Redhawk Resources, Inc.

Consolidated Financial Statements

Year Ended March 31, 2012

(Expressed in Canadian Dollars)

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 statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years ended March 31, 2012 and March 31, 2011, 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 our audits 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2012, March 31, 2011 and April 1, 2010 and its financial performance and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

Signed "PricewaterhouseCoopers LLP"

Chartered Accountants
Vancouver, British Columbia
June 27, 2012

PricewaterhouseCoopers LLP, Chartered Accountants
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806, www.pwc.com/ca

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

	Notes	March 31, 2012	March 31, 2011 (Note 16)	April 1, 2010 (Note 16)
ASSETS				
Current assets				
Cash and cash equivalents		$ 235,536	$ 1,761,977	$ 108,956
Short-term investments		6,672,465	17,357,445	604,463
Receivables and prepaid expenses	4	425,745	278,458	58,126
		7,333,746	19,397,880	771,545
Non-current assets				
Reclamation deposits	5	42,229	18,422	16,741
Property and equipment		308,250	16,189	21,413
Exploration and evaluation assets	6	28,786,258	16,426,550	13,272,574
		29,136,737	16,461,161	13,310,728
TOTAL ASSETS		**$ 36,470,483**	**$ 35,859,041**	**$ 14,082,273**
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities	7	$ 722,897	$ 369,414	$ 67,715
Current portion of long-term debt	8	116,411	110,385	-
		839,308	479,799	67,715
Non-Current liabilities				
Long-term debt	8	1,546,851	1,612,686	1,920,607
TOTAL LIABILIITES		**2,386,159**	**2,092,485**	**1,988,322**
SHAREHOLDERS' EQUITY				
Share capital	9	44,533,596	43,259,520	23,732,923
Reserves – other	9	9,714,980	8,473,525	3,665,390
Reserves – foreign currency translation	9	(749,285)	(1,105,720)	-
Deficit		(19,414,967)	(16,860,769)	(15,304,362)
TOTAL SHAREHOLDERS' EQUITY		**34,084,324**	**33,766,556**	**12,093,951**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 36,470,483**	**$ 35,859,041**	**$ 14,082,273**

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, 2012	2011
Expenses		
Director fees	$ 77,421	$ 44,212
Filing fees	188,117	19,014
Insurance	24,212	18,405
Investor relations	282,499	90,999
Management and consulting fees	410,150	454,465
Office and sundry	72,555	24,683
Professional fees	224,541	192,634
Rent	33,149	23,120
Share-based payments (note 9)	1,139,105	632,957
Transfer agents	89,676	10,438
Travel and accommodations	104,182	75,911
	(2,645,607)	(1,586,838)
Other items		
Interest income	151,478	74,612
Interest expense	(89,703)	(92,801)
Foreign exchange gain (loss)	29,634	54,549
Impairment loss	-	(5,929)
Net loss for year	**$ (2,554,198)**	**$ (1,556,407)**
Other comprehensive income (loss)		
Exchange differences on translating foreign operations	356,435	(727,091)
Total other comprehensive income (loss)	**$ (2,197,763)**	**$ (2,283,498)**
Loss per share – basic and diluted	**$ (0.02)**	**$ (0.01)**
Weighted average number of common shares outstandin	**139,401,476**	**115,948,211**

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

		Share capital		Reserves - other	Reserves	Deficit	Total
	Notes	Number of shares	Amount		Foreign currency transation		
Balance at April 1, 2010	16	94,917,695	$ 23,732,923	$ 3,665,390	$ -	$ (15,304,362)	$ 12,093,951
Shares issued for cash - private placement		38,129,860	24,012,251	-	-	-	24,012,251
Fair value of share purchase warrants			(4,559,070)	4,559,070	-	-	-
Share issue costs			(1,718,209)	-	-	-	(1,718,209)
Share issued for cash - warrants exercised		3,511,607	798,291	-	-	-	798,291
Fair value of warrants exercised			197,592	(197,592)	-	-	-
Share issued for cash - options exercised		1,439,125	467,456	-	-	-	467,456
Fair value of options exercised			328,286	(328,286)	-	-	-
Share-based payments		-	-	774,943	-	-	774,943
Currency translation adjustment		-	-	-	(1,105,720)	-	(1,105,720)
Loss for the year		-	-	-	-	(1,556,407)	(1,556,407)
Balance at March 31, 2011	**16**	**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
Fair value of warrants exercised			232,854	(232,854)	-	-	-
Share issued for cash - options exercised		349,000	68,770	-	-	-	68,770
Fair value of options exercised		-	29,404	(29,404)	-	-	-
Share-based payments		-	-	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**

