

# **REDHAWK RESOURCES, INC.**

Management Discussion & Analysis

March 31, 2006

## **Management Discussion & Analysis**

### **Forward-Looking Information**

This management discussion and analysis (“MD&A”) contains certain forward-looking statements and information relating to Redhawk Resources, Inc. (“Redhawk” or the “Company”) that are based on the beliefs of its management as well as assumptions made by and information currently available to Redhawk. When used in this document, the words “anticipate”, “believe”, “estimate”, “expect” and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements.

This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of Redhawk’s exploration properties. Such statements reflect the current views of Redhawk with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of Redhawk to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

### **Overview**

As most of you know I was appointed President of Redhawk in early June when the reins were passed to me by Kristian Ross, the Company’s founder and person responsible for Redhawk’s earlier acquisition of the ReMac Zinc Project and for this year’s acquisition and initial development of the remarkable Copper Creek copper-molybdenum project in Arizona.

Thanks to his perseverance, negotiating skills and vision Redhawk has two base metals projects under serious development, each with the potential of becoming low cost, long life producers of copper and zinc at a time when the consensus of senior metals analysts is for a long term bull run in commodity prices.

It is now my job and that of the entire senior management team and the Board of Directors, the Company’s technical team and its project consultants to guide and conduct the further development of these projects; specifically to complete the required tasks, many of which are underway or in process, as quickly as possible to progress the Copper Creek Project forward through to the completion of a full project bankable feasibility study, and then hopefully in its turn, for ReMac.

Looking back over the previous year’s Annual Report for the period ending March 31, 2005 and the subsequent Quarterly Reports one can see a shift of emphasis from the prior year’s reports, moving away from direct Redhawk participation in the Company’s precious metals projects in Nevada and the placing of more emphasis on base metals projects.

In furtherance of that objective management was very pleased to announce, on August 4, 2005, the acquisition of the Copper Creek copper project. Copper Creek is located in the Southwest Porphyry Copper Province in Arizona, 75 road miles northeast of Tucson and 15 miles northeast of San Manuel.

This past year your Company also conducted a program of mapping and sampling at its ReMac Zinc Project in southwest British Columbia.

Both Copper Creek and ReMac are discussed in more detail below.

Over the course of this year Redhawk has successfully transformed itself, from a precious metals exploration company with a zinc project that was waiting for improved zinc metal market conditions to continue with its exploration, into a base metals development company with copper and molybdenum at Copper Creek and zinc and lead at ReMac. Each project contains significant upside potential, with Copper Creek’s the more obvious because of the large number of geologically and economically interesting intersections in holes drilled outside the bounds of existing deposits.

## **Gold Projects**

Your Company's transformation discussed above leaves the gold projects in Nevada as the odd men out going forward.

Alien Gold, on which your Company spent approximately \$400,000 in 2005, has responded well to Redhawk's exploration programs; however, even before Redhawk's full base metals focus, as was explained in last year's annual report and subsequently, the project has advanced to the stage in its exploration that requires something that is beyond a junior's ability to supply; namely patience and deep pockets.

The further development of Alien is best suited to a larger company. Unfortunately, the successful acquisition of Copper Creek has meant management has had little time to pursue such a candidate for Alien. Redhawk will renew its efforts to find such a company to continue with exploration at Alien in order to create additional value for our shareholders from this exciting, high-grade epithermal gold project. More information about Alien, including the complete project report of R. Joe Sandberg, CPG, completed following the most recent core drilling program conducted by Redhawk, is available on the Company's website at [www.redhawkresources.com](http://www.redhawkresources.com).

The Ramona Gold Project is a small very early stage pediment covered exploration project adjoining and potentially on trend of Gryphon Gold Corporations' Borealis project. In accordance with its stated objectives Redhawk will look for an appropriate opportunity to continue to participate in this non-core property.

