senior management and board of directors effectively marks the completion Redhawk's transformation from an exploration company focused on precious metals to a more development oriented company now accelerating the pace of advancement of its copper- molybdenum assets at Copper Creek and its zinc-lead-silver property at ReMac.

I feel very privileged to have been appointed as President of Redhawk, taking over from Company founder Kristian Ross, who has been responsible for the acquisition of the ReMac and Copper Creek projects, both of which now represent very significant assets to the Company, particularly in the current market environment of higher base metal prices. I am also pleased that Mr. Charles Pitcher has accepted added responsibilities as Chairman of the Board of Directors, and we also welcome to the Board Mr. Steven Bastable, whose corporate finance expertise will add strength to the Company's long term strategic business and financial planning.

The main focus of activities during the quarter has been on advancing the Copper Creek Project in Arizona, where company staff and consultants have been developing the geological data base, preparing resource estimates and moving forward with an engineering scoping study. This work has been carried out under the very competent direction of Mr. Joe Sandberg, recently appointed the Company's Vice President of Development for the Copper Creek Project in San Manuel, Arizona.

A scoping study and environmental review was also initiated on the ReMac lead-zinc Project in southeastern B.C. Mr. Mike Petrina has been appointed a consultant to Redhawk with responsibility of overseeing the advancement and development of the project and co-ordinating the engineering studies.

The Copper Creek and ReMac Projects are discussed in more detail below.

Gold Projects

Due to the Company's recent focus being on its base metal projects, in particular Copper Creek, emphasis has temporarily shifted away from Redhawk's Nevada epithermal gold properties, Alien Gold and Ramona Gold.

The Alien Gold Project, along the Walker Lane Trend, is considered by Redhawk to be a property of significant merit based on work to date by both Redhawk and previous operators, which includes core drilling, RC drilling and geophysical surveys. Redhawk will be seeking third party participation to lead the next phase of exploration and development work.

Ramona Gold is also along the Walker Lane Trend and is an early stage exploration project adjacent to the Borealis gold project owned by Gryphon Gold Corporation which is at the mine financing stage to be brought into production. As with Alien, the Company has no immediate plans for development of this property but will explore opportunities to participate in further exploration work with a joint venture partner.

More information on the Alien and Ramona Projects can be found on the Company's website at www.redhawkresources.com.

Copper Creek Project

The seven square mile Copper Creek Project is located in Pinal County, Arizona, 75 road miles northeast of Tucson and 15 miles northeast of San Manuel. Copper Creek is situated in the southwest copper porphyry belt in an area of exceptionally well-developed general and copper mining infrastructure. The property hosts multiple copper-molybdenum breccia and copper-molybdenum porphyry deposits. The economic potential of Copper Creek builds on an established base of more than 407,000 feet (77 miles) of drilling.

The most significant of these deposits are the Mammoth, Childs-Aldwinkle (CA), Old Reliable (OR) and American Eagle breccias, plus the Keel zone and American Eagle and Lower Mammoth porphyries. Since Redhawk acquired the Property the Company has concentrated initially on data organization, review and analysis of the Mammoth, CA and OR breccia pipes, all of which contain historical resources. The work has included logging and re-logging of core from previous drilling campaigns, check assaying of historic pulp samples, assaying of several previously unsampled drill holes, computer modeling of the geology and mineralization of each of the deposits and updating of the resource estimates. In addition, Redhawk has engaged an environmental consultant to review the regulatory and permitting requirements for moving the project forward to the development stage.

By the end of the quarter almost 65,000 feet of core had been logged or re-logged, with an estimated 5-10,000 feet remaining to be completed in the main deposit areas.

Analysis of 2,097 historic sample pulps were completed to increase the Company's knowledge of the distribution of molybdenum, gold and silver within the various deposits for exploration, development and potential mine planning purposes. The pulps analyzed were from mineralized intersections in 45 drill holes completed by previous operators of the Copper Creek Project, at a time when most samples were analyzed only for copper, while molybdenum, gold and silver analyses were usually less systematic. The best hole in the new pulp sampling was from the CA pipe. Hole MET-3CA, in the interval from 380ft to 490ft, averaged 0.776 g/ton gold (0.023 opt) and 22.8 g/ton silver (0.66 opt). This same 110 feet interval averaged 5.92% copper. The best results from the new molybdenum assaying were in drill hole S-18, where the interval 3040ft to 3330ft (290ft) averaged 0.017% Mo, and in drill hole NE-2, where the interval 590ft to 780ft (190ft) averaged 0.012% Mo, and the interval 1570ft to 1590ft (20ft) averaging 0.093% Mo.