Redhawk Resources, Inc
Consolidated statements of cash flows
(Expressed in Canadian dollars)
For the year ended March 31, 2012 and 2011

	Year ended March 31,	
	2012	2011
Operating activities		
Loss for the year	$ (2,554,198)	$ (1,556,407)
Adjustments for non-cash items:		
Depreciation	11,729	5,224
Share-based payments	1,139,105	632,957
Impairment loss	-	5,929
Unrealized foreign exchange (gain) loss	-	(3,616)
Changes in non-cash working capital items:		
Receivables and prepaid expenses	(147,289)	(220,329)
Trade payables and accrued liabilities	35,518	29,362
Net cash flows used in operating activities	(1,515,135)	(1,106,880)
Investing activities		
Expenditures on exploration and evaluation assets	(11,172,188)	(3,488,171)
Purchase of property plant and equipment	(303,407)	-
Reclamation bond	(23,277)	(4,260)
Term deposits	10,684,981	(16,752,984)
Net cash flows used in investing activities	(813,891)	(20,245,415)
Financing activities		
Repayment of long term debt principle	(199,500)	(193,920)
Proceeds on issuance of common shares	1,011,819	25,004,220
Share issuance costs	-	(1,718,209)
Net cash flows used in investing activities	812,319	23,092,091
Currency impact on cash and cash equivalent	(9,734)	(86,775)
Decrease in cash and cash equivalents	(1,526,441)	1,653,021
Cash and cash equivalents, beginning	1,761,977	108,956
Cash and cash equivalents, ending	**$ 235,536**	**$ 1,761,977**

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 2610, Vancouver, British Columbia, Canada, V6E 3X1.

The financial statements were authorized for issue on June 27, 2012 by the Directors of the Company.

2. **Statement of compliance and conversion to International Financial Reporting Standards**

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards board (IASB), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB. Subject to certain transition elections disclosed in note 16, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at April 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 16 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended March 31, 2011 prepared under Canadian GAAP.

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	**December 31, 2011**	**December 31, 2010**
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.

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

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.

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 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 quarters.

Foreign currency translation

The functional currency of each of the Company's entities is measured using 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.

Transactions and balances:

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, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual 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.

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

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

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 profit or 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.

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

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 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.

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, 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

<u>Current income tax:</u>

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.

<u>Deferred income tax:</u>

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, associates 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.

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

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 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. The restoration asset will be depreciated on the same basis as the related mining assets.

Accounting standards issued but not yet effective applicable to Company.

IFRS 9 Financial Instruments

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.

IFRS 10 Consolidated Financial Statements

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. The Company is yet to assess the full impact of IFRS 10 is required to adopt the standard no later than the accounting period beginning on or after January 1, 2013.

(Expressed in Canadian dollars)

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

IFRS 11 Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and the obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The determination whether a joint arrangement constitutes a joint operation or a joint venture is based on the parties' rights and responsibilities under the arrangement and thus the existence of a separate legal vehicle is no longer the main factor in making such determination. Joint ventures will be accounted for using the equity method of accounting thereby eliminating the option available under existing IFRS to use either the proportionate consolidation method or the equity method. Joint operations are accounted for by a venture by recognizing its share of the assets, liabilities, revenues and expenses of the joint operation. The Company is yet to assess the full impact of IFRS 11 and is required to adopt the standard no later than the accounting period beginning on or after January 1, 2013.