## **The Copper Creek Project**

### **Introduction**

Without question the big news for Redhawk shareholders in 2005 was the announcement of the Copper Creek acquisition on August 4<sup>th</sup>. The Copper Creek acquisition marks a significant turning point for your Company putting it on the Fast Track with a project that was last worked on in 2000 and that, even then, for a project essentially discovered in the 1960's and had over 77 miles or 400,000 feet of drilling, remained under most companies' radar screens.

What most of you don't know is that this announcement was the result of two years of management time and effort in patiently but tenaciously working with the project's owner in crafting this agreement. This was preceded by six months in due diligence research before identifying Copper Creek as the definitive project that fit the Company's objective of acquiring a substantial, readily developable base metals project in a mining friendly jurisdiction with easy access within an area of existing general and (copper) mining infrastructure.

Also during the year Redhawk engaged WestPoint Merchant Ventures to assist the Company with financing of the Copper Creek acquisition and to provide merchant banking expertise to the group. Along with others, their efforts have led to a substantial change in the makeup of the shareholder base of the Company, directly as a result of their successfully assisting the Company in raising the capital necessary to acquire the Copper Creek Project and subsequent financing to allow management the time necessary to assemble, sort, and proof data, geologically log and re-log existing drill core, create a computer based project model and the many more necessary tasks and functions needed to be completed before Redhawk could begin moving the project forward.

It is estimated that the time and effort by Redhawk's personnel since acquiring the project back in August in organizing the historic project information and getting all the information sources to inter-relate has saved the Company well in excess of \$60,000,000.00 if all the work completed in the past at Copper Creek was to be duplicated today.

This less than exciting marketwise, but necessary "data-mining" of existing project information was conducted under the overall direction of the Company's past President and under the direct, daily hands on control of Redhawk's San Manuel based Project Manager, R. Joe Sandberg, CPG.

### **Location**

Redhawk's Copper Creek Property is located in the prolific southwest copper porphyry belt in Arizona, 75 road miles northeast of Tucson and 15 miles northeast of San Manuel, in an area well situated in regard to

existing general and copper mining infrastructure.

The seven-square-mile copper-molybdenum project includes patented mineral claims (surface and mineral title), unpatented mineral claims and Arizona State Prospecting Permits.

Copper Creek is situated at the structural intersection of an east-northeast-trending belt of porphyry copper deposits which includes the Lakeshore, San Manuel/Kalamazoo, Safford and Morenci mines, and a north-northwest-trending belt of porphyry copper deposits that includes the Superior (Resolution), Christmas and Miami-Inspiration mines.

The location of the project at the juncture of these major mineralizing trends might have influenced the grade mineralization at Copper Creek as the tenure of its mineralization appears to be relatively elevated vis-à-vis most other major copper-molybdenum projects in Arizona.

### **Project Description**

The two principal deposit types at Copper Creek are copper and molybdenum bearing breccia deposits, and copper and molybdenum bearing porphyry deposits.

The economic potential of the Copper Creek project builds on an established base of 407,690 feet (77 miles) of drilling which resulted in several non-compliant resource calculations having been prepared by previous operators. The project's core library is a key component of the project and fortunately for the most part has been properly housed from inception and remains in excellent condition. Although the project appears to have a large amount of previous drilling Redhawk's detailed data review confirmed the opinion reached during the initial due diligence review by Redhawk's Board of Directors' member Rick Somerville, P. Eng. Only a very small portion of the project has been drilled leaving the largest part of the projects potential essentially untested.

Even within the areas previously tested Redhawk's detailed technical investigations have shown room for significant opportunity within the envelope of the majority of existing drilling, including substantial intersections of economically interesting mineralization that have no additional drilling. Priority drilling target types Redhawk will pursue are areas indicated by these holes, and others with insufficient drilling density to allow them to be included in the Copper Creek Mineral Resource base.

