



**Redhawk**  
R E S O U R C E S

MANAGEMENT DISCUSSION AND  
ANALYSIS

NINE MONTH PERIOD ENDED  
DECEMBER 31, 2015

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*This discussion and analysis should be read in conjunction with the condensed consolidated interim financial statements and related notes thereto for the nine month period ended December 31, 2015 and 2014 (the "Financial Statements"), which have been prepared in accordance with International Auditing Standard 34, Interim Financial Reporting. All amounts in the financial statements and this discussion and analysis are presented in Canadian dollars, unless otherwise indicated. This Management Discussion and Analysis ("MD&A") is dated February 10, 2016 and discloses specified information up to that date.*

## **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 the Company. 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 the Copper Creek Project LLC as described below. Such statements reflect the current views of management 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 the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

## **1. DESCRIPTION OF BUSINESS**

The Company and its wholly-owned subsidiaries, Redhawk Copper, Inc. ("RDK Copper") and Redhawk Resources (USA), Inc., are engaged in the acquisition, exploration and development of mineral resources. The primary focus to date has been on the development of its Copper Creek copper-molybdenum project in San Manuel, Arizona. The Company's intention is to acquire an interest in other mining projects.

### **COPPER CREEK PROJECT**

The twenty nine square mile Copper Creek property is located in the southwest porphyry copper belt in the State of Arizona, 75 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. Copper Creek hosts multiple breccia and porphyry copper deposits. Molybdenum is present in varying amounts in both the breccia and porphyry copper deposits and is expected to provide substantial credits to both deposit types. Silver is also present in both deposit types and are expected to provide a credit during mining.

The most significant of these deposits identified to date on the Copper Creek property are the porphyry deposit of the Keel and American Eagle plus the Mammoth, Childs-Aldwinkle, Old Reliable, Copper Prince, and Globe breccias. Prior to Redhawk's acquisition of the property there had been more than 461,575 feet (87 miles) of rotary and diamond drilling, with verifiable data, completed on the property. Since acquiring the Copper Creek property Redhawk has re-organized the historic data; conducted a review and analysis of the breccia's; the Keel zone; and the American Eagle porphyry; developed new geological models; completed an additional 186,086 feet of diamond and rotary drilling as of September 30, 2012 when drilling was ended; completed multiple resource estimates in accordance with CIM guidelines; completed environmental studies and obtained permits to allow for underground access; and commissioned and completed a scoping study (2009) and Preliminary Economic Assessment (PEA) (2013) on the Copper Creek property.

Effective November 25, 2014, Anglo American US Holdings Inc. ("Anglo Holdings"), a wholly owned subsidiary of Anglo American Exploration (USA) Inc. ("Anglo Exploration USA") entered into a definitive agreement among RDK Copper and Copper Creek Project LLC ("CCP" a limited liability company pursuant to the laws of Delaware) (the "Definitive Agreement") replacing a binding Letter Agreement with Anglo Exploration USA dated August 11, 2014 (the "Letter

Agreement”). The Definitive Agreement provides for exploration and development efforts on the Copper Creek property (the “Project”, “Copper Creek Project”).

Under the Definitive Agreement Redhawk has transferred into CCP the Copper Creek Project along with certain related assets and liabilities. Anglo Holdings currently has a 60% interest in the CCP and must fund expenditures of US\$44 million on the Project, at their option, over a five year period with a commitment to fund at least US\$3 million in the first year (funded). Subsequent to the first anniversary of the effective date of the agreement (November 25, 2014) Anglo has funded a further US\$1.5M to CCP. Redhawk receives 7.5% of the cash funding as a management fee, available for general working capital purposes. Should Anglo not fund the LLC on the agreed upon terms, the Company will assume full ownership of the CCP. Once Anglo Holdings has funded the US\$44 million and secured the initial 60% interest, Anglo Holdings may elect to acquire an additional 20% interest in the Project by funding a further US\$20 million in expenditures on the Project on or before the seventh anniversary of the effective date. Redhawk will be the operator for the first three years, after which time Anglo Holdings will be the operator.