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and is required to adopt the standard no later than the accounting period beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

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. The Company is yet to assess the full impact of IFRS 13 and is required to adopt the standard no later than the accounting period beginning on or after January 1, 2013.

4. Receivable and prepaid expenses

	March 31, 2012	**March 31, 2011**	**April 1, 2010**
Value-added tax receivables	$212,646	$ 81,120	$ 8,799
Other receivable	-	-	4,553
Prepaids	213,099	197,338	44,774
	$425,745	$ 278,458	$ 58,126

(Expressed in Canadian dollars)

5. Reclamation deposits

The Company has posted bonds and investment certificates to provide for certain potential reclamation liabilities as agreed with the Arizona State Land Department.

	March 31, 2012	March 31, 2011	April 1, 2010
Balance, beginning of year	$ 18,422	$ 16,741	$ 21,390
Changes in year	23,807	1,681	(4,649)
Balance, end of year	$ 42,229	$ 18,422	$ 16,741

6. 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, 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 payment		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

(Expressed in Canadian dollars)

6. Exploration and evaluation assets (cont'd)

		Year ended March 31, 2011
		Copper Creek, Arizona
Property acquisition costs		
Balance, March 31, 2010	$	5,740,116
Additions		617,409
Balance, March 31, 2011	$	6,357,525
Exploration and evaluation costs		
Balance, March 31, 2010	$	7,532,458
Costs incurred during period:		
Assaying and laboratory		203,031
Drilling		1,914,373
Engineering and consulting		660,125
Other		118,007
Permits and fees		113,012
Road development		72,604
Share-based payment		99,080
		3,180,232
Other:		
Currency translation		(637,736)
Write-down due to impairment		(5,929)
Balance, March 31, 2011	$	10,069,025
Total at March 31, 2011	$	16,426,550

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 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 in quarterly payments due as follows:

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

(Expressed in Canadian dollars)

6. Exploration and evaluation assets (cont'd)

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.

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.

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 8)*

7. **Trade payables and accrued liabilities**

	March 31 2012	March 31, 2011	April 1, 2010
Trade payables	$ 568,737	$ 274,896	$ 24,022
Amounts due to related parties (Note 11)	33,200	49,518	193
Accrued liabilities	120,960	45,000	43,500
	$ 722,897	$ 369,414	$ 67,715

(Expressed in Canadian dollars)

8. **Long-term debt**

	March 31, 2012		March 31, 2011	
	USD	**CAD**	USD	CAD
Long term debt	$ **1,550,727**	$ **1,546,851**	$ 1,663,249	$ 1,612,686

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.

The payment schedule as at March 31, 2012 is as follows:

Date		Principal
April 2013		116,703
April 2014		122,538
April 2015		128,664
April 2016		135,098
Balance due beyond 5 years		1,074,092
	US$	1,577,095
Accrued interest		495,302
Interest paid		(404,967)
Total debt	US$	1,667,430
Current portion of long term debt		(116,703)
Long term debt	US$	1,550,727

9. **Share capital and reserves**

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At March 31, 2012 there were 142,249,609 issued and fully paid common shares (March 31, 2011 – 137,998,287).

Shares issued during the year

During the year ended March 31, 2012 168,572 warrants were exercised at $0.50 and 3,733,750 warrants were exercised at $0.23 for total proceeds of $943,048. The share price weighted average at date of exercise was $0.40.

During the year ended March 31, 2012 231,000 stock options were exercised at $0.17 and 118,000 stock options were exercised at $0.25 for total proceeds of $68,770. The share price weighted average at date of exercise was $0.62.

