Redhawk Resources, Inc.

(An Exploration Stage Company)

Consolidated Financial Statements

Years ended March 31, 2011 and 2010

(Canadian Funds)

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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 balance sheet as at March 31, 2011 and 2010 and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

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 Canadian generally accepted accounting principles, 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "PricewaterhouseCoopers LLP"

Chartered Accountants
June 30, 2011
Vancouver, British Columbia

Redhawk Resources, Inc.

(An Exploration Stage Company)

Consolidated Balance Sheets

As at March 31,

Canadian Funds

ASSETS		2011		2010
Current				
Cash and cash equivalents	$	1,761,977	$	108,956
Term deposits (*Note 4*)		17,357,445		604,463
Accounts receivable and prepaid expenses		278,458		58,126
		19,397,880		771,545
Reclamation bond		21,390		17,130
Property and equipment		19,222		21,704
Resource properties *(Note 5)*		17,987,184		14,009,416
	$	37,425,676	$	14,819,795
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	369,414	$	67,715
Current portion of long term debt *(Note 6)*		110,385		-
		479,799		67,715
Long term debt *(Note 6)*		1,612,686		1,920,607
		2,092,485		1,988,322
SHAREHOLDERS' EQUITY				
Share capital *(Note 7)*		43,259,520		23,732,923
Share Purchase Warrants *(Note 9)*		4,418,379		848,170
Contributed surplus *(Note 8)*		3,644,219		2,680,072
Deficit		(15,988,927)		(14,429,692)
		35,333,191		12,831,473
	$	37,425,676	$	14,819,795

Commitments (Notes 6 & 12)
Subsequent Events (Note 15)

ON BEHALF OF THE BOARD:

Director: "Darryl J. Yea"

Director: "J. Stephen Barley"

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

Redhawk Resources, Inc.

(An Exploration Stage Company)

Consolidated Statements of Operations, Comprehensive Loss and Deficit

For the years Ended March 31,

Canadian Funds

		2011		2010
Administrative Costs				
Directors fees	$	44,212	$	-
Filing fees		19,014		12,421
Insurance		18,405		20,278
Investor relations		90,999		85,084
Management fees and consulting		454,465		252,860
Office and sundry		24,686		17,357
Professional fees		192,634		131,957
Rent		23,120		10,460
Stock-based compensation expense		728,583		331,930
Transfer agent		10,438		9,060
Travel and accommodation		75,911		30,538
Foreign exchange gain		(54,549)		(509,184)
L0ss before the following		1,627,918		392,761
Other (income) expenses				
Interest income		(74,612)		(5,820)
Write down of equipment		-		8,589
Impairment loss		5,929		42,185
Mining exploration tax credit		-		(87,361)
Loss for the year		1,559,235		350,354
Unrealized loss on security available for sale		-		830
Comprehensive loss for the year		1,559,235		351,184
Deficit – beginning of year		14,429,692		14,078,508
Loss for the year		1,559,235		351,184
Deficit – end of year	$	15,988,927	$	14,429,692
Loss per share – basic and diluted	$	(0.013)	$	(0.004)
Weighted average shares outstanding-basic		115,948,211		84,996,692

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

Redhawk Resources, Inc.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

For the Years Ended March 31,

Canadian Funds

		2011		2010
Cash flows from operating activities				
Loss for the year	$	(1,559,235)	$	(350,354)
Items not affecting cash				
Amortization		2,482		2,062
Stock-based compensation expense		728,583		331,930
Impairment loss		5,929		42,185
Loss on write down of equipment		-		8,589
Unrealized foreign exchange gain		(3,616)		(600,898)
		(825,857)		(566,486)
Changes in non-cash working capital		(190,971)		(150,575)
		(1,016,828)		(717,061)
Cash flows applied to investing activities				
Term deposit		(16,752,982)		(384,157)
Reclamation bond		(4,260)		-
Property and equipment		-		(20,495)
Resource property		(3,664,999)		(808,453)
		(20,422,241)		(1,213,105)
Cash flows from financing activities				
Repayment of long term debt		(193,921)		(192,965)
Share capital issued for cash, net of issuance costs		22,020,264		1,158,678
Share purchase warrants exercised		798,291		1,050,000
Stock options exercised		467,456		11,794
		23,092,090		2,027,507
Net increase in cash and cash equivalents		1,653,021		97,341
Cash and cash equivalents – beginning of year		108,956		11,615
Cash and cash equivalents – end of year	$	1,761,977	$	108,956