The results from the additional pulp sample assaying has increased our knowledge of the distribution of molybdenum, gold and silver throughout the deposit areas and when combined with previous sampling, these metals should now be considered a likely source of additional credits from any future production at Copper Creek.

Redhawk's geological engineering consultant, Independent Mining Consultants, Inc. (IMC), was in the process of completing a 43-101 compliant mineral resource estimate for the Mammoth, OR and CA breccia pipes, which was to be followed up shortly thereafter by an estimate of the Lower Mammoth/Keel zones. On completion of the mineral resource estimates, expected in August, IMC will deliver to Redhawk a full report on the deposits including, among other things, recommendations for any further work necessary to convert the mineral resources to mineral reserves.

In late June, an independent scoping study on the Copper Creek Project was initiated, utilizing engineering consultants based in Tucson. The purpose of the scoping study is to assess the economic viability of an underground mining operation within the main three breccia pipes, based initially on the resources estimated by IMC. The scoping study will include a review of development options for the planned underground exploration program, which will form an integral part of the overall mine plan. The study will also evaluate the potential for development and mining of the other known, but less well defined, deposits on the property, such as the American Eagle and Lower Mammoth/ Keel zones.

In addition to IMC the consulting firms engaged by Redhawk to carry out the scoping study consist of Milne & Associates (mine development engineering), KD Engineering (metallurgy & process engineering), Call & Nicholas (mine geotechnical) and Golder Associates (waste management). All these firms have world-wide experience in evaluation of underground mining projects and specifically have first hand knowledge of and experience in the Arizona copper belt. It is anticipated that the study will be complete by late September, 2006.

Redhawk is well funded to conduct the next phase of work at Copper Creek. The Company intends to pursue an ambitious surface drilling campaign to expand the Mammoth Deposit boundaries, drill other deposit targets that require further drilling to be included in the Project's Mineral Resource categories, and to explore newly defined targets. Some of these deposit targets will require further drilling during the Company's underground exploration and deposit definition program which is being planned to follow this first campaign of surface drilling. Other deposit targets will be followed-up later from underground, where the logistics of drilling them is superior.

ReMac Project

Redhawk's ReMac Zinc Project is located in southeastern British Columbia 25 km southeast of TeckCominco's zinc-lead smelter complex at Trail. TeckCominco's zinc sulphide mine and concentrator at Pend Oreille, in Washington State, is 10 km south of ReMac. The Project includes the past producing Reeves MacDonald zinc-lead-silver sulphide mine (7.25 million tons produced), and the adjoining property to the west which hosts the continuation of the favorable zinc-silver-lead mineralized Reeves limestone unit stratigraphy.

The most recent work by Redhawk on the property was in late 2004 and 2005. It included a drill program which discovered mineralization west of the previously known westward extent, and surface mapping and sampling in favourable stratigraphy five km west of the newly drilled area. This work, which will be followed up in 2006 with additional mapping and sampling, will assist in providing additional exploration targets for the next surface drill program planned for later this year.

A scoping level study is also planned for the ReMac Property. This study, which will incorporate an environmental risk assessment, will lead to the establishment of an exploration development and drilling program aimed at defining the resources necessary for economic development. The scoping study will follow up on previous work and will evaluate the potential of both the oxide and sulphide portions of the deposit.

Subsequent to the end of the quarter Redhawk engaged the engineering firm of Wardrop Engineering Inc. in Vancouver, B.C., as the lead consultant for the ReMac study. Wardrop will be responsible for the mining, plant and infrastructure aspects of the study, while metallurgical input will be provided by consulting metallurgist Byard MacLean, P. Eng. Environmental consultants Gartner Lee Limited will review the environmental and regulatory requirements of the project.

The scoping study is scheduled for completion by late September, 2006.

Qualified Persons under the meaning of Canadian National Instrument 43-101 responsible for the technical content of this Management Discussion & Analysis are R. Joe Sandberg, CPG for the Copper Creek, Alien and Ramona Properties, and George Gorzynski, P. Eng. for the ReMac Zinc Property.

Investor Relations

Information on Redhawk and its projects, including project photos, detailed technical reports and executive summaries, etc., is available on the Company's website at www.redhawkresources.com or by calling Bruce Briggs at 604.633.5088, or by contacting Robert McAllister, the Company's Investor Relations Consultant at 250.870.2219.

As always, we welcome your questions, suggestions and comments.

Risk Factors

Exploration and Development

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is also no assurance that if commercial ore is discovered that the ore body would be economical for commercial production. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit is also dependent upon a number of factors beyond the Company's control. Some of these factors are the attributes of the deposit, commodity prices, government policies and regulation and environmental protection.