(Expressed in Canadian dollars)

9. **Share capital and reserves (cont'd)**

Warrants

The following table summarizes information about the issued and outstanding warrants as at March 31, 2012 and 2011:

	March 31, 2012		March 31, 2011	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Warrants outstanding, beginning of year	24,840,854	$ 0.77	12,420,500	$ 0.41
Warrants issued	-	-	21,664,961	0.85
Warrants exercised	(3,902,322)	0.24	(3,511,607)	0.23
Warrants expired	-	-	(5,733,000)	0.65
Warrants outstanding, end of year	20,938,532	$ 0.82	24,840,854	$ 0.77

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

	March 31, 2012	March 31, 2011
Expencted life of warrants	-	2 years
Annualized volatlity	-	94.1%
Risk-free interest rate	-	1.3%
Dividend rate	-	0%

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 vest as to 25% on date of grant and as to 12.5% on each of the three, six, nine, twelve, fifteenth and eighteen month anniversaries of the date of grant.

(Expressed in Canadian dollars)

9. **Share capital and reserves (cont'd)**

Stock options (cont'd)

The changes in options during the year ended March 31, 2012 and 2011 are as follows:

	March 31, 2012		March 31, 2011	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding, beginning of year	7,951,500	$ 0.43	7,280,625	$ 0.34
Options granted	4,525,000	0.58	2,610,000	0.66
Options exercised	(349,000)	0.22	(1,439,125)	0.32
Options expired	(1,087,500)	0.67	(500,000)	0.60
Options outstanding, end of year	11,040,000	$ 0.47	7,951,500	$ 0.43
Options exercisable, end of year	7,425,000	$ 0.41	6,050,250	$ 0.36

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

	March 31, 2012	March 31, 2011
Expencted life of warrants	4.25 years	5 years
Annualized volatlity	117.39%	80.07%
Risk-free interest rate	1.45%	2.76%
Dividend rate	0%	0%

Details of options outstanding as at March 31, 2012 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding	Number of options exerciseable
$0.17 - $0.25	2.16	3,605,000	3,605,000
$0.26 - $0.50	3.60	1,575,000	1,106,000
$0.51 - $0.74	2.74	4,325,000	1,787,500
$0.75 - $0.79	3.87	1,535,000	926,500
	2.73	11,040,000	7,425,000

During the year ended, the Company recorded share-based compensation of $1,503,713 (2011 - $774,943) 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.

(Expressed in Canadian dollars)

9. Share capital and reserves (cont'd)

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.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of subsidiaries of the Company that have a functional currency other than the Canadian dollar.

10. Income taxes

a) The Company has accumulated non-capital losses for income tax purposes as of March 31, 2012 that may be used to reduce future taxable income. These losses expire as follows:

As at March 31, 2012, the Company had tax losses of:

	Total Tax Loss	**Expire Between**
Canadian (CAD)	5,670,846	2026 and 2032
United States (USD)	4,456,776	2026 and 2032

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, 2012	March 31, 2011
Loss for the year before income taxes	$ (2,554,198)	$ (1,556,407)
Statutory tax rate - weighted average	25.21%	25.21%
Expected income tax recovery	(643,948)	(393,105)
Increase due to:		
Share-based payment	284,776	182,146
Change in unrecognized deferred tax assets	590,704	641,617
Other	(231,532)	(430,658)
Deferred income tax	$ -	$ -

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, 2012	March 31, 2011
Deferred tax assets		
Resource properties	$ (594,617)	$ (128,950)
Operating loss carry-forwards	3,179,475	2,123,104
Unrecognized deferred tax assets	2,584,858	1,994,154

(Expressed in Canadian dollars)

11. Related party transactions

Related party balances

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

	March 31 2012	March 31, 2011	April 1, 2010
Directors and officers of the Company	$ 33,200	$ 49,518	$ 193

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

Key management compensation

	Year ended March 31 2012	Year ended March 31 2011
Management fees (1)	$ 209,475	$ 187,975
Consulting	222,000	184,188
Director fees	77,421	44,212
Share-based payments	745,736	350,329
	$ 1,254,632	$ 766,704

(1) Certain of management fees are allocated to exploration and evaluation assets as warranted.

12. 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 held in bank accounts. The majority of cash is deposited in bank accounts which 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. 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.

(Expressed in Canadian dollars)

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.

Foreign exchange risk

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

The Company is not exposed to any significant foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value of 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.