Redhawk has engaged IMC (Independent Mining Consultants) as its independent consultant to prepare current 43-101 compliant Mineral Resource calculations as the foundation resource number from which Redhawk intends to develop additional resources. IMC has also been engaged to prepare a resource to reserve conversion plan for the resources they define so a template exists to guide future development of these deposits. IMC's Mineral Resources will form the basis of the Copper Creek Scoping Study, which is now well advanced

Besides the obvious initial requirement of a significant, easily accessed and easily exploited resource and reserve base to justify opening a new mine by a junior sized mining company, it is essential for a company that is looking to develop a stable, long term high-grade mining operation to be confident the project demonstrates the potential for the development of significant additional similar grade resources. This potential was and continues to be one of the most exciting factors about the entire Copper Creek Project.

Currently the most significant of these deposits are the Childs-Aldwinkle ("CA"), Mammoth, Old Reliable ("OR") and American Eagle Breccias, the American Eagle and Lower Mammoth/"Keel Zone" Porphyries. Redhawk believes the higher-grade portions of these deposits offer an excellent opportunity for developing a low cost, long life, bulk mining underground mining operation.

As soon as IMC's Mineral Resource calculations and associated report are ready for release and are disseminated to the public, management will begin reporting more regularly on the progress being made at Copper Creek. Additional information in the form of news releases can be expected to follow shortly on the heels of the Mineral Resource announcement, allowing shareholders, market professionals, mining analysts

and the general public the tools necessary to make a more informed decision about the Company's prospects and the potential and current and going forward value of the Copper Creek Project.

### **Going Forward at Copper Creek**

A Scoping Study, based solely on the Mineral Resources being calculated by IMC is well underway. Redhawk has been very fortunate to have been able to assemble a world-class team of Arizona based independent consultants covering the multiple disciplines necessary to prepare its Scoping Study. These consultants have all worked together many times in various combinations on mining projects all over the world and in Arizona.

A surface drilling program is being planned to start in early October. The drill program is being planned with the objective of initially increasing the Mineral Resources defined in IMC's Mineral Resource Report. Portions of these deposits' Mineral Resources are bounded only by a lack of information, not by a hard geological boundary. Redhawk is well funded to initiate this drill program, which will be the Company's first at Copper Creek.

This is a great opportunity to potentially add substantially to the initial Mineral Resource base in areas that the Scoping Study is targeting for initial mine development while the process of permitting the underground exploration decline entry is underway. As part of the drill program other priority targets easily reachable from surface will receive attention, including several of the undrilled breccias and other geologic targets.

Redhawk is also considering drilling a number of deeper holes from surface later in the program to provide additional information to help guide the Company's technical group with the location of the underground drill drifts and drill platforms that will be targeting the areas of higher-grade mineralization within and adjoining the large porphyry copper deposits.

Once underground access is established, development headings will be driven to provide underground drilling platforms to finish delineating the CA, Mammoth and OR Resources for mining, and to provide direct access to these deposits.

The underground development will also be used to provide cost effective drill station locations to evaluate the other known breccia deposits, some with potential "ore grade" intersections, with the objective of including them in the resource prior to or early in the production phase.

In addition, this access would be used to develop drill stations for definition drilling portions of the large American Eagle Porphyry and Lower Mammoth/"Keel Zone" Porphyry deposits. Historic drilling and current geological modeling, based on Redhawk's relogging of historic drill cores, suggest these deposits contain significant inliers of substantially elevated grades.

### **ReMac Zinc**

Redhawk's ReMac Zinc Project is located in southwestern British Columbia 25 km southeast of TeckCominco's zinc-lead smelter complex at Trail. This complex is one of the world's largest fully-integrated zinc-lead smelting and refining complexes. TeckCominco's zinc sulphide mine and concentrator at Pend Oreille is 10 km south of ReMac. Redhawk's ReMac Project development team is being led by Michael Petrina, P. Eng., MBA.

The 30 square km ReMac Zinc Project includes the past producing Reeves MacDonald zinc-lead-silver sulfide mine (7.25 million tons produced), and the adjoining property to the west which hosts the continuation of the favorable zinc-silver-lead mineralized Reeves limestone unit stratigraphy. Today well developed zinc projects are in very high demand, especially those in the vicinity of established zinc processing infrastructure, as in the case of the ReMac Zinc Project.