Supplemental Schedule of Non-Cash Transactions				
Stock-based compensation capitalized in resource property	$	46,359	$	36,265
Shares issued for resource property		-	$	24,750
Change in accounts payable included in resource property	$	272,337	$	(1,617)

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

1. Nature of Operations

Redhawk Resources, Inc. (the "Company") and its wholly owned subsidiaries, Redhawk Copper, Inc. and Redhawk Resources (USA), Inc. are engaged principally in the acquisition, exploration and development of resource properties in the U.S. The Company has not yet determined whether its resource properties contain mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for resource properties are entirely dependent upon the existence of economically recoverable mineral reserves; the ability of the Company to obtain the necessary financing to complete the exploration and development of its resource properties; and on future profitable production or proceeds from the disposition of the resource properties.

2. Significant Accounting Policies

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

a) Principles of Consolidation

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

b) Resource Properties

Mineral exploration and development costs, including indirect costs relating to the exploration program's field office, are capitalized on an individual prospect basis. Mineral property acquisition costs are also capitalized.

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

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history.

c) Property Option Payments

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable 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.

d) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and valuation of assets and liabilities at the dates of the financial statements and the reported amounts of income and expenses during the reported periods. Significant areas requiring the use of management's judgement include evaluating the carrying value and recoverability of property and equipment, resource properties; estimating current and future income taxes; determining the value of stock-based compensation and securities issued for non-cash consideration; and allocating proceeds received from issuance of units to the component securities. The use of such judgement includes, but is not limited to, the estimations of resource properties, future resource prices, and operating and reclamation costs. Actual results could differ and such estimates may be subject to change in the future.

2. Significant Accounting Policies- ***continued***

Long-lived assets are reviewed for impairment when events or circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows that result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets are written down to fair value.

e) Short-term Investments

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

f) Future Income Taxes

The asset and liability method is used for determining future income taxes. Under the asset and liability method, the change in the net future tax asset or liability is included in income. The income tax effects of temporary differences in the time when income and expenses are recognized in accordance with Company accounting practices and the time they are recognized for income tax purposes are reflected as future income tax assets or liabilities. Future income tax assets and liabilities are measured using substantively enacted statutory rates that are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. A valuation allowance is provided against future income tax assets to the extent it is considered more likely than not that the future income tax assets will not be realized.

g) Stock-Based Compensation

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

h) Share Capital

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

i) Property and Equipment

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

j) Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid debt investments with remaining maturities of three months or less from the date of acquisition.

k) Asset Retirement Obligations

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

2. Significant Accounting Policies- *continued*

When estimating the costs that are expected to be incurred, there are many factors to be considered such as the extended period over which the costs are to be incurred, the discount factors, and significant judgments and estimates. As such the fair value of the retirement obligations could change materially from year to year. In addition, changes in laws and regulations could cause significant changes in the expected costs and the related fair value. Management has determined that there was no asset retirement obligation at the current year end.

l) 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 losses arising on translation are included in the statement of operations, comprehensive loss and deficit.

m) Financial Instruments

Recognition and Measurement

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

3. Financial Instruments

Fair value

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

The Company has designated its financial instruments as follows;

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

Management of Financial Risk

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

3. Financial Instruments – *continued*

Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and short term investments which are held in large Canadian financial institutions. The carrying value of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk as at March 31, 2011.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its working capital. At March 31, 2011, the Company had cash and term deposits totalling $19,119,422 to settle current liabilities of $479,799.

Market risk

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

(a) Interest rate risk

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

(b) Foreign currency risk

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

At March 31, 2011 and March 31, 2010, the Company was exposed to currency risk through the following financial liabilities denominated in US dollars:

	March 31, 2011 USD	March 31, 2010 USD
Long term debt	1,663,249	1,882,948
Current portion of long term debt	113,846	-

A 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase or decrease of approximately US$177,710 (March 2010 – US$188,295) in the Company's net income (loss).

4. Term Deposit

The Company holds $17,357,445 (March 31, 2010 - $604,463) in a term deposit. The Company holds term deposits which are redeemable, in full or in part, at any time prior to maturity at the option of the Company with no penalty.