The Company is earning an interest in certain of its key properties through option agreements and acquisition of title in the properties is only completed when the option conditions have been met. These conditions include making property payments, incurring exploration expenditures on the properties, and satisfactory completion of certain pre-feasibility studies and third party agreements. If the Company does not satisfactorily complete these option conditions in the time frame laid out in the option agreements, the Company's title to the related property will not vest and the Company will have to write-down its previously capitalized costs related to that property.

Financial Discussion and Analysis

Summary of Quarterly Results (Canadian $)

Quarter/ Fiscal Year ending in	Net Revenues	Net Loss	Net Loss per Share	Fully diluted Net Loss Per Share	Total Assets	Total Long-term Liabilities
1st Quarter 2006	0	431,314	0.01	0.01	9,302,092	0
4th Quarter 2006	0	436,670	0.01	0.01	9,234,924	0
3rd Quarter 2006	0	177,897	0.01	0.01	5,998,919	0
2nd Quarter 2006	0	314,533	0.01	0.01	6,251,612	0
1st Quarter 2006	0	175,310	0.01	0.01	3,819,868	0
4th Quarter 2005	0	198,925	0.01	0.01	3,897,063	0
3rd Quarter 2005	0	193,099	0.01	0.01	4,059,309	0
2nd Quarter 2005	0	156,312	0.01	0.01	4,059,064	0
1st Quarter 2005	0	137,131	0.01	0.01	4,110,319	0
4th Quarter 2004	0	170,568	0.01	0.01	3,468,323	0
3rd Quarter 2004	0	89,239	0.01	0.01	3,526,095	0

Results of Operations

Quarter ended June 30, 2006

Administrative costs for the period were $450,065, up from $170,241 for the comparative period last year. The largest increase, $59,900, reflects the fees related to services provided by WestPoint Merchant Ventures and services provided by certain management personnel.

Audit and accounting fees increased $5,409 with the additional regulatory requirements and the increased activity of the Company. We expect continued pressure on these fees over the next year.

Investor relations cost increased by $20,416 reflecting the current consulting contracts that the Company has entered into. This amount is expected to increase for the balance of 2006-2007 fiscal period as part of the Company's ongoing program to educate the investment community about the Copper Creek and ReMac projects.

Legal fees, as expected, showed a substantial increase in the quarter, a total of $101,075 compared to $33,103 last year. While regulatory requirements are creating higher costs these fees were primarily related to the financings, management reorganization and property acquisitions completed during the period. Transfer agent fees and filing fees increased accordingly from $762 to $44,688.

Office and sundry, office services and rent increased by $42,832, a reflection of the increased activity of the Company over the last year and the subsequent requirements for additional staff and space.

Stock based compensation represents the “value” ascribed to stock options granted and vested during the year. In 2006 for this quarter it was $86,147, compared to $62,472. The increase was a reflection of the granting of 1,250,000 options at $0.60, in February 2006 and a further 440,000@ $0.25 and 135,000 @$0.30 granted in June of 2006.

Other items included interest income of $ 23,769 (2005-$1,877) and a write-down on the disposal of certain furniture and equipment in the move to the new office facilities.

Resource property expenditures for the period were $324,593 (2005-$83,051) the majority of which, $280,858 (2005 - $37,097) was related to the Copper Creek Project in Arizona.

Liquidity and Capital Resources:

Working capital at the end of the period was $3,181,128 compared to $ 3,257,762 at March 31, 2006.

During the quarter the Company issued 25,000 shares at an ascribed value of $6,000 on a property option payment for the Ramona property and recorded the issuance of a further 1,700,000 shares for $578,000 with the exercise of certain outstanding warrants and stock options.

It followed this up with a further financing for $2.7 million consisting of a non-brokered private placement of six million units at $0.45 per unit. Each unit consists of one common share and on share purchase warrant. Each warrant may be exchanged for one common share at $0.65 if exercised within the first 12 months from the date of issue and at $0.85 thereafter for up to twenty-four months from the date of issue. A finder’s fee of $108,000 and 240,000 shares were paid.

Copper Creek Project

In July 2005, the Company entered into a letter agreement with a third party to acquire a 100% working interest in the Copper Creek Property in Arizona. The Company paid $300,000 on signing, and paid a further $1.3 million in November on closing. In addition, the Company is required to pay, prior to commencement of commercial production, annual advance royalty payments in the amount of $125,000. Upon commercial production, the Company will have to pay a 2.25% royalty payment until a total of $25 million, in combined advance royalty payments and royalty payments, were made.