### **ANNUAL GENERAL MEETING**

The Annual General Meeting was held on September 24<sup>th</sup>, 2015 and all matters were approved including the election of the proposed slate of directors being Stephen Barley, Joe Sandberg, Steven Bastable and Kevin Puil. Immediately after the meeting the number of directors was increased to five and Arthur Ratte was re-appointed as a director.

### **MINERAL PROJECT**

The Company is currently reviewing multiple mineral projects for possible involvement. At the date of this MD&A, the Company has not entered into any definitive agreements in regard to the projects being reviewed. The Company’s activity in projects other than Copper Creek is entirely independent of the activities with Anglo Holdings on the Copper Creek Project.

The Company is listed and trades on the Toronto Stock Exchange (“TSX”) under the symbol “RDK”; and the Frankfurt Stock Exchange Open Market under the trading Symbol “QF7”.

## **2. OVERALL PERFORMANCE AND RESULTS OF OPERATIONS – MINERAL PROPERTIES**

To best understand the Company’s financial results, it is important to gain an appreciation for the significant events, transactions and activities on mineral properties which occurred during and subsequent to the reporting period, and these are summarized below.

The following comments relate principally to those events, transactions and activities in 2014, 2015 and 2016 up to the date of this document. Previously completed Management Discussion and Analysis documents covering comments for earlier periods have been prepared and filed accordingly on [www.sedar.com](http://www.sedar.com).

## **3. LIQUIDITY AND CAPITAL RESOURCES – FINANCIAL CONDITION OF THE COMPANY**

As at December 31, 2015, the Company had current assets of \$93,686 and current liabilities of \$361,063 compared to current assets of \$249,277 and current liabilities of \$101,932 as at March 31, 2015. Working capital is negative \$267,377 at December 31, 2015 compared to positive \$147,345 at March 31, 2015.

Equity at December 31, 2015 was \$25,849,177 compared to \$24,067,425 as at March 31, 2015.

Management has prepared, and the Board of Directors have reviewed a financial plan for the fiscal period ending March 31, 2016. The financial plan covers the expected cash requirements for all corporate activities. This financial

plan is continuously being revised, as various cash conservation proposals are being considered. The management fee earned from the Copper Creek LLC funding is currently the sole source of cash for these activities.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several adverse conditions cast significant doubt upon the validity of this assumption. Consistent with other entities in the exploration stage, the Company has incurred operating losses since inception, is unable to self-finance operations, and has significant cash requirements to meet its overhead.

**The Anglo American transaction related to Copper Creek LLC activities provides capital, from management fees for services provided by the Company as the operator of the Copper Creek project, needed for general corporate purposes.**

On August 25, 2015 the Company closed a non-brokered private placement of 214 convertible debentures at a price of US\$1,000 per debenture and raised gross proceeds of US\$214,000 (CDN\$281,500). The debentures bear interest at 10% per annum and mature one year from the closing date. Commencing one day following the closing date, until close of business on the maturity date, the principal amount of the debenture is convertible, at the option of the holder, into units of the Company at a price of \$0.05 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder to subscribe for an additional share at the price of \$0.07 per share for two years from the closing date.

In connection with the private placement the Company issued 191,500 broker warrants and paid a cash finder's fee. Each broker warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.055 until August 24, 2017.

All securities issued pursuant to the private placement will be subject to a statutory hold period of four months and one day from the closing date. Completion of the private placement has been approved by the Toronto Stock Exchange.

If the going concern assumption was not appropriate then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the financial position statement classifications used, and such adjustments would be material.