Geographic segments

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

	As at March 31, 2012		
	Canada	**U.S.**	**Total**
Reclamation deposits	$ 9,975	$ 32,254	$ 42,229
Equipment	616	307,634	308,250
Exploration and evaluation assets	-	28,786,258	28,786,258
	$ 10,591	$ 29,126,146	$ 29,136,737

	As at March 31, 2011		
	Canada	**U.S.**	**Total**
Reclamation deposits	$ 9,696	$ 8,726	$ 18,422
Equipment	1,084	15,105	16,189
Exploration and evaluation assets	-	16,426,550	16,426,550
	$ 10,780	$ 16,450,381	$ 16,461,161

(Expressed in Canadian dollars)

13. Segmented information

Operating segments

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

14. Supplemental disclosure with respect to cash flows

During the year ended March 31, 2012 and 2011, the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	Year ended	
	March 31, 2012	**March 31, 2011**
Exploration and evaluation assets included in trade accounts payable and accrued liabilities	$317,996	$272,337
Exploration and evaluation share-based payments	$72,442	$99,077

15. Subsequent events

Subsequent to March 31, 2012, 3,796,429 warrants were exercised for total proceeds of $1,898,215.

16. Transition to IFRS

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements, making them the first annual financial statements of the Company under IFRS. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", April 1, 2010 has been considered to be the date of transition to IFRS by the Company. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

Exemptions applied

The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

- IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before April 1, 2010.

- IFRS 2 "Share-based Payments" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company has elected not to apply IFRS 2 to awards that vested prior to April 1, 2010.

- IAS 21 "The Effects of Changes in Foreign Exchange Rates" has not been applied to cumulative translation differences that existed at the date of transition to IFRS. The Group has eliminated the cumulative translation difference and adjusted retained earnings by the same amount at the date of

(Expressed in Canadian dollars)

16. Transition to IFRS (cont'd)

transition to IFRS. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

Reconciliation of assets and liabilities at April 1, 2010

		As at April 1, 2010		
	Notes	**Canadian GAAP**	**Effect of Transition**	**IFRS**
ASSETS				
Current assets				
Cash and cash equivalents		$ 108,956	$ -	$ 108,956
Short-term investments		604,463	-	604,463
Receivables and prepaid expenses		58,126	-	58,126
		771,545	-	771,545
Non-current assets				
Reclamation deposits	16(a)	17,130	(389)	16,741
Property and equipment	16(a)	21,704	(291)	21,413
Exploration and evaluation assets	16(a) (b) (c)	14,009,416	(736,842)	13,272,574
		14,048,250	(737,522)	13,310,728
TOTAL ASSETS		**$14,819,795**	**$ (737,522)**	**$ 14,082,273**
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities		$ 67,715	$ -	$ 67,715
Long term debt		1,920,607	-	1,920,607
		1,920,607	-	1,920,607
TOTAL LIABILITIES		**1,988,322**	**-**	**1,988,322**
SHAREHOLDERS' EQUITY				
Share capital		23,732,923	-	23,732,923
Reserves	16(a) (b)	3,528,242	137,148	3,665,390
Deficit	16(a) (b) (c)	(14,429,692)	(874,670)	(15,304,362)
TOTAL SHAREHOLDERS' EQUITY		**12,831,473**	**(737,522)**	**12,093,951**
TOTAL LIABILITIES AND SHARESHOLDER'S EQUITY		**$14,819,795**	**$ (737,522)**	**$ 14,082,273**

(Expressed in Canadian dollars)