Institution	Rate	March 31, 2011	March 31, 2010
Bank of Montreal	variable rate	$ 17,357,445	$ -
Bank of Nova Scotia	fixed interest 0.67%	-	604,463
		$ 17,357,445	$ 604,463

5. Resource Properties

	Ramona, Nevada, USA	Copper Creek, Arizona, USA	Total
Balance March 31, 2010	$ -	$ 14,009,416	$ 14,009,416
Acquisition	-	743,816	743,816
Exploration expenditure	-	2,693,078	2,693,078
Consultancy and other	-	222,357	222,357
Property development	-	178,813	178,813
Property maintenance	5,929	93,345	99,274
Stock-based compensation	-	46,359	46,359
Impairment loss	(5,929)	-	(5,929)
Balance March 31, 2011	$ -	$ 17,987,184	$ 17,987,184

5. Resource Properties - *continued*

	Ramona, Nevada, USA	Copper Creek, Arizona, USA	Total
Balance March 31, 2009	$ -	$ 13,183,751	$ 13,183,751
Acquisition	36,250	403,038	439,288
Exploration expenditure	-	59,342	59,342
Consultancy and other	-	139,560	139,560
Property development	-	82,793	82,793
Property maintenance	5,935	104,667	110,602
Stock-based compensation	-	36,265	36,265
Impairment loss	(42,185)	-	(42,185)
Balance March 31, 2010	$ -	$ 14,009,416	$ 14,009,416

a) **Ramona Agreement**

On June 30, 2010 the Company terminated the option to acquire an interest in the Ramona property pursuant to the agreement dated May 2004 and as amended June 15, 2009. At March 31, 2011 all costs have been written off.

b) **Copper Creek Agreement**

On September 17, 2010 the Company entered into a Royalty Purchase and Sale Agreement (the "Agreement") with AMT (USA) Inc. ("AMT") to buy out the advance royalty payment and the 2.25% Net Smelter Royalty retained by AMT as part of the original Copper Creek property acquisition. The Agreement requires a payment of $350,000, (paid September 20, 2010) and $900,000 quarterly payments due as follows:

January 30, 2011	$ 150,000	(Paid)
April 30, 2011	150,000	
July 30, 2011	150,000	
October 30, 2011	150,000	
January 30, 2012	150,000	
April 30, 2012	150,000	
	$ 900,000	

The Agreement requires payment by the Company of a further $500,000 payment should the Company enter into a major transaction during the two year period after closing the agreement. On October 10, 2010 the Company received court approval for the above agreement. In accordance with the purchase and sale agreement with AMT the property is subject to a 3% net smelter return royalty.

c) **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. In November 2009 the Company entered into an amending agreement to defer the US$100,000 advanced royalty payment due in November 2009 as

5. Resource Properties - *continued*

follows: US$40,000 due paid November 2009, US$60,000 paid January 2010. The November 2010 royalty payment of US$100,000 was paid in accordance with the terms of the original agreement.

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.

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

6. Long Term Debt

	March 31, 2011		March 31, 2010	
	USD	**CAD**	USD	CAD
Long term debt	$ **1,663,249**	$ **1,612,686**	$ 1,882,948	$ 1,920,607

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. On October 17, 2008 the Company and Freeport entered into an amending agreement to reduce the US$500,000 promissory note payment due October 1, 2008 to US$ 125,000 paid in January 2009 and the US$500,000 promissory note payment due April 1, 2010 to US$375,000 paid in March 2010. The payment deferrals have been added to the end of the existing promissory note payment period.

The amended payment schedule is as follows:

Date		**Principal**
April 2012		111,145
April 2012		116,703
April 2013		122,538
April 2014		128,664
April 2015		135,098
Balance due beyond 5 years		1,162,947
	US$	1,777,095
Accrued interest		404,967
Interest payment		(404,967)
Total Debt	US$	1,777,095
Current portion of long term debt		(113,846)
Long term debt	US$	1,663,249