In November 2005, the Company also entered into an option to purchase agreement with D&G Mining to acquire the Moose Claims a property surrounded by the Copper Creek claims. Under the terms of the lease the Company paid US$80,000 (Cdn$95,240) to the optionor and will make optional payments of US$80,000 for the next two years and US$100,000 by each of the third through the fifteenth anniversary. The Company has the right to acquire a 100% interest in the Moose claims at any time on or before the first anniversary for $US1.2 million, the purchase price increasing by US$200,000 per year on each subsequent anniversary until year 15. All yearly lease payments made prior to exercising the option to purchase will be applied as credits toward the purchase price.

Transactions with related parties

During the period ended June 30, 2006, management and consulting fees in the amount of $36,000 (2005 - $32,500) were accrued or paid to directors (and one former director) of the Company.

Share Capital

Authorized:
Unlimited common shares without par value

	Number		Amount
Balance, March 31, 2004	16,189,820	$	6,000,480
Share purchase warrants exercised	2,819,000		287,150
Private placement	2,000,00		600,000
Shares issued for resource properties	50,000		6,750
Share issue costs	-		(38,400)
	21,058,820		6,855,980
Balance, March 31, 2005			
Shares issued for resource properties (i)	75,000		20,000
Share purchase warrants exercised	1,725,000		727,500
Private placements	23,167,000		5,275,050
Finder's fee	1,140,000		243,000
Share issue costs	-		(379,509)
Balance, March 31, 2006	47,165,820		12,742,021
Shares issued for resource properties (i)	25,000		6,000
Share purchase warrants exercised	1,125,000		427,500
Stock options exercised	575,000		150,500
Balance, June 30, 2006	48,890,820	$	13,326,021

Shares Issued

i. On June 7, 2006, the Company issued 25,000 common shares at a value of $0.24 under the terms of the Ramona agreement (Note 5) as follows; 12,500 shares to an officer of Redhawk Copper, Inc. and 12,500 common shares to an unrelated party.

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

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

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

Share Capital – *continued*

Shares Issued– *continued*

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

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

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

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

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

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

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

b) Contributed Surplus

Balance, March 31, 2004	$	137,742
Fair value of stock options issued		233,634
Balance, March 31, 2005	$	371,376
Fair value of stock options issued		297,561
Balance, March 31, 2006	$	668,937
Fair value of stock options issued		86,147
Balance, June 30, 2006	$	755,084

Share Capital - *continued*

c) Share Purchase Warrants

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

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

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

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

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

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

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

viii. Subsequent to June 30, 2006, 600,000 warrants with an exercise price of $0.50 expired on July 8, 2006.

Number Outstanding March 31, 2006	Granted	Exercised	Cancelled	Expired	Number Outstanding June 30, 2006	Exercise Price Per Share	Expiry Date
600,000	-	-	-		600,000	$ 0.50	July 8, 2006
600,000	-	600,000	-	-	-	$ 0.45	April 14, 2006
17,742,000	-	525,000	-	-	17,217,000	$0.30	Sept 26, 2007
6,000,000	-	-	-	-	6,000,000	$ 0.65 to Mar 24, 07 $0.85 From Mar 24, 08	Mar 30, 2008
24,942,000	-	1,125,000	-	-	23,817,000	$ 0.16-$0.60	April 14, 2005 – March 30, 2008

Share Capital - *continued*

Share Purchase Options

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

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

Number Outstanding March 31, 2006	Granted	Exercised	Cancelled	Expired	Number Outstanding June 30, 2006	Exercise Price Per Share	Expiry Date
1,220,000	-	440,000	-	-	780,000	$ 0.25	March 5, 2008
1,240,000	-	135,000	-	-	1,105,000	$ 0.30	January 19, 2009-*(i)*
100,000	-	-	-	-	100,000	$ 0.20	May 12, 2009
50,000	-	-	-	-	50,000	$ 0.25	June 28, 2009
150,000	-	-	-	-	150,000	$ 0.35	March 17, 2010
50,000	-	-	-	-	50,000	$ 0.30	April 13, 2010
420,000	-	-	-	-	420,000	$ 0.16	July 8, 2010
425,000	-	-	-	-	425,000	$ 0.22	July 21, 2010
1,250,000	-	-	-	-	1,250,000	$ 0.60	February 27,2011
4,905,000	-	575,000	-	-	4,330,000	$ 0.16-$0.60	March 5, 2008 – February 27, 2011

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

ii. In January 2004, the Company granted additional stock options under its Stock Option Plan to directors and employees exercisable for up to 1,240,000 shares of the Company. The options are exercisable on or before January 19, 2009. In October 2004, the Company re-priced these options to $0.30 per share from $0.40 per share. The estimated value of these stock options is $409,447 on the grant date.

