Redhawk Resources, Inc.

Consolidated Financial Statements

Year Ended March 31, 2013

(Presented in Canadian Dollars)

June 14, 2013

Independent Auditor's Report

To the Shareholders of Redhawk Resources Inc.

We have audited the accompanying consolidated financial statements of Redhawk Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2013 and March 31, 2012 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended March 31, 2013 and March 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2013 and March 31, 2012 and its financial performance and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with International Financial Reporting Standards.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

Redhawk Resources, Inc.
Consolidated statements of financial position
(Expressed in Canadian dollars)

	Notes	March 31, 2013	March 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents		$ 72,691	$ 235,536
Short-term investments		2,843,286	6,672,465
Receivables and prepaid expenses	4	179,672	425,745
		3,095,649	7,333,746
Non-current assets			
Reclamation deposits		43,012	42,229
Property and equipment		291,488	308,250
Exploration and evaluation assets	5	35,285,950	28,786,258
		35,620,450	29,136,737
TOTAL ASSETS		**$ 38,716,099**	**$ 36,470,483**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	6	$ 331,253	$ 722,897
Current portion of long-term debt	7	327,699	116,411
		658,952	839,308
Non-Current liabilities			
Long-term debt	7	2,378,320	1,546,851
TOTAL LIABILIITES		**3,037,272**	**2,386,159**
SHAREHOLDERS' EQUITY			
Share capital	8	47,235,334	44,533,596
Reserves	8	10,289,288	9,714,980
Accumulated other comprehensive income	8	(225,898)	(749,285)
Deficit		(21,619,897)	(19,414,967)
TOTAL SHAREHOLDERS' EQUITY		**35,678,827**	**34,084,324**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 38,716,099**	**$ 36,470,483**

ON BEHALF OF THE BOARD:

Director: "Darryl J. Yea"

Director: "J. Stephen Barley"

See accompanying notes to the consolidated financial statements

Redhawk Resources, Inc.
Consolidated statements of loss and comprehensive loss
(Expressed in Canadian dollars)

	Year ended March 31, 2013	Year ended March 31, 2012
Expenses		
Director fees	$ 119,563	$ 77,421
Filing fees	77,857	188,117
Insurance	34,824	24,212
Investor relations	106,711	282,499
Management and consulting fees	617,159	410,150
Office and sundry	75,366	72,555
Professional fees	143,083	224,541
Rent	19,444	33,149
Salaries	36,014	-
Share-based compensation	820,795	1,139,105
Transfer agents	6,070	89,676
Travel and accommodations	117,799	104,182
	(2,174,685)	(2,645,607)
Interest income	61,394	151,478
Interest expense	(96,108)	(89,703)
Foreign exchange gain	4,469	29,634
Net loss for period	**$ (2,204,930)**	**$ (2,554,198)**
Other comprehensive income		
Exchange differences on translating foreign operations	523,387	356,435
Total other comprehensive loss	**$ (1,681,543)**	**$ (2,197,763)**
Loss per share – basic and diluted	**$ (0.02)**	**$ (0.02)**
Weighted average number of common shares outstanding	**146,332,879**	**139,401,476**

See accompanying notes to the consolidated financial statements

Redhawk Resources, Inc.
Consolidated statements of changes in equity
(Expressed in Canadian dollars)

	Share capital		Reserves	Accumulated other comprehensive income	Deficit	Total
	Number of shares	Amount				
Balance at March 31, 2011	137,998,287	$ 43,259,520	$ 8,473,525	$ (1,105,720)	$(16,860,769)	$33,766,556
Share issued for cash - warrants exercised	3,902,322	943,048	-	-	-	943,048
Transfer of value on exercise of warrants exercised		232,854	(232,854)	-	-	-
Share issued for cash - options exercised	349,000	68,770	-	-	-	68,770
Transfer of option value on exercise of stock options		29,404	(29,404)	-	-	-
Share-based compensation	-	-	1,503,713	-	-	1,503,713
Currency translation adjustment	-	-	-	356,435	-	356,435
Loss for the year	-	-	-	-	(2,554,198)	(2,554,198)
Balance at March 31, 2012	**142,249,609**	**$ 44,533,596**	**$ 9,714,980**	**$ (749,285)**	**$(19,414,967)**	**$34,084,324**
Share issued for cash - warrants exercised	3,796,429	1,898,214	-	-	-	1,898,214
Transfer of value on exercise of warrants exercised		521,395	(521,395)	-	-	-
Share issued for cash - options exercised	805,000	187,150	-	-	-	187,150
Transfer of option value on exercise of stock options	-	94,979	(94,979)	-	-	-
Share-based compensation	-	-	1,190,682	-	-	1,190,682
Currency translation adjustment	-	-	-	523,387	-	523,387
Loss for the year	-	-	-	-	(2,204,930)	(2,204,930)
Balance at March 31, 2013	**146,851,038**	**$ 47,235,334**	**$ 10,289,288**	**$ (225,898)**	**$(21,619,897)**	**$35,678,827**