7. Share Capital

Details are as follows:
Authorized: Unlimited common shares without par value

	Number		Amount
Balance - March 31, 2009	78,010,820	$	21,697,152
Shares issued for cash	9,687,500		1,250,000
Fair value of share purchase warrants *(Note 9)*	-		(431,795)
Share issue costs	-		(91,322)
Share purchase warrants exercised	7,000,000		1,050,000
Fair value of share purchase warrants exercised *(Note 9)*	-		189,534
Stock options exercised	69,375		11,794
Fair value of stock options exercised *(Note 8)*	-		32,810
Shares issued for resource property	150,000		24,750
Balance - March 31, 2010	94,917,695	$	23,732,923
Shares issued for cash	38,129,860		24,012,251
Fair value of share purchase warrants *(Note 9)*	-		(4,559,070)
Share issue costs	-		(1,718,209)
Share purchase warrants exercised	3,511,607		798,291
Fair value of share purchase warrants exercised *(Note 9)*	-		197,592
Stock options exercised	1,439,125		467,456
Fair value of stock options exercised *(Note 8)*	-		328,286
Balance - March 31, 2011	137,998,287	$	43,259,520

On June 9, 2009 the Company completed a non-brokered private placement for 5,000,000 units at a price of $0.10 per unit for gross proceeds of $500,000 and net proceeds of $450,600. Each unit consists of one common share and one transferable common share purchase warrant, each warrant entitling the holder to acquire one additional common share until June 9, 2010 at a price of $0.15 per share. All of these warrants were exercised as at June 30, 2010.

On July 24, 2009 the Company issued 150,000 shares at a fair value of $0.165 per share for a property payment as part of the Ramona property agreement.

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

On April 30, 2010 the Company closed a non-brokered private placement for 11,462,860 units at a price of $0.35 per unit for gross proceeds of $4,012,001 and net proceeds of $3,863,758. Each unit consists of one common share and one-half of a transferable common share purchase warrant. Each whole share purchase warrant is exercisable into one additional common share at an exercise price of $0.50 per common share for a period of two years.

On December 21, 2010 the Company completed an underwritten private placement for 26,667,000 units at a price of $0.75 per unit for gross proceeds of $20,000,250 and net proceeds of $18,152,551. Each unit consists of one common share and one half transferable common share purchase warrant, each warrant entitling the holder to acquire one additional common share until December 21, 2012 at a price of $1.00 per share. The underwriters were paid compensation options equivalent to 6.5% of the number of units of this offering. Each unit purchased will entitle the holder to receive one share and one half of one non-transferable share purchase warrant. Each whole underlying warrant will then entitle the holder to purchase one common share at an exercise price of $1.00 per common share until December 21, 2012.

8. Contributed Surplus

		Amount
Balance – March 31, 2009	$	2,344,687
Fair value of stock options vested		368,195
Fair value of stock options exercised		(32,810)
Balance - March 31, 2010	$	2,680,072
Fair value of stock options vested		774,943
Fair value of stock options exercised		(328,286)
Fair value of warrants expired *(Note 9)*		517,490
Balance – March 31, 2011	$	3,644,219

a) The following table summarizes information about the issued and outstanding stock options as at March 31, 2011:

Number Outstanding March 31, 2010	Granted	Exercised	Forfeited	Number Outstanding March 31, 2011	Exercise Price Per Share	Expiry Date
420,000	-	(420,000)	-	-	$ 0.16	July 8, 2010
1,000,000	-	(500,000)	(500,000)	-	$ 0.60	February 27,2010
300,000	-	-	-	300,000	$0.60	August 1, 2011
16,000	-	-	-	16,000	$0.17	August 1, 2011
84,000	-	(26,000)	-	58,000	$0.25	August 1, 2011
250,000	-	-	-	250,000	$0.65	February 22, 2012
500,000	-	-	-	500,000	$0.60	July 5, 2012
150,000	-	-	-	150,000	$0.17	July 5, 2012
100,000	-		-	100,000	$0.25	July 5, 2012
150,000	-	-	-	150,000	$0.60	November 1, 2012
200,000	-	-	-	200,000	$0.60	December 10, 2012
65,000	-	-	-	65,000	$0.17	December 10, 2012
10,000	-	-	-	10,000	$0.25	December 10, 2012
1,045,000	-	(85,000)	-	960,000	$0.25	April 6, 2014
1,640,625	-	(395,625)	-	1,245,000	$0.17	April 6, 2014
1,350,000	-	-	-	1,350,000	$0.22	November 10, 2014
-	875,000	(12,500)	-	862,500	$0.42	July 9, 2015
-	1,235,000	-	-	1,235,000	$0.79	February 11,2016
-	500,000	-	-	500,000	$0.75	March 21, 2016
7,280,625	2,610,000	(1,439,125)	(500,000)	7,951,500 (1)		

(1) At March 31, 2011 6,050,250 of these options are exercisable.