The sulphide potential at ReMac is demonstrated by Zone M where a 1987 drill hole (87-1) intersected 8% zinc and 55 gms silver per tonne over 16.3 m (54 feet), including 7.9 m (25.9 ft) of 10% zinc and 75 gms silver per tonne. Zone M is one of several known mineralized zones at ReMac that provide Redhawk with obvious sulphide and oxide exploration drill targets going forward.

In December of 2004 Redhawk drilled several holes west of the previously known westward extent of mineralization and intersected 4.6m grading 15.11% lead and 1.85% zinc at a depth of 111 m. The hole ended

## **Redhawk Resources, Inc.**

---

in mineralization and is one of the areas that will be further investigated later in the 2006 calendar year field season.

Late last year, in preparation for developing a more aggressive exploration program in 2006, Redhawk extended the area of mapping and sampling of the favorable stratigraphy another five km to the west from the area drilled in 2004. This work achieved its objectives and will assist in developing additional surface drill targets for the next program. Snow brought the program to a premature end last fall which precluded final target grooming for drilling of the extension area and the Caviar zinc prospect to the south.

With the greatly improved commodity market conditions the opportunity exists for Redhawk to move ReMac ahead more quickly. Recently the Project had a very low profile because of the Company's focus on the Copper Creek Project. However, with growing market expectation for a serious long-term zinc supply-demand imbalance, plans to advance the ReMac project are in the process of review with a view to possibly accelerating the pace of work at ReMac.

### **Qualified Persons**

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

### **Investor Relations**

During 2005 Investor Relations activities followed their normal course of attending Investor Conferences and Mining Industry Conferences. These conferences provide an opportunity for current shareholders and interested members of the public and the financial industry to meet Company representatives and for the Company to meet with various interested industry personnel.

At gatherings such as the PDAC in Toronto mining industry people from around the world gather annually to exchange property ideas and to see what projects on display may be of interest to them. In the normal course throughout the year management answered inquiries from existing shareholders, potential investors, analysts and other members of the financial industry and senior company personnel looking for progress reports on Redhawk's projects.

Subsequent to the year end on June 21<sup>st</sup> Redhawk reported its shares had been listed for trading on the Frankfurt Stock Exchange under the symbol "QF7". The Company anticipates this listing will provide greater visibility and allow easier access for interested European investors who wish to participate in trading the Company's shares.

Further information on Redhawk and its projects, including project photos, detailed technical reports and executive summaries, etc., is available on the Company's website at [www.redhawkresources.com](http://www.redhawkresources.com) or by calling Bruce Briggs, President or Charles Pitcher, Chairman at 604.633.5088 or by contacting Robert McAllister, the Company's Investor Relations Consultant at 250.870.2219.

### **In Appreciation**

It is customary to close off this portion of the Annual Report to Shareholders of a company with the President thanking various people for their efforts during the year on behalf of the Company.

This year however my closing remarks are not merely perfunctory. It gives me great personal satisfaction to have been picked to take Redhawk to the next level in its corporate development. It is a period of change also throughout the Company, the timing of which has substantially coincided with my appointment subsequent to year end as President and Director.

Redhawk's Board of Directors has undergone change with some members leaving and new members coming on board. On behalf of the Board of Directors and all shareholders I would like to thank Michael Foster for his efforts over the years, particularly as the representative on the Board from ZincOx Resources, plc. ZincOx's work on the oxide zinc portion of the ReMac Zinc Project has added valuable information to the project going forward.

## **Redhawk Resources, Inc.**

---

His place on the Board has been filled by the appointment of Steven Bastable who has been a shareholder of Redhawk for more than six years. Steve has over 25 years experience in the equity financial markets and in corporate finance and brings much needed experience in these areas to the Board.