#### 4. RESULTS OF OPERATIONS

The Information for three and nine month periods ended December 31, 2015 and 2014 is determined based on unaudited interim condensed consolidated financial statements:

	Three month period ended December 31,		Nine month period ended December 31,	
	2015	2014	2015	2014
<b>Expenses</b>				
Director fees	\$ 3,273	\$ 31,876	\$ 3,273	\$ 96,030
Filing fees	7,917	4,640	29,597	28,971
Insurance	5,542	8,375	22,792	26,750
Investor relations	190	2,000	4,648	2,183
Management and consulting fees	79,548	98,781	217,899	287,885
Office and sundry	9,205	10,225	42,997	38,505
Professional fees	21,706	58,995	92,879	247,883
Project generation	26,243	50,401	64,369	50,401
Rent	4,564	674	12,562	5,309
Salaries	16,425	20,477	19,321	66,718
Share-based compensation	10,649	60,115	75,653	328,562
Transfer agents	3,979	7,833	11,744	14,707
Travel and accommodations	(86)	182	10,806	13,185
<b>Total expenses</b>	<b>(189,155)</b>	<b>(354,574)</b>	<b>(608,540)</b>	<b>(1,207,089)</b>
Interest income	-	1,277	-	3,488
Interest expense	-	6,457	-	(62,651)
Foreign exchange loss	(11,017)	3,966	(16,233)	501
Management fee income	68,211	70,063	68,211	70,063
Mark to market adjustment on US dollar denominated warrants	(49)	-	(1,599)	-
Impairment	-	(18,124,527)	-	(18,124,527)
<b>Net loss for period</b>	<b>\$ (132,010)</b>	<b>\$ (18,397,338)</b>	<b>\$ (558,161)</b>	<b>\$ (19,320,215)</b>

#### EXPENSES

For the quarter ended December 31, 2015, total expenses were \$189,155 compared to \$354,574 recorded during the same period in 2014, representing a decrease of \$165,419 or 47%.

For the nine month period ended December 31, 2015, total expenses were \$608,540 compared to \$1,207,089 in the prior year. Included in expenses is a non-cash charge of \$75,653 (December 31, 2014 - \$328,562 ) for share-based compensation. After deducting the non-cash adjustment for expenses, expenses totalled \$532,887 (December 31, 2014 - \$878,527) representing a decrease of \$345,640 or 39%. Material variances over the comparable period are discussed below.

**Director fees**

For the quarter ended December 31, 2015, director fees were \$3,273 compared to \$31,876 for the quarter ended December 31, 2014. For the nine month period ended December 31, 2015, director fees were \$3,273 compared to \$96,030 for the same period in 2014. The director fees have been reduced to a nominal amount.

**Management and consulting**

For the quarter ended December 31, 2015, management and consulting fees were \$79,548 compared to \$98,781 for the quarter ended December 31, 2014. Management and consulting fees were \$217,899 for the nine month period ended December 31, 2015 compared to \$287,885 reported over the same time period in 2014. Management and consultants have reduced their monthly fees effective April 1, 2015.

**Professional fees**

For the quarter ended December 31, 2015, professional fees were \$21,706 compared to \$50,401 for the quarter ended December 31, 2014. Professional fees were \$92,879 for the nine month period ended December 31, 2014 compared, to \$247,883 reported over the same time period in 2014. In 2014 the higher professional fees related to completing the Anglo Holdings agreement.

**Project generation**

For the quarter ended December 31, 2015, project generation was \$26,243 compared to \$50,401 for the quarter ended December 31, 2014. Project generation fees were \$64,369 for the nine month period ended December 31, 2015 compared to \$50,401 reported over the same time in 2014. Included in this category are costs related to evaluating potential projects for the Company. The Company's accounting policy is to expense such costs until the Company has acquired legal title to the property. These expense variances are a result of management's activity in the period toward potential new acquisitions.

**Salaries**

For the quarter ended December 31, 2015, salaries were \$16,425 compared to \$20,477 for the quarter ended December 31, 2014. Salaries were \$19,321 for the nine month period ended December 31, 2015 compared to \$66,718 reported over the same time period in 2014. The Company currently has one employee with a portion of their remuneration recovered from other unrelated parties.