8. Contributed Surplus - *continued*

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

Number Outstanding March 31, 2009	Repriced	Granted	Exercised	Forfeited	Number Outstanding March 31, 2010	Exercise Price Per Share	Expiry Date
420,000	-	-	-	-	420,000	$ 0.16	July 8, 2010
1,000,000	-	-	-	-	1,000,000	$ 0.60	February 27,2011
435,000	(135,000)	-	-	-	300,000	$0.60	August 1, 2011
-	51,000	-	(35,000)	-	16,000	$.017	August 1, 2011
-	84,000	-		-	84,000	$.025	August 1, 2011
250,000	-	-	-	-	250,000	$0.65	February 22, 2012
250,000	-	-	-	(250,000)	-	$0.66	-
750,000	(250,000)	-	-	-	500,000	$0.60	July 5, 2012
-	150,000	-	-	-	150,000	$.017	July 5, 2012
-	100,000	-	-	-	100,000	$.025	July 5, 2012
150,000	-	-	-	-	150,000	$0.60	November 1, 2012
1,050,000	(100,000)	-	-	(750,000)	200,000	$0.60	December 10, 2012
-	90,000	-	(25,000)	-	65,000	$.017	December 10, 2012
-	10,000	-	-	-	10,000	$.025	December 10, 2012
-	-	1,045,000	-	-	1,045,000	$0.25	April 6, 2014
-	-	1,650,000	(9,375)	-	1,640,625	$0.17	April 6, 2014
-	-	1,350,000	-	-	1,350,000	$0.22	November 10, 2014
4,305,000	-	4,045,000	(69,375)	(1,000,000)	7,280,625 (1)		

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

c) The fair value of stock options used to calculate compensation for employees and consultants is estimated using the Black-Scholes Option Pricing Model. Since the options were granted under a graded vesting schedule, $483,368 (2010- $261,962) of the fair value has been recorded in the accounts of the Company during the year with $457,985 (2010-$229,591) expensed and $25,383 (2010-$32,371) capitalized to resource properties. This value is estimated at the date of the grant with the following weighted average assumptions:

	March 31, 2011	March 31, 2010
Average risk-free interest rate	**2.76**	3.02%
Expected dividend yield	**-**	-
Expected stock price volatility	**80.07%**	83.88%
Average expected option life in years	**5**	5

On April 28, 2009 the TSX Venture Exchange accepted amendments as to the exercise price only for various employee and consultant incentive stock options granted between August 1, 2006 and December 10, 2007 at an exercise price of $0.60. The incentive stock options exercise price was amended to $0.17 for 291,000 stock options and to $0.25 for 194,000 stock options.

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

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

9. Share Purchase Warrants

a) A summary of the Company's share purchase warrants at March 31, 2011 is presented below:

	Number		Amount
Balance - March 31, 2009	9,733,000	$	605,910
Issue of share purchase warrants *(Note 8)*	9,687,500		431,794
Share purchase warrants exercised *(Note 8)*	(7,000,000)		(189,534)
Balance – March 31, 2010	12,420,500	$	848,170
Share purchase warrants expired	(5,733,000)		(517,490)
Issue of share purchase warrants *(Note 8)*	21,664,961		4,285,291
Share purchase warrants exercised *(Note 8)*	(3,511,607)		(197,592)
Balance – March 31, 2011	24,840,854	$	4,418,379

b) The following table summarizes information about the issued and outstanding warrants as at March 31, 2011:

Number Outstanding March 31, 2010	Granted	Exercised	Expired	Number Outstanding March 31, 2011	Exercise Price per Warrant		Expiry Date
5,733,000	-	-	(5,733,000)	-	$	-	May 26, 2010
2,000,000	-	(2,000,000)	-	-	$	-	June 9, 2010
4,687,500	-	(953,750)	-	3,733,750	$	0.23	December 22, 2011
-	5,731,430	(557,857)	-	5,173,573	$	0.50	April 30, 2012
-	1,733,355	-	-	1,733,355	$	0.75	December 21, 2012
-	14,200,176	-	-	14,200,176	$	1.00	December 21, 2012
12,420,500	21,664,961	(3,511,607)	(5,733,000)	24,840,854			

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

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

On June 9 2009 the Company issued 5,000,000 transferable share purchase warrants, these warrants were valued at $168,526 based upon the Black Scholes model which utilized the following assumptions: Expected dividend yield of nil, expected stock price volatility of 118.75 %, risk free interest rate of 1.18%, expected life of 1 year. 2,000,000 share purchase warrants were exercised during the year ended March 31, 2011 and 3,000,000 were exercised during the year ended March 31, 2010.