Also current Director Charles Pitcher, P. Eng., has agreed to accept additional responsibilities and has been appointed as Chairman of the Board.

The Board of Directors of Redhawk is now comprised of Charles Pitcher, P. Eng., Chairman; Bruce Briggs, P. Eng., President; Frederick Davidson, MBA, C. A., Chief Financial Officer; Richard Somerville, B.Sc., P. Eng.; and Steven Bastable.

I also have the pleasure in reporting that R. Joe Sandberg, CPG, MBA, the Project Manager for the Copper Creek Project based in San Manuel has formally joined Redhawk's management team, being appointed Vice-President Development for the Copper Creek Project. Joe has been a Consulting Geologist for Redhawk since January 2004 and has managed the San Manuel office since he opened it back in July 2005. He leads a team of in house geologists and outside independent consultants developing the Company's advanced copper and molybdenum project at Copper Creek.

Finally, I am pleased to report that Kristian Ross has agreed to remain available to the Company as a consultant so that Redhawk's entire management team and I may from time to time going forward make use of his intimate knowledge of and special insight into the Company's projects and related matters. Some areas in the world that appeared to be reopening to mining during the 1990's and up to recently now seem to be again yielding to the temptation of becoming less friendly to mining, not allowing these companies a reward for their efforts now that metal prices are better and after these companies have spent large dollars exploring for and developing potential mines and new mines in these countries. It is not difficult today to notice and understand why astute investors are beginning to look more closely at the country in which a company's deposit of interest is located.

Fortunately for Redhawk's shareholders its copper and zinc projects are located in the United States and Canada. My personal prediction is that operating mining companies will also begin looking closer at projects and companies with projects in countries where, if you conduct yourself in a respectful manner towards its citizens and its environment, your main focus can be on determining the economics of your project not whether you will remain the owner if the project becomes successful.

I'm looking forward to a very exciting year for Redhawk. As always, we welcome your questions, suggestions and comments.

### **Risk Factors**

### **Exploration and Development**

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

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

## Financial Discussion and Analysis

### Selected Annual Information (Canadian \$)

Description	2006	2005	2004
Net revenues	0	0	0
Net income (loss)	1,104,410	685,467	410,280
Net income (loss) per share	(0.03)	(0.04)	(0.04)
Dividends	Nil	Nil	Nil
Total assets	9,234,624	3,897,063	3,468,323
Total long-term financial liabilities (Note 2)	0	0	0
Cash dividends declared	N/A	N/A	N/A

### Summary of Quarterly Results (Canadian \$)

Quarter/ Fiscal Year	Net Revenues	Net Loss	Net Loss per Share	Fully diluted Net Income (Loss) Per Share	Total Assets	Total Long-term Liabilities
4 <sup>th</sup> Quarter 2006	0	436,670	0.01	0.01	9,234,924	0
3 <sup>rd</sup> Quarter 2006	0	177,897	0.01	0.01	5,998,919	0
2 <sup>nd</sup> Quarter 2006	0	314,533	0.01	0.01	6,251,612	0
1 <sup>st</sup> Quarter 2006	0	175,310	0.01	0.01	3,819,868	0
4 <sup>th</sup> Quarter 2005	0	198,925	0.01	0.01	3,897,063	0
3 <sup>rd</sup> Quarter 2005	0	193,099	0.01	0.01	4,059,309	0
2 <sup>nd</sup> Quarter 2005	0	156,312	0.01	0.01	4,059,064	0
1 <sup>st</sup> Quarter 2005	0	137,131	0.01	0.01	4,110,319	0
4 <sup>th</sup> Quarter 2004	0	170,568	0.01	0.01	3,468,323	0
3 <sup>rd</sup> Quarter 2004	0	89,239	0.01	0.01	3,526,095	0
2 <sup>nd</sup> Quarter 2004	0	97,731	0.01	0.01	2,223,078	0

## Results of Operations

### Year ended March 31, 2006

Administrative costs for the year were \$1,100,811 up from \$602,924 for the comparative period last year. The largest increase, \$176,581 reflects the fees related to services provided by WestPoint Merchant Ventures Inc. and services provided by certain management personnel.