See accompanying notes to the consolidated financial statements

Redhawk Resources, Inc.
Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Year ended March 31, 2013	2012
Operating activities		
Loss for the period	$ (2,204,930)	$ (2,554,198)
Adjustments for non-cash items:		
Depreciation	22,151	11,729
Share-based payments	820,795	1,139,105
Changes in non-cash working capital items:		
Receivables and prepaid expenses	246,073	(147,289)
Trade payables and accrued liabilities	(18,482)	35,518
Net cash flows used in operating activities	(1,134,393)	(1,515,135)
Investing activities		
Expenditures on exploration and evaluation assets	(4,727,540)	(11,172,188)
Purchase of property plant and equipment	-	(303,407)
Reclamation bond	-	(23,277)
Term deposits	3,829,179	10,684,981
Net cash flows used in investing activities	(898,361)	(813,891)
Financing activities		
Repayment of long term debt	(220,170)	(199,500)
Proceeds on issuance of common shares	2,085,364	1,011,819
Net cash flows received from financing activities	1,865,194	812,319
Currency impact on cash and cash equivalents	4,715	(9,734)
Increase (decrease) in cash and cash equivalents	(162,845)	(1,526,441)
Cash and cash equivalents, beginning	235,536	1,761,977
Cash and cash equivalents, ending	**$ 72,691**	**$ 235,536**

See accompanying notes to the consolidated financial statements

1. Nature of operations

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

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

2. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

These consolidated financial statements of the Company were approved by the Board of Directors on June 14, 2013.

Basis of preparation

The consolidated financial statements of the Company have been prepared on the accruals basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

3. Summary of significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

		Percentage owned*	
	Country of incorporation	**March 31, 2013**	**March 31, 2012**
Redhawk Copper, Inc.	U.S.	100%	100%
Redhawk Resources (USA), Inc.	U.S.	100%	100%

*Percentage of voting power is in proportion to ownership.

Inter-company balances and transactions are eliminated on consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Critical estimates and assumptions are made in particular with regard to assessment of impairment to the carrying value of exploration and evaluation assets.

3. Summary of significant accounting policies (cont'd)

Management reviews the carrying values of its mining claims on at least an annual basis, or when an impairment indicator exists, to determine whether an impairment charge should be recognized. In addition, capitalized costs related to relinquished property rights are written off in the period of relinquishment. Capitalized costs in respect of the Company's mining claims may not be recoverable and there is a risk that these costs may be written down in future.

Foreign currency translation

The functional currency of each of the Company's entities is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent Company's functional currency.

<u>Transactions and balances:</u>

Foreign currency transactions are translated into an entity's functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of loss in the period in which they arise.

The financial statements of entities that have a functional currency different from that of Redhawk Resources Inc. ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position; income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates) and items that are directly recognized in equity at historical rates. All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation and amortization are calculated using the straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of equipment are as follows:

Class of property, plant and equipment	**Depreciation rate**
Computer equipment	2 years
Leasehold improvements	4 years
Furniture and equipment	4 years
Property	25 years
Land	Nil

3. Summary of significant accounting policies (cont'd)

Exploration and evaluation assets

Exploration and evaluation expenditures relating to mineral properties include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in statement of loss.

Exploration and evaluation assets are assessed for impairment when events and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Company classifies its financial instruments in the following categories: loans and receivables and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost.