**5. SUMMARY OF QUARTERLY FINANCIAL INFORMATION**

The following Information is derived from unaudited interim condensed consolidated financial statements:

Fiscal quarter ended	Revenues <sup>1</sup>	Net loss – total	Loss from continuing operations – per	Net comprehensive income/( loss) – total <sup>3</sup>
	\$	\$	\$	\$
December 31, 2015	Nil	(132,010)	(0.00)	818,426
September 30, 2015	Nil	(249,387)	(0.00)	1,396,149
June 30, 2015	Nil	(176,762)	(0.00)	(1,264,012)
March 31, 2015	Nil	(328,607)	(0.00)	1,728,020
December 31, 2014	Nil	(18,397,338)	(0.12)	(17,531,957)
September 30, 2014	Nil	(459,228)	(0.00)	1,322,822
June 30, 2014	Nil	(463,649)	(0.00)	(1,588,490)
March 31, 2014	Nil	(342,944)	(0.00)	848,220

(1) Revenues exclude interest income. Fully diluted per share amounts are not presented as they would be anti-dilutive.

(2) Loss per share is rounded to the nearest whole cent

(3) Net comprehensive income/(loss) will have differences from quarter to quarter due to the expenses including exchange differences on translating foreign operations.

## 6. TRANSACTIONS WITH RELATED PARTIES

The following amounts due to related parties are included in liabilities:

	December 31, 2015	March 31, 2015
Directors and officers of the Company - trade	16,865	11,244
Directors and officers of the Company - long term	455,313	484,596
	\$ 472,178	\$ 495,840

The Company has indebtedness to a number of officers, directors and advisors. The indebtedness has arisen principally from cash payments being made at less than the accrued and recorded liabilities for services provided. The notes payable are a summary of these obligations, and have the following attributes:

- (1) To be paid in full on December 31, 2017;
- (2) Non-interest bearing; and
- (3) The notes may be used as partial or full payment for the acquisition of the Company's common shares. This may be before December 31, 2017. If so used, the amount will then be deemed to be a payment on the principal amount of the note.

## Key management compensation <sup>2</sup>

	Nine month period ended	
	December 31, 2015	December 31, 2014
Management fees <sup>1</sup>	\$ 210,823	\$ 191,852
Consulting	15,600	175,426
Director fees	3,273	96,030
Share-based compensation <sup>1</sup>	47,260	325,980
	\$ 276,956	\$ 789,288

(1) Management fees 2015 - \$Nil (2014 - \$170,533) and certain share-based payments 2015 - \$Nil (2014 - \$76,881) are allocated to exploration and evaluation assets as warranted.

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

## 7. OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## 8. PROPOSED TRANSACTIONS

As of the date of this document, the Company has no proposed transactions approved by the Board of Directors.

## 9. CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting estimates are presented in Note 3 in the notes to the annual and interim financial statements. The preparation of these audited financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period presented, and reported amounts of expenses during the same period. Actual outcomes could differ from these estimates. The financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates may require accounting adjustments based on future occurrences. Any revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods if the revision affects the future. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made include, but are not limited to, the following:

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 judgements are made in particular with regard to assessment of impairment to the carrying value of the Company's assets.

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognized in the statement of loss for the period.

Significant estimates during the period were related to the assessment of a recoverable amount of an investment in the associate, after initial recognition at cost. The valuation of interest in Copper Creek Project LLC ("CCP") reflected an implied fair value of the Company's share in associate, which in turn has been based on all of the related financial terms in the Amended and Restated Limited Liability Company Agreement of CCP signed by Anglo American US Holdings Inc. ("Anglo"), Redhawk Copper Inc. (fully owned subsidiary of the Company) and CCP ("Definitive Agreement"). The main factors in the estimation of fair value of investment in associate relate to a judgment by the Company for a determination of net present value(s) of future payments by Anglo, as well as estimating the value of the right of Anglo to withdraw, which imply the fair value of CCP as a whole entity. Please refer to note 6 of the annual consolidated financial statements for further details.