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

Investor Relations has increased by \$32,030 reflecting the current consulting contracts that the Company has entered into. This amount is expected to increase in 2006-2007 fiscal period as part of the Company's ongoing program to educate the investment community about the Copper Creek and ReMac projects.

Legal fees as expected, again was substantial, in the fourth quarter a further \$72,548 for a total of \$227,788 for the year compared to \$91,537 last year. While regulatory requirements are creating higher costs these fees were primarily related to the financings and property acquisitions completed during the year.

Office and sundry, office services and rent increased by \$47,651 over the prior year's total of \$57,069, a reflection of the increased activity of the company over the last year and the subsequent requirements for additional staff and space.

Stock based compensation, represents the "value" ascribed to stock options granted and vested during the year. In 2006 this was \$297,561, compared to \$233,634. The largest portion related to a recent grant of

## **Redhawk Resources, Inc.**

---

1,250,000 options at \$0.60, for which a total "value" was attributed of \$515,469, or 68% of the strike price, 25% of which was allocated to the last quarter of the year.

Other items included interest income of \$ 4,498 (2005-\$17,542) and a write-down of certain resource property expenditures.

Resource property expenditures for the year to date were \$2,600,217 (2005-\$729,316) the majority of which, \$2,375,263 was related to the Copper Creek Project in Arizona including the acquisition cost of \$1,821,061. In 2005 exploration primarily focused on the Alien Gold Project in Nevada, which included a drill program

### **Liquidity and Capital Resources:**

Working capital at the end of the period was \$3,257,762 compared to \$843,563 at March 31<sup>st</sup>, 2005.

As part of the acquisition of the Copper Creek Property in Arizona, the Company completed a \$2,575,050 private placement of 17,167,000 units of the Company at \$0.15 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.30 per share until September 25, 2007.

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

Exploration expenditures for the year were \$2,600,217 of which \$7,785 in expenditures related to reconnaissance programs in the United States that were written-off at the end of the period.

### **Copper Creek Project**

In July 2005, the Company entered into a letter agreement with a third party to acquire a 100% working interest in the Copper Creek Property in Arizona. The Company paid \$300,000 on signing, and paid a further \$1.3 million in November on closing. In addition, the Company is required to pay, prior to commencement of commercial production, annual advance royalty payments in the amount of \$125,000. Upon commercial production, the Company will have to pay a 2.25% royalty payment until a total of \$25.0 million, in combined advance royalty payments and royalty payments, has been made.

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

The Company incurred total acquisition costs of \$1,821,061 on the Copper Creek Project. This included the acquisition payments under the Copper Creek Property and the \$95,240 related to the Moose Creek claims. It spent a further \$551,202 on exploration and field work.

### **Nevada Projects**

During the same period the Company spent a further \$63,625 on exploration at the Alien project including an option payment of \$25,600 and \$50,152 including an option payment of \$24,615 on the Ramona Project. Both of these properties are in Nevada.

### **ReMac Project**

Over the last year the Company completed a number of technical studies on the ReMac Zinc Project totaling \$3,932 and option payments of \$57,495.

**Transactions with related parties**

During the year ended March 31, 2006, management and consulting fees in the amount of \$126,000 (2005 - \$115,750) were accrued or paid to two directors of the Company.