The Company has classified its cash and cash equivalents, short term investments and reclamation bonds as loans and receivables. Long term debt, trade payables and accrued liabilities are classified as other financial liabilities.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired.

Other financial liabilities are initially recognized at fair value adjusted for directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Impairment of long lived assets

Long lived assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss.

3. Summary of significant accounting policies (cont'd)

The recoverable amount is the greater of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Short-term investments

Short-term investments are comprised of guaranteed investment certificates with a term to maturity in excess of three months from date of acquisition. These investments are initially recorded at fair value and are classified as loans and receivables.

Income taxes

Current income tax:

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred tax is accounted for by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for temporary differences related to the initial recognition of the assets or liabilities that affect neither accounting nor taxable profit nor investments in subsidiaries and interests in joint ventures to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner and expected date of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilized.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and

3. Summary of significant accounting policies (cont'd)

warrants were exercised and that the proceeds from the exercise of such instruments were used to acquire common shares at the average market price during the reporting period.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

Recent accounting standards issued and not yet applied

<u>IFRS 9 Financial Instruments</u>

IFRS 9, Financial Instruments ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and FVTPL. IFRS 9 also replaces the models for measuring equity instruments, and such investments are either recognized at FVTPL or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

<u>IFRS 10 Consolidated Financial Statements</u>

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard is effective for annual periods beginning on or after January 1, 2013. The implementation of this standard is not expected to have a material impact on the Company's consolidated financial statements.

<u>IFRS 13 Fair Value Measurement</u>

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is effective for annual periods beginning on or after January 1, 2013. The implementation of this standard is not expected to have a material impact on the Company's consolidated financial statements.

(Expressed in Canadian dollars)

4. Receivable and prepaid expenses

		March 31, 2013	March 31, 2012
Value-added tax receivables	$	28,606	$212,646
Prepaids		151,066	213,099
	$	179,672	$425,745

5. Exploration and evaluation assets

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

		Year ended March 31, 2013
		Copper Creek, Arizona
Property acquisition costs		
Balance, March 31, 2012	$	6,751,319
Additions		1,545,186
Balance, March 31, 2013	$	8,296,505
Exploration and evaluation costs		
Balance, March 31, 2012	$	22,034,939
Costs incurred during period:		
Assaying and laboratory		379,385
Drilling		1,028,743
Engineering and consulting		1,838,402
Other		531,148
Permits and fees		226,330
Road development		64,191
Share-based compensation		369,888
		4,438,087
Currency translation adjustment		516,419
Balance, March 31, 2013	$	26,989,445
Total at March 31, 2013	$	35,285,950

(Expressed in Canadian dollars)

5. Exploration and evaluation assets (cont'd)

		Year ended March 31, 2012
		Copper Creek, Arizona
Property acquisition costs		
Balance, March 31, 2011	$	5,732,741
Additions		1,018,578
Balance, March 31, 2012	$	6,751,319
Exploration and evaluation costs		
Balance, March 31, 2011	$	10,693,809
Costs incurred during period:		
Assaying and laboratory		598,929
Drilling		7,418,000
Engineering and consulting		1,645,801
Other		664,075
Permits and fees		139,747
Road development		51,202
Share-based compensation		364,605
		10,882,359
Currency translation adjustment		458,771
Balance, March 31, 2012	$	22,034,939
Total at March 31, 2012	$	28,786,258

a) Copper Creek Agreement

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

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

b) D & G Mining Agreement

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

(Expressed in Canadian dollars)

5. Exploration and evaluation assets (cont'd)

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

c) Freeport –McMoRan Agreement

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

d) Bell and Morgan Agreements

In December 2012, the Company acquired patented land from two unrelated parties for total consideration of US1.2 million payable by deposits of US $100,000 (paid) and the balance payable under the agreement. (*See Note 7*)

6. Trade payables and accrued liabilities

		March 31, 2013	**March 31, 2012**
Trade payables	$	257,788	$568,737
Amounts due to related parties (Note 10)		27,689	33,200
Accrued liabilities		45,776	120,960
	$	331,253	$722,897

7. Long-term debt

	March 31, 2013				March 31, 2012			
		USD		**CAD**		USD		CAD
Long term debt	$	**2,340,866**	**$**	**2,378,320**	$	1,550,727	$	1,546,851