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

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

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

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

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

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

Share Capital - ***continued***

Share Purchase Options- ***continued***

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

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

Outstanding Share Data

The following common shares and convertible securities of the Company were outstanding at August 18, 2006:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares at August 18, 2006	48,990,820		
Employee stock options	680,000	$ 0.25	March 5, 2008
	1,105,000	$0.30	January 19,2009
	100,000	$0.20	May 12, 2009
	50,000	$0.25	June 28, 2009
	150,000	$ 0.35	March 17, 2010
	50,000	$ 0.30	February 25, 2010
	420,000	$0.16	July 8, 2010
	425,000	$ 0.22	July 21, 2010
	1,250,000	$ 0.60	February 27, 2011
Warrants	16,317,000	$0.30	Sept. 26, 2007
		$0.65/$0.85	Mar.24,/o7
	6,000,000		Mar.30/08
Fully Diluted at August 18, 2006	76,437,820		

Changes in Accounting Policies

The consolidated financial statements for the period ended June 30, 2006 followed the same accounting policies and methods of application as those of the most recent audited financial statements.

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Financial Instruments and Other Instruments

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

Subsequent Events

i) On August 1, 2006, the Company granted additional stock options to directors, officers, consultants and an employee for up to 1,335,000 shares of the Company. The options are exercisable on or before August 1, 2011, at a price of $0.60 per share.

ii) Subsequent to the end of the quarter Redhawk engaged the engineering firm of Wardrop Engineering Inc. in Vancouver, B.C., as the lead consultant for the ReMac study. Also appointed to the study team were metallurgical consultant Byard MacLean P. Eng and environmental consultant Gartner Lee Limited.

Approval

The Board of Directors of Redhawk has approved the disclosure contained in this interim MD&A. A copy of this interim MD&A will be provided to anyone who requests it.

Additional Information

Additional information relating to Redhawk is on SEDAR at www.sedar.com

On behalf of the Board of Directors,

August 18, 2006

"Bruce M. Briggs"
President

Redhawk Resources, Inc.

(A Development Stage Company)

Interim Consolidated Financial Statements

June 30, 2006 and 2005

Unaudited

NOTICE

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

Redhawk Resources, Inc.

(A Development Stage Company)

Interim Consolidated Balance Sheets

As at June 30

Canadian Funds

Unaudited

ASSETS	**June 30, 2006**	June 30, 2005	March 31, 2006
Current			
Cash	**$ 3,245,821**	$ 720,428	$ 3,510,835
Short-term investments	**8,866**	8,866	8,866
Accounts receivable and prepaid expenses	**93,456**	54,393	80,441
	3,348,143	783,687	3,600,142
Reclamation Bond	**11,640**	-	11,640
Property and Equipment *(Note 4)*	**71,151**	5,951	80,277
Resource Properties- *Schedule (Note 5)*	**5,871,158**	3,030,230	5,546,565
	$ 9,302,092	$ 3,819,868	$ 9,238,624

LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 167,015**	$ 109,654	$ 342,380

SHAREHOLDERS' EQUITY			
Share Capital - *(Note 6)*	**13,326,021**	6,861,980	12,742,021
Contributed Surplus *(Note 6 (b))*	**755,084**	433,848	668,937
Deficit – *Statement 2*	**(4,946,028)**	(3,585,614)	(4,514,714)
	9,135,077	3,710,214	8,896,244
Commitments - *(Note 10)*			
	$ 9,302,092	$ 3,819,868	$ 9,238,624

ON BEHALF OF THE BOARD:

Director: “Frederick W. Davidson”

Director: “Bruce M. Briggs”

The accompanying notes form an integral part of these financial statements

Redhawk Resources, Inc.

Statement 2

(A Development Stage Company)

Interim Consolidated Statements of Operations and Deficit
For the Three Months Ended June 30

Canadian Funds

Unaudited

		2006		2005
Administrative Costs				
Audit and accounting	$	7,909	$	2,500
Amortization		4,773		373
Filing fees		39,269		100
Insurance		7,975		3,740
Investor relations		36,595		16,179
Legal		101,075		33,103
Management fees and consulting		92,400		32,500
Office and sundry		21,510		10,623
Office services		12,720		1,789
Rent		24,809		3,795
Stock based compensation expense - *(Note 6b & 7)*		86,147		62,472
Transfer agent		5,419		662
Travel and accommodation		9,464		2,405
Loss Before the Following		450,065		170,241
Other Expenses (Income)				
Interest income		(23,769)		(1,877)
Income and other taxes		-		(8)
Loss on disposal of capital assets		5,018		-
Write-off of resource properties		-		6,954
		(18,751)		5,069
Loss for the Period		431,314		175,310
Deficit - Beginning of Year		4,514,714		3,410,304
Deficit - End of Period	$	4,946,028	$	3,585,614
Loss per Share – Basic and diluted	$	0.01	$	0.01
Weighted Average Share Outstanding		38,000,285		21,063,863

The accompanying notes form an integral part of these financial statements

Redhawk Resources, Inc.