**Share Capital**

As at March 31, 2006:

Authorized:

Unlimited common shares without par value

	Number	Amount
Issued and fully paid:		
Balance, December 31, 2004 and March 31, 2005	21,058,820	6,855,980
Private placement	23,167,000	5,275,050
Share purchase warrants exercised	1,725,000	727,500
Share issue costs	-	(379,509)
Finder's fee	1,140,000	243,000
Shares issued for resource properties	75,000	20,000
Balance, March 31, 2006	47,165,820	\$ 12,742,021

**Share Purchase Warrants**

- i. Under an agreement dated July 8, 2002, ZincOx Resources plc, in consideration of technical and metallurgical support, was granted an option to purchase an additional 600,000 shares in the Company at any time during the next four years, at a price of \$0.35 per share for the first two years and \$0.50 for the following two years. Subsequent to the year end these options to purchase shares expired without being exercised.
- ii. On December 30, 2003, 4,762,665 warrants were issued with respect to a non-brokered private placement. Each warrant entitled the holder to purchase an additional share of the Company until December 30, 2004 at a price of \$0.35 per share. In December 2004, the Company extended the warrants until June 15, 2005, and the warrants expired without exercise.
- iii. On April 15, 2004, 2,000,000 warrants were issued with respect to a non-brokered private placement. Each warrant entitles the holder to acquire one common share at a price of \$0.35 per share until April 14, 2005 and thereafter at a price of \$0.45 per share until October 14, 2005. The Company paid \$38,400 and issued 160,000 non-transferable warrants as a finder's fee. The finders fee warrants expired during the year. In October 2005, the Company extended the April private placement warrants until April 14, 2006. During the current year a total of 1,400,000 warrants were exercised for consideration of \$630,000. Subsequent to year-end, the remaining 600,000 warrants were exercised for total proceeds of \$270,000.
- iv. On September 26, 2005, as part of a private placement, the Company issued 17,167,000 warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.30 per share until September 26, 2007. The Company paid a finder's fee of 900,000 shares at a price of \$0.15 per share, and issued 900,000 warrants exercisable at \$0.30 per share until September 26, 2007. During the year a total of 325,000 warrants were exercised for consideration of \$97,500. Subsequent to year-end, 525,000 warrants were exercised for total proceeds of \$157,500.
- v. On March 30, 2006 the Company closed a private placement issuing 6 million units at \$0.45 per unit to raise \$2.7 million. Each unit consists of one common share and one share purchase warrant. Each warrant may be exchanged for one common share at \$0.65 if exercised within the first 12 months from the date of issue and at \$0.85 thereafter up to 24 months from the date of issue.

## Redhawk Resources, Inc.

- vi. During the year, 1,400,000 warrants of a price of \$0.45 and 325,000 warrants at a price of \$0.30 were exercised.

### Share Purchase Options

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

- a) A summary of the Company's options at March 31, 2006 and the changes for the period are as follows:

Number Outstanding March 31, 2005	Granted	Exercised	Cancelled (5,000)	Expired	Number Outstanding December 31, 2006	Exercise Price Per Share	Expiry Date
1,225,000	-	-	(5,000)	-	1,220,000	\$ 0.25	March 5, 2008
1,240,000	-	-	-	-	1,240,000	\$ 0.30*	January 19, 2009
100,000	-	-	-	-	100,000	\$ 0.20	May 12, 2009
50,000	-	-	-	-	50,000	\$ 0.25	June 28, 2009
150,000	-	-	-	-	150,000	\$0.35	March 17, 2010
-	50,000	-	-	-	50,000	\$0.30	April 13, 2010
-	420,000	-	-	-	420,000	\$0.16	July 8, 2010
-	425,000	-	-	-	425,000	\$0.22	July 21, 2010
	1,250,000	-	-	-	1,250,000	\$ 0.60	February 27, 2011
2,765,000	2,145,000	-	(5,000)	-	4,905,000	\$ 0.16- \$0.60	March 5, 2008 - February 27, 2011

\*The options are exercisable on or before January 19, 2009 at a price of \$0.40 per share. On October 14, 2004 the Company adjusted the exercise price of the 1,240,000 stock options from \$0.40 per share to \$0.30 per share.

