# Redhawk Resources, Inc.

*(An Exploration Stage Company)*

**Interim Consolidated Financial Statements**

**December 31, 2008**

(Canadian Funds)

(Unaudited)

## Notice of no Auditor Review of Interim Financial Statements

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

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

# Redhawk Resources, Inc.

Statement 1

*(An Exploration Stage Company)*

**Interim Consolidated Balance Sheets**

*Canadian Funds*
*Unaudited*

| ASSETS | | December 31, 2008 | | March 31, 2008 (audited) |
|---|---|---|---|---|
| **Current** | | | | |
| Cash and term deposits | $ | **328,732** | $ | 158,338 |
| Short-term investments *( Note 4)* | | **830** | | 8,866 |
| Accounts receivable and prepaid expense | | **85,566** | | 101,270 |
| | | **415,128** | | 268,474 |
| **Reclamation bond** | | **17,130** | | 17,130 |
| **Property and equipment** *(Note 5)* | | **13,130** | | 72,298 |
| **Resources properties** *(Note 6)* | | **13,978,420** | | 12,337,838 |
| | $ | **14,423,808** | $ | 12,695,740 |

| LIABILITIES | | | | |
|---|---|---|---|---|
| **Current** | | | | |
| Accounts payable and accrued liabilities | $ | **230,722** | $ | 589,329 |
| Current portion of long term debt *( Note 7)* | | **152,500** | | 513,500 |
| | | **383,222** | | 1,102,829 |
| **Long term debt** *(Note 7)* | $ | **2,565,711** | $ | 1,718,876 |
| | | **2,948,933** | | 2,821,705 |

| SHAREHOLDERS' EQUITY | | | | |
|---|---|---|---|---|
| **Share capital** *(Note 8)* | | **20,968,927** | | 19,368,785 |
| **Stock options** *(Note 10)* | | **2,323,055** | | 2,207,786 |
| **Warrants** *(Note 9)* | | **984,560** | | - |
| **Deficit –** *Statement 2* | | **(12,801,667)** | | (11,522,536) |
| | | **11,474,875** | | 9,874,035 |
| | $ | **14,423,808** | $ | 12,695,740 |

*Nature of Operations and Going Concern ( Note 1)*
*Commitments (Notes 6 & 13)*
*Subsequent Events (Note 18)*

ON BEHALF OF THE BOARD:

Director: "Steven C., Bastable"

Director: "J. Stephen Barley"

# Redhawk Resources, Inc.

Statement 2

*(An Exploration Stage Company)*

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

*Canadian Funds*

*Unaudited*

| | Three Months ended December 31 | | Nine Months Ended December 31 | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| **Administrative Costs** | | | | |
| Audit and accounting | $ **14,230** | $ 43,366 | $ **61,235** | $ 88,211 |
| Amortization | **4,605** | 5,464 | **13,814** | 14,779 |
| Filing fees | **982** | - | **7,218** | 5,600 |
| Insurance | **6,147** | 10,560 | **27,978** | 24,437 |
| Investor relations | **11,957** | 106,673 | **65,021** | 166,296 |
| Legal | **7,516** | 33,852 | **50,527** | 108,829 |
| Management fees and consulting | **55,520** | 98,400 | **132,520** | 361,183 |
| Office and sundry | **7,058** | 18,461 | **21,847** | 74,467 |
| Salaries and benefits | **17,247** | 21,731 | **103,304** | 69,325 |
| Rent | **9,722** | 25,402 | **33,749** | 70,453 |
| Stock based compensation expense *(Note 10(b))* | **52,907** | 232,879 | **241,564** | 758,653 |
| Transfer agent | **953** | 9,221 | **4,106** | 30,824 |
| Travel and accommodation | **145** | 6,237 | **38,354** | 29,620 |
| Foreign exchange (gain) loss | **352,409** | (36,921) | **432,868** | (183,934) |
| **L0ss before the following** | **541,398** | 575,325 | **1,234,105** | 1,618,743 |
| **Other expenses (income)** | | | | |
| Interest income | **(3,540)** | (26,874) | **(17,960)** | (94,695) |
| Interest expense | **-** | - | **5,792** | - |
| Loss on disposal of assets | **49,158** | - | **49,158** | - |
| **Loss for the period** | **587,016** | 548,451 | **1,271,095** | 1,524,048 |
| Unrealized loss on securities held for resale | **-** | - | **8,036** | - |
| **Loss and comprehensive loss for the period** | **587,016** | 548,451 | **1,279,131** | 1,524,048 |
| Deficit – beginning of period | **12,214,651** | 10,404,960 | **11,522,536** | 5,706,147 |
| Distribution of assets *(Note 17)* | **-** | - | **-** | 3,723,216 |
| **Deficit – end of period** | $ **12,801,667** | $ 10,953,411 | $ **12,801,667** | $ 10,953,411 |
| **Loss per share - basic** | $ **0.008** | $ 0.008 | $ **0.018** | $ 0.024 |
| **Weighted average shares outstanding-basic** | **73,910,820** | 67,735,787 | **72,755,747** | 62,346,346 |