Statement 3

(A Development Stage Company)

Interim Consolidated Statements of Cash Flows
For the Three Months Ended June 30

Canadian Funds

Unaudited

Cash Resources Provided by (Used in)		**2006**		2005
Operating Activities				
Loss for the period	**$**	**(431,314)**	$	(175,310)
Items not affected by cash				
Amortization		**4,773**		373
Stock-based compensation expense		**86,147**		62,472
Loss on disposal of capital assets		**5,018**		-
Write-off of resource properties		**-**		6,954
Changes in non-cash working capital		**(188,380)**		19,726
		(523,756)		(85,785)
Investing Activities				
Property, plant and equipment		**(665)**		(482)
Resource property expenditures		**(324,593)**		(77,051)
		(325,258)		(77,533)
Financing Activities				
Share capital		**584,000**		-
Net Increase (Decrease) in Cash		**(265,014)**		(163,318)
Cash position - Beginning of Period		**3,510,835**		883,746
Cash Position - End of Period	**$**	**3,245,821**	$	720,428
Non-Cash Financing/Investing Activities				
Stock-based compensation included in contributed surplus	**$**	**86,147**	$	62,472
Shares issued for finder's fee	**$**	**-**	$	-
Shares issued for resource properties	**$**	**6,000**	$	6,000

The accompanying notes form an integral part of these financial statements

Redhawk Resources, Inc.

Schedule

(A Development Stage Company)

Interim Consolidated Schedule of Resource Properties

For the Three Months Ended June 30

Canadian Funds

Unaudited

	2006	2005
Red Bird, Kootenay Land District, B.C. - *(Note 5 (a)(b))*		
Deferred Expenditures		
Camp and general	$ **332**	$ -
Drilling	**-**	-
Engineering and consulting	**13,758**	545
Equipment rental	**-**	-
Field costs	**344**	450
Government fee	**-**	1,804
	14,434	2,799
Reeves, Kootenay Land District, B.C. - *(Note 5 (c))*		
Deferred Expenditures		
Engineering and consulting	**675**	110
Field costs	**480**	450
	1,155	560
Ramona, Nevada, USA - *(Note 5 (e))*		
Acquisition costs	**28,146**	24,615
Deferred Expenditures		
Engineering and consulting	**-**	5,995
Field costs	**-**	222
Vehicle	**-**	810
	-	7,027
	28,146	31,642
Subtotal	$ **43,735**	$ 35,001

The accompanying notes form an integral part of these financial statements

Schedule

Redhawk Resources, Inc.

(A Development Stage Company)

Consolidated Schedule of Resource Properties

For the Year Ended March 31

Canadian Funds

Unaudited

		2006		2005
Balance forward	$	**43,735**	$	35,001
Alien , Nevada, USA - *(Note 5 (d))*				
Deferred Expenditures				
Camp and general		-		654
Engineering and consulting		-		1,675
Field costs		-		1,201
Vehicles		-		469
		-		3,999
Copper Creek, Arizona, USA				
Deferred Expenditures				
Assaying and laboratory		**18,384**		-
Camp and general		**564**		4,338
Engineering and consulting		**235,812**		28,651
Field costs		**18,502**		1,403
Permits and fees		**277**		-
Travel and accommodation		-		810
Vehicles		**7,319**		1,895
		280,858		37,097
Other Properties - *(Note 5)*				
Deferred Expenditures				
Assaying and laboratory		-		3,242
Engineering and consulting		-		2,919
Field costs		-		793
		-		6,954
Write-off of resource properties		-		(6,954)
		-		-
Deferred Exploration Costs for the Period		**324,593**		83,051
Write-off of Resource Properties for the Period		-		(6,954)
		324,593		76,097
Balance – Beginning of Period		**5,546,565**		2,954,133
Balance – End of Period	$	**5,871,158**	$	3,030,230