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

(Expressed in Canadian dollars)

7. Long-term debt (cont'd)

The payment schedule as at March 31, 2013 is as follows (USD):

Date		Principal
April 2014		122,538
April 2015		128,664
April 2016		135,098
April 2017		141,853
Balance due beyond 5 years		1,022,251
Total debt	US$	1,550,404
Current portion of long term debt		(122,538)
Long term debt	US$	1,427,866

b) In December 2012, the Company acquired patented land from unrelated parties in Pinal County, Arizona under two separate agreements for sale with the following terms of payment: (*Note 5d*)

i) Bell Agreement:

Date		Principal
June 2013		75,000
December 2013		75,000
June 2014		75,000
December 2014		75,000
June 2015		75,000
December 2015		75,000
December 2016		300,000
	US$	750,000
Accrued interest		13,000
Total debt	US$	763,000
Current portion of long term debt		(150,000)
Long term debt	US$	613,000

In addition, interest will be payable at the rate of 6% compounded semi-annually

(Expressed in Canadian dollars)

7. Long-term debt (cont'd)

ii) Morgan Agreement:

Date		Principal
December 2013		50,000
December 2014		50,000
December 2015		50,000
December 2016		50,000
December 2017		50,000
December 2018		50,000
December 2019		50,000
Total debt	US$	350,000
Current portion of long term debt		(50,000)
Long term debt	US$	300,000

No interest payable under this agreement

8. Share capital and reserves

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At March 31, 2013 there were 146,851,038 issued and fully paid common shares (March 31, 2012 – 142,249,609).

Shares issued during the year

During the year ended March 31, 2013 3,796,429 warrants were exercised at $0.50 and for total proceeds of $1,898,214. The weighted average exercise price was $0.50. During the year ended March 31, 2013 805,000 stock options were exercised for total proceeds of $187,150. The weighted average exercise price was $0.23.

Warrants

The following table summarizes information about the issued and outstanding warrants as at March 31, 2013 and March 31, 2012:

	March 31, 2013			March 31, 2012		
	Number of warrants		Weighted average exercise price	Number of warrants		Weighted average exercise price
Warrants outstanding, beginning of year	20,938,532	$	0.82	24,840,854	$	0.77
Warrants exercised	(3,796,429)		0.50	(3,902,322)		0.24
Warrants expired	(17,142,103)		0.94	-		-
Warrants outstanding, end of year	-	$	-	20,938,532 20,938,532	$	0.82

(Expressed in Canadian dollars)

8. Share capital and reserves (cont'd)

Stock options

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

The changes in options during the year ended March 31, 2013 and the year ended March 31, 2012 are as follows:

	March 31, 2013			**March 31, 2012**		
	Number of options		**Weighted average exercise price**	**Number of options**		**Weighted average exercise price**
Options outstanding, beginning of year	11,040,000	$	0.47	7,951,500	$	0.43
Options granted	1,300,000		0.54	4,525,000		0.58
Options exercised	(805,000)		0.21	(349,000)		0.22
Options expired	(1,250,000)		0.66	(1,087,500)		0.67
Options outstanding, end of year	10,285,000	$	0.48	11,040,000	$	0.47
Options exercisable, end of year	8,603,750	$	0.46	7,425,000	$	0.41

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

	March 31, 2013	March 31, 2012
Expected life of options	5 years	4.25 years
Volatility	114.98%	117.39%
Risk-free interest rate	1.22%	1.45%
Dividend rate	0%	0%

Details of options outstanding as at March 31, 2013 are as follows:

(Expressed in Canadian dollars)

Weighted average exercise price	Weighted average contractual life	Number of options outstanding	Number of options exercisable
$0.17 - $0.25	1.28	2,850,000	2,850,000
$0.26 - $0.50	3.39	2,275,000	1,806,250
$0.51 - $0.74	3.92	4,025,000	2,812,500
$0.75 - $0.79	2.87	1,135,000	1,135,000
	2.95	10,285,000	8,603,750

8. Share capital and reserves (cont'd)

During the year ended March 31, 2013 and 2012, the Company recorded share-based compensation of $1,190,682 (2012 - $1,503,713) relating to options vested during the year.