The accompanying notes form an integral part of these financial statements

# Redhawk Resources, Inc.

Statement 3

*(An Exploration Stage Company)*

**Interim Consolidated Statements of Cash Flows**

*Canadian Funds*
*Unaudited*

| | Three Months ended December 31 **2008** | 2007 | Nine Months Ended December 31 **2008** | 2007 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Loss and comprehensive loss for the period | **$ (587,016)** | $ (548,451) | **$ (1,279,131)** | $ (1,524,048) |
| Items not affecting cash | | | | |
| Amortization | **4,605** | 5,464 | **13,814** | 14,779 |
| Stock based compensation expense *(Note 10(b))* | **52,907** | 232,879 | **241,564** | 758,653 |
| Unrealized loss on securities held for resale | **-** | - | **8,036** | - |
| Loss on disposal of assets | **49,158** | - | **49,158** | - |
| | **(480,346)** | (310,108) | **(966,559)** | (750,616) |
| Changes in non-cash working capital | **(135,695)** | 27,278 | **(385,008)** | (34,290) |
| | **(616,041)** | (282,830) | **(1,351,567)** | (784,906) |
| **Cash flows from investing activities** | | | | |
| Property, plant and equipment | **-** | (9,357) | **(3,804)** | (15,815) |
| Resource properties | **110,181** | (918,602) | **(1,040,437)** | (2,230,008) |
| Reclamation bond | **-** | - | | (5,490) |
| | **110,181** | (927,959) | **(1,044,241)** | (2,251,313) |
| **Cash flows from financing activities** | | | | |
| Share capital issued for cash, net of issuance costs | **-** | - | **2,566,202** | 3,428,580 |
| Stock options exercised | **-** | 290,750 | **-** | 328,250 |
| | **-** | 290,750 | **2,566,202** | 3,756,830 |
| **Net increase (decrease) in cash** | **(505,860)** | (920,039) | **170,394** | 720,611 |
| Cash – beginning of period | **834,592** | 2,832,311 | **158,338** | 1,191,661 |
| **Cash – end of period** | **$ 328,732** | $ 1,912,272 | **$ 328,732** | $ 1,912,272 |

| | | | | |
|---|---|---|---|---|
| **Supplemental Schedule of Non-Cash Transactions** | | | | |
| Stock-based compensation capitalized in resource properties | **$ 10,242** | $ 93,788 | **$ 53,705** | $ 93,788 |
| Shares issued for resource properties | **$ 6,500** | $ - | **$ 18,500** | $ 15,000 |

The accompanying notes form an integral part of these financial statements

## 1. Nature of Operations and Going Concern

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

The Company's ability to continue operations is contingent on its ability to obtain further financing. These interim consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were going concern assumptions inappropriate. Such adjustments could be material.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going-concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company for the nine month period ended December 31, 2008 incurred a loss of $1,279,131, had working capital of $31,906 and an accumulated shareholders' deficit of $12,801,667.

In management's opinion, the working capital position after the February 23, 2009 financing is adequate to maintain ongoing corporate activities for the current fiscal year, exclusive of any exploration expenditures. A longer term perspective beyond the current fiscal year would indicate there is substantial doubt about the Company to continue as a going concern.

## 2. Significant Accounting Policies

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods consistent with those used in the preparation of the most recent annual audited consolidated financial statements except as noted below. The interim consolidated financial statements do not include all information and note disclosures required by Canadian GAAP for annual financial statements, and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2008.

### Changes in Accounting Policies

Effective April 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

Section 3862, "Financial Instruments – Disclosures". This section describes the required disclosure to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. *(See note 3)*

Section 3863, "Financial Instruments – Presentation". This section establishes standards for presentation of financial instruments and non-financial derivatives. These sections detail the presentation of standards described in Section 3861, "Financial Instruments – Disclosure and presentation". *(See note 3)*

Section 1535, "Capital Disclosures". This section 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 non-compliance. *(See Note 16)*

Section 1400, "General Standards on Financial Statement Presentation", has been amended to include requirements to assess and disclose a company's ability to continue as a going concern. The adoption of this standard did not have an effect on the Company for the nine months ended December, 2008.