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

9. Share Purchase Warrants - *continued*

On April 30, 2010 the Company issued 5,731,430 transferable common share purchase warrants. These warrants have been valued at $787,143 based on the Black Scholes model which utilizes the following assumptions: expected dividend yield of nil, expected stock price volatility of 109.06% and risk free interest rate of 1.2%, the expected life of warrants of 2 years. The share purchase warrants expire on April 30, 2012.

On December 21, 2010 the Company issued 14,200,176 transferable common share purchase warrants. These warrants have been valued at $3,117,596 based on the Black Scholes model which utilizes the following assumptions: expected dividend yield of nil, expected stock price volatility of 79.07% and risk free interest rate of 1.38%, the expected life of warrants of 2 years. On December 21, 2010 the Company issued 1,733,355 non-transferable common share purchase warrants. These warrants have been valued at $380,552 based on the Black Scholes model which utilizes the following assumptions: expected life of warrants 2 years, yield of nil, expected stock price volatility of 79.07% and risk free interest rate of 1.38%.

10. Income Taxes

a) The Company has accumulated non-capital losses for income tax purposes of approximately $6,328,605 as at March 31, 2011 that may be used to reduce future taxable income. These losses expire as follows:

2027		1,412,391
2028		354,203
2029		1,446,540
2030		1,354,287
2031		1,761,184
	$	6,328,605

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, 2011		March 31, 2010
Loss for the year before income taxes	**$**	**(1,559,235)**	$	(350,354)
Statutory tax rate – weighted average		**25.21%**		25.11%
Expected income tax recovery		**(393,105)**		(87,974)
Increase due to:				
Stock based compensation		**182,146**		82,983
Other		**210,959**		4,991
Future income tax (recovery) expense	**$**	**-**	$	-

10. Income Taxes- *continued*

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

		March 31, 2011		March 31, 2010
Future tax (liabilities) assets				
Resource properties	$	**(128,950)**	$	(207,110)
Operating loss carry-forwards		**2,123,104**		1,559,647
		1,994,154		1,352,537
Valuation allowance		**(1,994,154)**		(1,352,537)
Net future tax asset	$	**-**	$	-

11. Related Party Transactions

Except as disclosed elsewhere in these financial statements, related party transactions incurred during the year ended March 31, 2011 are as follows**:**

a) Consulting fees totalling $28,000 (2010-$28,000) for services provided by the Chief Financial Officer of the Company. The balance owing at March 31, 2011 is nil.
b) Consulting fees totalling $155,000 (2010-$82,500) were paid to a Company controlled by the managing director of the Company. The balance owing at March 31, 2011 is nil.
c) Directors' fees totalling $44,212 were paid to directors of the Company. The balance owing at March 31, 2011 is $12,900
d) Consulting fees totalling US$180,000 (2010- US$82,500) were paid to the president and director of the Company. The balance owing at March 31, 2011 is $49,500.
e) Rent and office supplies totalling $8,588 (2010- $9,536) was charged to a company with common management. The amount receivable at March 31, 2011 is $Nil, with no specific terms or conditions.

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.

12. Commitment

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

2012		45,180
2013		15,060
	$	60,240

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.

13. Segmented Information

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

	Years Ended March 31, 2011	2010
Net loss by geographic area		
USA	$ 23,544	$ 6,415
Canada	1,535,691	343,939
	$ 1,559,235	$ 350,354

	2011	2010
Assets by geographic area		
USA	$ 18,320,627	$ 14,091,023
Canada	19,105,049	728,722
	$ 37,425,676	$ 14,819,795

14. Capital Disclosures

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

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company' assets. In order to maintain or adjust the capital structure, the Company may attempt to issue new shares or debt instruments, acquire or dispose of assets, or to bring in joint venture partners.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. There have been no changes from the previous year to the capital management policy of the Company.

15. Subsequent Events

On June 15, 2011, the Company made an offer to acquire a storage and office facility in San Manuel Arizona for US$195,000. The completion of the acquisition is subject to independent building inspections and normal closing requirements; these are expected to be completed by July 15, 2011.