The accompanying notes form an integral part of these financial statements

Redhawk Resources, Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

For the Three Months Ended June 30, 2006 and 2005

Canadian Funds

Unaudited

1. Nature of Operations

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

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2. Significant Accounting Policies

a) Principles of Consolidation

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

b) Mineral Operations

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

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

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

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

c) Property Option Payments

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

2. Significant Accounting Policies - *continued*

d) Loss per Share

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

e) Management's Estimates

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

f) Investments

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

g) Future Income Taxes

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

h) Stock-Based Compensation

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

i) Share Capital

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

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

j) Property and equipment

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

2. Significant Accounting Policies - *continued*

k) Cash and Cash Equivalents

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

l) Asset Retirement Obligations

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

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

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

m) Foreign currency translation

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

n) Variable Interest Entities

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

o) Risk management

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

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

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

3. Fair Value of Financial Instruments

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

4. Property and Equipment

	(Unaudited) Jun 30, 2006			(Audited) Mar 31, 2006		
	Cost	Accumulated Amortization	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 34,022	5,758	$ **28,264**	$ 36,723	4,756	$ **31,967**
Computer equipment	22,794	6,609	**16,185**	25,135	5,596	**19,539**
Software	33,848	7,146	**26,702**	33,848	5,077	**28,771**
	$ 90,664	19,513	$ **71,151**	$ 95,706	15,429	$ **80,277**

5. Resource Properties

	June 30 2006	March 31 2006
Red Bird – Kootenay Land District, B.C.		
Acquisition	$ **90,151**	$ 90,151
Exploration and development	**2,118,002**	2,103,568
Recoveries	**(223,151)**	(223,151)
	1,985,002	1,970,568
Red Bird Extension – Kootenay Land District, B.C.		
Acquisition	**58,476**	58,476
Reeves – Kootenay Land District, B.C.		
Acquisition	**323,851**	323,581
Exploration and development	**335,078**	333,923
Recoveries	**(257,690)**	(257,690)
	401,239	400,084
Ramona – Nevada, USA		
Acquisition	**73,367**	45,221
Exploration and development	**65,853**	65,853
	139,220	111,074
Alien - Nevada, USA		
Acquisition	**60,605**	60,605
Exploration and development	**570,495**	570,495
	631,100	631,100
Copper Creek – Arizona, USA		
Acquisition	**1,821,061**	1,821,061
Exploration and development	**835,060**	554,202
	2,656,121	2,375,263
Other Properties		
Exploration and development	**269,378**	269,378
Write-off of resource properties	**(223,614)**	(223,614)
Recoveries	**(45,764)**	(45,764)
	-	-
Total	$ **5,871,158**	$ 5,546,565

5. Resource Properties - *continued*

a) Red Bird - Kootenay Land District

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

b) Red Bird Extension - Kootenay Land District

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

c) Redhawk-Reeves Agreement

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

d) Alien Agreement

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

e) Ramona Agreement

In May 2004, the Company optioned to purchase the Ramona Gold project in Nevada from a third party. The Company can acquire 100% interest in the property by spending US$32,000 over two years (US$54,100 spent), by paying US$770,000 in advance royalty payments over 16 years (US$30,000 paid), by issuing to the third party a total of 100,000 (25,000 issued) shares of the Company in years two to five, and by paying up to a 4% net smelter royalty from commercial production. The Company has the right to reduce the 4% net smelter royalty to 2% at any time by paying the third party US$1,200,000.

f) Copper Creek Agreement

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

5. Resource Properties - *continued*

g) D & G Mining Agreement

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

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6. Share Capital

a) Details are as follows:

Authorized:
Unlimited common shares without par value

	Number		Amount
Balance, March 31, 2004	16,189,820	$	6,000,480
Share purchase warrants exercised	2,819,000		287,150
Private placement	2,000,00		600,000
Shares issued for resource properties	50,000		6,750
Share issue costs	-		(38,400)
Balance, March 31, 2005	21,058,820		6,855,980
Shares issued for resource properties (i)	75,000		20,000
Share purchase warrants exercised	1,725,000		727,500
Private placements	23,167,000		5,275,050
Finder's fee	1,140,000		243,000
Share issue costs	-		(379,509)
Balance, March 31, 2006	47,165,820		12,742,021
Shares issued for resource properties (i)	25,000		6,000
Share purchase warrants exercised	1,125,000		427,500
Stock options exercised	575,000		150,500
Balance, June 30, 2006	48,890,820	$	13,326,021

i. On June 7, 2006, the Company issued 25,000 common shares at a value of $0.24 under the terms of the Ramona agreement (Note 5) as follows; 12,500 shares to an officer of Redhawk Copper, Inc. and 12,500 common shares to an unrelated party.