## 2. Significant Accounting Policies - *continued*

International Financial Reporting Standards (IFRS)

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## 3. Fair Value of Financial Instruments

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. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments other than it relates to the long term debt described in note 7, which is repayable in US dollars. The carrying value of these financial instruments approximates their fair value.

## 4. Short Term Investments

The $8,036 decrease in fair value of 55,415 shares in Golden Arch Resources Ltd. has been recorded as an unrealized loss.

## 5. Property and Equipment

| | December 31, 2008 | | | | March 31, 2008 | | |
|---|---|---|---|---|---|---|---|
| | Cost | Accumulated Amortization | Disposal | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Furniture and equipment | $ 66,336 | 28,833 | 37,502 | 1 | $ 62,532 | 22,214 | $ 40,318 |
| Computer equipment | 35,307 | 22,178 | - | 13,129 | 35,307 | 18,367 | 16,940 |
| Software | 33,848 | 22,192 | 11,656 | - | 33,848 | 18,808 | 15,040 |
| | $ 135,491 | 73,203 | 49,158 | 13,130 | $ 131,687 | 59,389 | $ 72,298 |

## 6. Resource Properties

| | Nine Months Ended December 31, 2008 | Year Ended March 31, 2008 |
|---|---|---|
| **Alien, Nevada, USA (a)** | | |
| Acquisition | $ 6,500 | $ 24,710 |
| Deferred exploration | - | 31,693 |
| Deferred property maintenance | 27,706 | - |
| | 34,206 | 56,403 |
| **Ramona, Nevada, USA (b)** | | |
| Acquisition | $ 42,039 | $ 42,003 |
| Deferred exploration | - | 344 |
| Deferred property maintenance | 5,442 | - |
| | 47,481 | 42.347 |
| **Copper Creek, Arizona, USA (c, d and e)** | | |
| Acquisition | $ 140,060 | $ 2,478,586 |
| Deferred exploration | 846,517 | 3,639,429 |
| Deferred general and administration | 185,112 | - |
| Deferred property development | 286,288 | - |
| Deferred property maintenance | 47,213 | - |
| Deferred exploration - stock based compensation *(Note 10(b))* | 53,705 | |
| | 1,558,895 | 6,118,015 |
| **Redbird, Kootney Land District, B.C. (f)** | | |
| Spin off of subsidiary | $ - | $ (2,361,270) |
| **Reeves, Kootney Land District, B.C. (f)** | | |
| Spin off of subsidiary | $ - | $ (522,393) |
| **Total deferred costs for the period and year** | 1,640,582 | 3,333,102 |
| **Balance – beginning of period and year** | 12,337,838 | 9,004,736 |
| **Balance – end of period and year** | $ 13,978,420 | $ 12,337,838 |
| **Balance comprised of:** | | |
| Alien, Nevada, USA | $ 800,894 | $ 766,688 |
| Ramona, Nevada, USA | 234,860 | 187,379 |
| Copper Creek, Arizona, USA | 12,942,666 | 11,383,771 |
| **Balance – end of period and year** | $ 13,978,420 | $ 12,337,838 |

### 6. Resource Properties - *continued*

a) **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 of 16 unpatented mining claims located in Nye County, Nevada, known as the Alien Gold project. Advance royalty payments are required to be paid annually during the lease term along with the issuance of 500,000 common shares of the Company over the first six years of the lease term. To date 200,000 shares and an additional 100,000 shares have been issued with the remaining 300,000 shares to be issued on or before December 1, 2009. The Company paid advance royalty payments of US$70,000 during the first six years of the lease term and is required to make advance royalty payments of US$30,000 in December of each year of the lease term through to 2014. In consideration of an additional 100,000 shares, which were issued in December 2008, the terms of the agreement were amended to allow for a one year deferment of all monies due and shares to be issued. Thereafter, the Company is required to make a series of escalating minimum advance royalty payments on an annual basis.