Reserves

Stock option reserve

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

Warrant reserve

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

9. Income tax

a) The Company has accumulated non-capital losses for income tax purposes as of March 31, 2013 that may be used to reduce future taxable income. These losses expire as follows:

As at March 31, 2013, the Company had tax losses of:

	Total Tax Loss	Expire Between
Canadian (CAD)	7,333,113	2026 and 2033
United States (USD)	6,599,388	2014and 2019

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

	March 31, 2013	March 31, 2012
Loss for the year before income taxes	$ (2,204,930)	$ (2,554,198)
Statutory tax rate - weighted average	25.84%	25.21%
Expected income tax recovery	(569,854)	(643,948)
Share-based compensation	212,598	284,776
Change in unrecognized deferred tax assets	54,244	590,704
Other	303,012	(231,532)
Current income tax (recovery) expense	$ -	$ -

(Expressed in Canadian dollars)

9. Income tax (cont'd)

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

	March 31, 2013	March 31, 2012
Deferred tax assets		
Operating losses carried-forward	$ 4,442,016	$ 3,179,475
Unrecognized deferred tax assets	$ 4,442,016	$ 3,179,475

	March 31, 2013	March 31, 2012
Deferred tax liabilities		
Resource properties	$ (2,267,184)	$ (1,058,886)
Unrecognized deferred tax liabilities	$ (2,267,184)	$ (1,058,886)
Unrecognized deferred income tax asset (net)	**$ 2,174,832**	**$ 2,120,589**

10. Related party transactions

Related party balances

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

	March 31, 2013	**March 31, 2012**
Directors and officers of the Company	$ 27,689	$ 33,200

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

(Expressed in Canadian dollars)

10. Related party transactions (cont'd)

Key management compensation[2]

		Year ended		
		March 31 2013		March 31 2012
Management fees [1]	$	220,809	$	209,475
Consulting		231,325		222,000
Director fees		119,563		77,421
Share-based compensation [1]		953,628		745,736
	$	1,525,325	$	1,254,632

(1) Management fees 2013 - $220,809 (2012 - $209,475) and certain share-based payments 2013 - $275,969 (2012 - $194,116) are allocated to exploration and evaluation assets as warranted.

(2) Key management is considered to be Executive Chairman, Chief Executive Officer, Chief Financial Officer and Directors.

11. Financial risk management

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (please refer to note 7 for contractual undiscounted cash flows related to debt). The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

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

11. Financial risk management (cont'd)

Foreign exchange risk

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

The Company operates internationally with offices and operations in Canada and US, which gives rise to the risk that its financial instruments may be adversely impacted by exchange rate fluctuations. A portion of the Company's expenses are incurred in US dollars. The company is also exposed to foreign exchange risk in relation to debt held in USD.

A significant change in the currency exchange rate between the US dollar relative to the Canadian dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not entered into foreign currency contracts to hedge its risk against foreign currency fluctuations.

Interest rate risk

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

Capital Management

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

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

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

Fair value

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

12. Segmented information

Operating segments

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

(Expressed in Canadian dollars)

12. Segmented information (cont'd)

Geographic segments

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

	As at March 31, 2013		
	Canada	U.S.	Total
Reclamation deposits	$ -	$ 43,012	$ 43,012
Equipment	265	291,223	291,488
Exploration and evaluation assets	-	35,285,950	35,285,950
	$ 265	$ 35,620,185	$ 35,620,450

	As at March 31, 2012		
	Canada	U.S.	Total
Reclamation deposits	$ -	$ 42,229	$ 42,229
Equipment	616	307,634	308,250
Exploration and evaluation assets	-	28,786,258	28,786,258
	$ 616	$ 29,136,121	$ 29,136,737

13. Supplemental disclosure with respect to cash flows

During the year ended March 31, 2013 and 2012, the Company the following non-cash transactions took place that are not reflected in the statement of cash flows:

	Year ended	
	March 31, 2013	March 31, 2012
Exploration and evaluation assets included in trade accounts payable and accrued liabilities	$234,340	$317,996
Exploration and evaluation share-based payments	$369,888	$72,442
Exploration and evaluation assets acquired through debt arrangements	$1,245,798	-