6. Share Capital - *Continued*

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

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

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

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

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

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

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

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

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

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

b) Contributed Surplus

Balance, March 31, 2004	$	137,742
Fair value of stock options issued		233,634
Balance, March 31, 2005	$	371,376
Fair value of stock options issued		297,561
Balance, March 31, 2006	$	668,937
Fair value of stock options issued		86,147
Balance, June 30, 2006	$	755,084

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

c) Share Purchase Warrants

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

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

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

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

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

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

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

viii. Subsequent to June 30, 2006, 600,000 warrants with an exercise price of $0.50 expired on July 8, 2006.

Number Outstanding March 31, 2006	Granted	Exercised	Cancelled	Expired	Number Outstanding June 30, 2006	Exercise Price Per Share	Expiry Date
600,000	-	-	-		600,000	$ 0.50	July 8, 2006
600,000	-	600,000	-	-	-	$ 0.45	April 14, 2006
17,742,000	-	525,000	-	-	17,217,000	$0.30	Sept 26, 2007
6,000,000	-	-	-	-	6,000,000	$ 0.65 to Mar 24, 07 $0.85 From Mar 24, 08	Mar 30, 2008
24,942,000	-	1,125,000	-	-	23,817,000	$ 0.16-$0.60	April 14, 2005 – March 30, 2008

7. Share Purchase Options

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

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

Number Outstanding March 31, 2006	Granted	Exercised	Cancelled	Expired	Number Outstanding June 30, 2006	Exercise Price Per Share	Expiry Date
1,220,000	-	440,000	-	-	780,000	$ 0.25	March 5, 2008
1,240,000	-	135,000	-	-	1,105,000	$ 0.30	January 19, 2009-*(i)*
100,000	-	-	-	-	100,000	$ 0.20	May 12, 2009
50,000	-	-	-	-	50,000	$ 0.25	June 28, 2009
150,000	-	-	-	-	150,000	$ 0.35	March 17, 2010
50,000	-	-	-	-	50,000	$ 0.30	April 13, 2010
420,000	-	-	-	-	420,000	$ 0.16	July 8, 2010
425,000	-	-	-	-	425,000	$ 0.22	July 21, 2010
1,250,000	-	-	-	-	1,250,000	$ 0.60	February 27, 2011
4,905,000	-	575,000	-	-	4,330,000	$ 0.16 - $0.60	March 5, 2008 – February 27, 2011

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

ii. In January 2004, the Company granted additional stock options under its Stock Option Plan to directors and employees exercisable for up to 1,240,000 shares of the Company. The options are exercisable on or before January 19, 2009. In October 2004, the Company re-priced these options to $0.30 per share from $0.40 per share. The estimated value of these stock options is $409,447 on the grant date.

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

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

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

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

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

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

7. Share Purchase Options - *continued*

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

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

b) The fair value of stock options used to calculate compensation for employees is estimated using the Black-Scholes Option Pricing Model. Since the options were granted under a graded vesting schedule, $86,147(2005 - $62,472) of the fair value has been recorded in the accounts of the Company during the period. The offsetting entry is to contribute surplus *(Note 6(b))*. This value is estimated at the date of the grant with the following weighted average assumptions:

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

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

8. Income Taxes

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

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

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

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

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

8. Income Taxes - *Continued*

b) The Company has incurred approximately $5,912,493 of resource related expenditures that may be carried forward indefinitely and used to reduce prescribed taxable income in future years.

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

9. Related Party Transactions

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

a) During the three months ended June 30, 2006, fees in the amount of $36,000 (2005 - $32,500) were paid to two directors (and one former director) of the Company, which are shown as management fees on the statement of operations and deficit.

a) In April 2004, the Company issued a private placement of 2.0 million units at a price of $0.30 per unit, of which 400,000 units were issued to a director of the Company. Each unit consists of one common share and one share purchase warrant.

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.

10. Commitments

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

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

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

11. Segmented Information

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

		June 30, 2006		June 30, 2005
Assets by geographic area				
USA	**$**	**2,805,035**	$	-
Canada		**6,491,057**		3,819,868
	$	**9,296,092**	$	3,819,868
Net loss by geographic area				
USA	**$**	**38,425**	$	-
Canada		**392,889**		175,310
	$	**431,314**	$	175,310

12. Comparative Periods

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

Redhawk Resources, Inc.

Company Officers and Directors

Bruce M. Briggs	President, Director	Vancouver BC
Frederick W. Davidson	Chief Financial Officer, Director	Vancouver BC
Charles Pitcher	Chairman of the Board, Director	Vancouver BC
Richard Somerville	Director	Salt Spring Island BC
Steven Bastable	Director	Vancouver BC

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