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$105,000 paid), 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.

c) **Copper Creek Agreement**

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

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

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

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 is required to pay US$100,000 in November 2008 and annually thereafter until the end of year fifteen. On October 16 ,2008 the Company entered into an amending agreement to defer the $100,000 advanced royalty payment due November, 2008 as follows: $40,000 due and paid November 16, 2008, $20,000 due February 16, 2009, May 16, 2009 and August 16, 2009. The Company has the option to purchase the property for US$1,600,000 with the purchase price increasing by US$200,000 per year until year fifteen. All yearly lease payments made prior to exercising the option to purchase will be applied as credits toward the purchase price in the year the Company exercises its property purchase option.

e) **Freeport-McMoRan Agreement**

In April 2007 the Company entered into a purchase agreement with Freeport-McMoRan Copper & Gold Inc. ("Freeport" previously Phelps Dodge Corporation") to acquire additional mining claims within the Copper Creek boundaries. The purchase price for the property was US $3,200,000, payable by a deposit of US $500,000 (paid), and delivery of a promissory note for US $2.7 million. The property is subject to a 1% net smelter return royalty in favour of Freeport. (*See Note 7)*

f) **Kootenay Land District Agreements**

All of the properties in the Kootenay Land District were owned by the Company's wholly owned subsidiary ReMac Zinc Corp. ("ReMac"). On June 4, 2007, the Company completed a plan of arrangement and disposed of these properties *(Note 17).*

## 7. Long Term Debt

| | December 31, 2008 | | March 31, 2008 | |
|---|---|---|---|---|
| | USD | CAD | USD | CAD |
| Long term debt | $ 2,228,042 | $ 2,718,211 | $ 2,173,686 | $ 2,232,376 |
| Less: current portion | (125,000) | (152,500) | (500,000) | (513,500) |
| Long term portion | $ 2,103,042 | $ 2,565,711 | $ 1,673,686 | $ 1,718,876 |

In conjunction with the Company's acquisition of mining claims in the Copper Creek District from Freeport, the Company entered into a promissory note in the amount of US$2,072,129. 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 on January 14, 2009 and the US$500,000 promissory note payment due April 1, 2010 to US$375,000. The payment deferrals have been added to the end of the existing promissory note payment period.

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

| Date | Principal |
|---|---|
| April 2010 | $ 189,181 |
| April 2011 | 105,853 |
| April 2012 | 111,145 |
| April 2013 | 116,703 |
| April 2014 | 122,538 |
| Balance due beyond 5 years | 1,426,709 |
| | 2,072,129 |
| Accrued interest | 155,913 |
| Total debt | $ 2,228,042 |

## 8. 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 | 5,733,000 | 2,579,850 |
| Share issue costs | - | (13,648) |
| Shares issued for property *(Note 12(e))* | 125,000 | 18,500 |
| Fair value of share purchase warrants *(Note 9)* | - | (984,560) |
| Balance - December 31, 2008 | 74,010,820 | 20,968,927 |

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 gross 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.

## 9. Warrants

A summary of the Company's share purchase warrants at December 31, 2008 is presented below:

| | Number | | Amount |
|---|---|---|---|
| Balance - March 31, 2008 | - | $ | - |
| Fair value of share purchase warrants *(Note 8)* | 5,733,000 | | 984,560 |
| Balance – December 31, 2008 | 5,733,000 | $ | 984,560 |

During the period ending December 31, 2008 the Company issued 5,733,000 warrants, *(see note 8)*. These warrants have been valued at $984,560 based upon the Black Scholes model which utilized the following assumptions: Expected dividend yield of nil, expected stock price volatility of 84.44 %, risk free interest rate of 3.34%, expected life of warrants of 2 years. The share purchase warrants expire May 26, 2010.

## 10. Stock Options

| | | Amount |
|---|---|---|
| Balance - March 31, 2008 | $ | 2,027,786 |
| Fair value of stock options vested during the period | | 295,269 |
| Balance – December 31, 2008 | $ | 2,323,055 |

a) The following table summarizes information about the issued and outstanding stock options accounted for under the shareholders' equity as at December 31, 2008:

| Number Outstanding March 31, 2008 | Granted | Exercised | Cancelled and Expired | Number Outstanding December 31, 2008 | 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 | - | - | - | 1,000,000 | $0.60 | July 5, 2012 |
| 150,000 | - | - | - | 150,000 | $0.60 | November 1, 2012 |
| 1,550,000 | - | - | - | 1,550,000 | $0.60 | December 10, 2012 |
| 5,705,000 | - | - | - | 5,705,000 | $ 0.16-$0.66 | January 19, 2009 – December 10, 2012 |

b) The fair value of stock options used to calculate compensation for employees and consultants is estimated using the Black-Scholes Option Pricing Model. Since the options were granted under a graded vesting schedule, $ 295,269 (2007 - $852,441) of the fair value has been recorded in the accounts of the Company during the period with $241,564 recognized on the consolidated statement of operations and comprehensive loss, $53,705 capitalized to resource properties. This value is estimated at the date of the grant with the following weighted average assumptions:

**10. Stock Options-** ***continued***

| | December 2008 | March 2008 |
|---|---|---|
| Average risk-free interest rate | 3.00% | 4.19% |
| Expected dividend yield | - | - |
| Expected stock price volatility | 77.94% | 90.75% |
| Average expected option life in years | 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.