16. Transition to IFRS (cont'd)

Reconciliation of assets and liabilities at March 31, 2011

		As at March 31, 2011		
	Notes	Canadian GAAP	Effect of Transition	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 1,761,977	$ -	$ 1,761,977
Short-term investments		17,357,445	-	17,357,445
Receivables and prepaid expenses		278,458	-	278,458
		19,397,880	-	19,397,880
Non-current assets				
Reclamation deposits	16(a)	21,390	(2,968)	18,422
Property and equipment	16(a)	19,222	(3,033)	16,189
Exploration and evaluation assets	16(a) (b) (c)	17,987,184	(1,560,634)	16,426,550
		18,027,796	(1,566,635)	16,461,161
TOTAL ASSETS		**$37,425,676**	**$ (1,566,635)**	**$ 35,859,041**
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities		$ 369,414	$ -	$ 369,414
Current portion of long-term debt		110,385	-	110,385
		479,799	-	479,799
Non-current liabilities				
Long term debt		1,612,686	-	1,612,686
		1,612,686	-	1,612,686
TOTAL LIABILITIES		**2,092,485**	**-**	**2,092,485**
SHAREHOLDERS' EQUITY				
Share capital		43,259,520	-	43,259,520
Reserves	16(a) (b)	8,062,598	(694,793)	7,367,805
Deficit	16(a) (b) (c)	(15,988,927)	(871,842)	(16,860,769)
TOTAL SHAREHOLDERS' EQUITY		**35,333,191**	**(1,566,635)**	**33,766,556**
TOTAL LIABILITIES AND SHARESHOLDER'S EQUITY		**$37,425,676**	**$ (1,566,635)**	**$ 35,859,041**

(Expressed in Canadian dollars)

16. Transition to IFRS (cont'd)

Reconciliation of comprehensive loss for the year ended March 31, 2011

	Notes	Canadian GAAP	Effect of Transition	IFRS
Expenses				
Director fees		44,212	-	44,212
Filing fees		19,014	-	19,014
Insurance		18,405	-	18,405
Investor relations		90,999	-	90,999
Management and consulting fees		454,465	-	454,465
Office and sundry		24,686	-	24,686
Professional fees		192,634	-	192,634
Rent		23,120	-	23,120
Share-based payments	16 (b)	728,583	(95,626)	632,957
Transfer agents		10,438	-	10,438
Travel and accommodations		75,911	-	75,911
Foreign exchange (gain) loss		(54,549)	-	(54,549)
		(1,627,918)	95,626	(1,532,292)
Other items				
Interest income		74,612	-	74,612
Interest expense	16 (c)	-	(92,801)	(92,801)
Exploration and evaluation assets written-off		(5,929)	-	(5,929)
Net loss for year		**$ (1,559,235)**	**$ 95,626**	**$ (1,556,410)**
Other comprehensive income (loss)				
Exchange differences on translating foreign operations		-	(727,091)	$ (727,091)
Total comprehensive income (loss)		**$ (1,559,235)**	**$ (631,465)**	**$ (2,283,501)**
Loss per share – basic and diluted		**$ (0.01)**		**$ (0.01)**
Weighted average number of common shares outstanding		**115,948,211**		**115,948,211**

16. Transition to IFRS (cont'd)

Notes to reconciliations

(a) Functional and presentation currency

IFRS requires that the functional currency of each entity in the consolidated Company be determined separately in accordance with the indicators outlined in IAS 21 "The Effects of Changes in Foreign Exchange Rates" and should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the subsidiaries of the Company that have operations in United States is the United States dollar. The consolidated financial statements are presented in Canadian dollars which is the Group's presentation currency.

Under IFRS, the results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of comprehensive income and are recognized in the profit or loss in the period in which the operation is disposed.

As permitted under IFRS 1, the cumulative impact as at April 1, 2010 was recorded as an increase to deficit.

(b) Share-based payments

The Company grants stock options that have a graded vesting schedule. Under Canadian GAAP, the Company accounted for grants of options with graded vesting as a single award and determined the fair value using the average life of the options granted. Stock-based compensation was recognized on a straight-line basis over the total vesting period. Under IFRS, the Company treats each installment as its own award. Therefore, each installment is measured and recognized separately.

(c) Interest expense

Under Canadian GAAP, amounts recorded in relation to the interest expense on the long term debt were capitalized to mineral property costs. Under IFRS, these amounts have been expensed because mineral property costs do not meet the definition of a qualifying asset.