- i) In March 2003, the Company granted additional stock options under its Stock Option Plan to directors and employees exercisable for up to 1,220,000 shares of the Company. The options are exercisable on or before March 5, 2008. During the March of 2004 year-end, 5,000 of these options were cancelled.
- ii) In January 2004, the Company granted additional stock options under its Stock Option Plan to directors and employees exercisable for up to 1,240,000 shares of the Company. The options are exercisable on or before January 19, 2009. In October 2004, the Company re-priced these options to \$0.30 per share from \$0.40 per share. The estimated value of these stock options is \$409,447 on the grant date.
- iii) In May 2004, the Company granted additional stock options under its Stock Option Plan to a consultant exercisable for up to 100,000 shares of the Company, with an estimated value of \$14,828 on the grant date. The options are exercisable on or before May 12, 2009, at a price of \$0.20 per share.
- iv) In June 2004, the Company granted additional stock options under its Stock Option Plan to a consultant exercisable for up to 50,000 shares of the Company, with an estimated value of \$9,561 on the grant date. The options are exercisable on or before June 28, 2009, at a price of \$0.25 per share.
- v) In March 2005, the Company granted additional stock options under its Stock Option Plan to consultants exercisable for up to 150,000 shares of the Company, with an estimated value of

## Redhawk Resources, Inc.

---

\$31,971 on the grant date. The options are exercisable on or before March 17, 2010, at a price of \$0.35 per share.

### 7. Share Purchase Options - *continued*

- vi) In April 2005, the Company granted additional stock options under its Stock Option Plan to consultants exercisable for up to 50,000 shares of the Company, with an estimated value of \$6,864 on the grant date. The options are exercisable on or before April 13, 2010, at a price of \$0.30 per share.
- vii) In July 2005, the Company granted additional stock options under its Stock Option Plan to consultants exercisable for up to 420,000 shares of the Company, with an estimated value of \$64,662 on the grant date. The options are exercisable on or before July 8, 2010, at a price of \$0.16 per share.
- viii) In July 2005, the Company granted incentive stock options under its Stock Option Plan to directors and a consultant exercisable for up to 425,000 shares of the Company, with an estimated value of \$74,087 on the grant date. The options are exercisable on or before July 21, 2010, at a price of \$0.22 per share.
- ix) In February 2006, the company granted additional stock options under its Stock Option Plan to directors and a consultant exercisable for up to 1,250,000 shares of the Company, with an estimated value of \$750,000 on the grant date. The options are exercisable on or before February 11, 2011, at a price of \$0.60 per share.

### Outstanding Share Data

The following common shares and convertible securities of the Company were outstanding at July 20, 2006:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares at July 20, 2006	40,825,820		
Employee stock options	1,220,000	\$ 0.25	March 5, 2008
	1,240,000	\$0.30	January 19,2009
	100,000	\$0.20	May 12, 2009
	50,000	\$0.25	June 28, 2009
	150,000	\$ 0.35	March 17, 2010
	50,000	\$ 0.30	February 25, 2010
	420,000	\$0.16	July 8, 2010
	425,000	\$ 0.22	July 21, 2010
Warrants	600,000	\$ 0.50	August 28, 2006
	600,000	\$0.45	April 14, 2006
	160,000	\$0.45	April 14, 2006
	16,317,000	\$0.30	Sept. 26, 2007
	900,000	\$0.30	Sept. 26,2007
		\$0.65/\$0.85	Mar.24,/07
	6,240,000		Mar.30/08
Fully Diluted at July 20, 2006	63,632,820		

### Changes in Accounting Policies

The consolidated financial statements for the year ended March 31, 2006 followed the same accounting policies and methods of application as those of the prior year.

### Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

**Financial Instruments and Other Instruments**

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

**Subsequent Events**

Effective June 21, 21, 2006, the Company's shares became listed on the Frankfurt Stock Exchange under the symbol "QF7".

**Approval**

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

**Additional Information**

Additional information relating to Redhawk is on SEDAR at [www.sedar.com](http://www.sedar.com)

On behalf of the Board of Directors,

July 20, 2006

"Bruce M. Briggs"  
President