**11. Income Taxes**

The Company has accumulated non-capital losses for income tax purposes of approximately $3,540,000 as at March 31, 2008 that may be used to reduce future taxable income. The Company will use approximately $1,240,000 of the non-capital losses on the spin off of ReMac Zinc Development Corp. (formerly ReMac Zinc Corp.) to ReMac Zinc Corp. (formerly OMC Capital Corporation) upon filing of the March 31, 2008 corporate tax return. These losses expire as follows:

| | | |
|---|---|---|
| 2013 | $ | 142,900 |
| 2014 | | 1,279,300 |
| 2025 | | 83,000 |
| 2026 | | 77,000 |
| 2027 | | 320,000 |
| 2028 | | 397,800 |
| | $ | 2,300,000 |

Future income tax assets and liabilities are calculated on an annual basis, as more fully described in Note 11(b) to the March 31, 2008 audited financial statements.

**12. Related Party Transactions**

Except as disclosed elsewhere in these financial statements related party transactions incurred during the nine month period ended December 31, 2008 are as follows**:**

a) Consulting fees totalling $24000 for services provided by the Chief Financial Officer of the Company. The balance owing at December 31, 2008 is $2,000.
b) Consulting fees totalling $17,500 were paid to a Company controlled by the managing director of the Company. T he balance owing at December 31, 2008 is $5,000.
c) Management and corporate advisory fees totalling $90,000 were accrued to a Company controlled by two directors of the Company. The balance owing at December 31, 2008 is $115,000 with no specific terms or conditions.
d) Consulting fees totalling $112,259 (US $105,780) were paid to the President and director of the Company. The balance owing at December 31, 2008 is 6,100 (US $5000).
e) An option payment for the Ramona property in the amount of $15,020 (US $15,000) and 12,500 shares were paid to the President and director of the Company.
f) Salaries, rent and office supplies totalling $68,487 was charged to a company with common management.

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 on normal commercial terms.

## 13. Commitment

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

| | | |
|---|---|---|
| 2009 | $ | 11,137 |
| 2010 | | 44,546 |
| 2011 | | 44,969 |
| 2012 | | 45,180 |
| 2013 | | 15,060 |
| | $ | 160,892 |

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

## 14. Segmented Information

The Company has one operating segment, which is the exploration and development of mineral 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:

| | | December 2008 | | March 2008 |
|---|---|---|---|---|
| Assets by geographic area | | | | |
| USA | $ | 12,833,773 | $ | 11,279,039 |
| Canada | | 1,590,035 | | 1,416,701 |
| | $ | 14,423,808 | $ | 12,695,740 |

| | Three Months Ended | | | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | | December , 2008 | | December, 2007 | | December, 2008 | | December, 2007 |
| Net loss (income) by geographic area | | | | | | | | |
| USA | $ | 38,016 | $ | 33,633 | $ | 42,352 | $ | 111,703 |
| Canada | | 549,000 | | 514,818 | | 1,236,779 | | 1,412,345 |
| | $ | 587,016 | | 548,451 | $ | 1,279,131 | $ | 1,524,048 |

## 15. Comparative Periods

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

## 16. 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 as well as cash.

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.

## 16. Capital Disclosures- *continued*

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.

## 17. Spin off of ReMac Zinc Project to ReMac Zinc Corp.

On June 4, 2007, the shareholders of the Company approved a plan of arrangement involving ReMac Zinc Corp. (formerly OMC Capital Corporation), the Company and ReMac Zinc Development Corp., (formerly ReMac Zinc Corp.) a wholly owned subsidiary of the Company.

This transaction is more fully described in Note 17 to the March 31, 2008 audited financial statements.

## 18. Subsequent Events

On February 23, 2009 the Company completed subject to final regulatory approval 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 common share purchase warrant, each warrant entitles the holder to acquire one additional common share for a period of twelve months at a price of $0.15 per share.

The Condensed Balance Sheet as at December 3 1, 2008 after giving effect to the non brokered private placement is as follows:

| | | |
|---|---|---|
| Current Assets - including cash from the non-brokered private placement | $ | 775,128 |
| Other Assets | | 30,260 |
| Resource Properties | | 13,978,420 |
| Total Assets | $ | 14,783,808 |
| Current Liabilities | | 383,222 |
| Long Term Liabilities | | 2,565,711 |
| Total Liabilities | $ | 2,948,933 |
| Shareholders' Equity | $ | 11,834,875 |