Changes in any of the assumptions used in impairment testing could materially affect the result of the analysis

As at December 31, 2015, the Company reviewed the carrying value of its remaining assets and determined that there were no indicators of impairment.

## 10. NEW ACCOUNTING STANDARDS

### Investments in associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition, if any.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income/(loss) is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to share of net loss of associates in the statement of loss.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognized in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group. Dilution gains and losses arising in investments in associates are recognized in the statement of loss.

### Accounting standards Adopted

Effective April 1, 2014, the Company adopted the following accounting standards issued by IASB.

IAS 32, Financial instruments, Presentation. IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The amendments apply to annual periods beginning on or after January 1, 2014. Adoption of changes in the standard did not have a significant impact on the Company's consolidated financial statements.

IAS 24 - Related Party Disclosures. The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments only affect disclosure and are effective for annual periods beginning on or after January 1, 2014. Adoption of changes in the standard did not have significant impact on the Company's consolidated financial statements.

IFRIC 21 - Levies. The IASB issued IFRIC 21 – Levies ("IFRIC 21"), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("Obligating Event"). IFRIC 21 clarifies that the Obligating Event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for

annual periods commencing on or after January 1, 2014. Adoption of IFRRIC 21 did not have significant impact on the Company's consolidated financial statements.

#### **Recent Accounting Standards Not Yet Applied**

The following standards, interpretations and amendments, which have not been applied to in these consolidated financial statements, will or may have an effect on the Company's future consolidated financial statements. The Company is in the process of evaluating these new standards.

##### **IFRS 9 – Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, to replace IAS 39, Financial Instruments: Recognition and Measurement, and ("IAS 39). IFRS 9 introduces a single approach to determine whether a financial asset is measured at fair value through profit and loss, fair value through other comprehensive income, or at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in other comprehensive income rather than net earnings, unless this creates an accounting mismatch.

In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS 39. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure about expected credit losses and credit risk. IFRS 9 also includes a simplified hedge accounting model, aligning hedge accounting more closely with risk management. The Company does not currently apply hedge accounting.

IFRS 9 is effective for years beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of adopting IFRS 9 on the consolidated financial statements.

##### **IFRS 15 – Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, ("IFRS 15") replacing IAS 11 Construction Contracts, IAS 18 Revenue, and the related revenue-related interpretations. IFRS 15 introduces a single, principle based, five-step model for the recognition of revenue when control of a good or service is transferred to the customer. IFRS 15 also requires expanded disclosures to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers and to improve the comparability of revenue from contacts with customers. IFRS will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently evaluating the impact of adopting IFRS 15 on the consolidated financial statements. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The IASB has issued an exposure draft that would, if approved defer the effective date to January 1, 2018. The Company is still in the process of assessing the impact, if any, on the financial statements of this new standard.

## **11. 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 asset has been impaired.

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

## 12. RISKS RELATED TO THE COMPANY'S BUSINESS

Resource exploration is a speculative business and involves a high degree of risk. There is a probability that the expenditures made by the Company in exploring its properties will not result in discoveries of commercial quantities of minerals. A high level of ongoing expenditures is required to locate and estimate ore reserves, which are the basis to further the development of a property. Capital expenditures to support the commercial production stage are also very substantial.

The following sets out the principal risks faced by the Company.

**Exploration risk.** There can be no assurance that economic concentrations of minerals will be determined to exist on the Company's property holdings within existing investors' investment horizons or at all. The failure to establish such economic concentrations could have a material adverse outcome on the Company and its securities. The Company's planned programs and budgets for exploration work are subject to revision at any time to take into account results to date. The revision, reduction or curtailment of exploration programs and budgets could have a material adverse outcome on the Company and its securities.

**Market risks.** The Company's securities trade on public markets and the trading value thereof is determined by the evaluations, perceptions and sentiments of both individual investors and the investment community taken as a whole. Such evaluations, perceptions and sentiments are subject to change, both in short term time horizons and longer term time horizons. An adverse change in investor evaluations, perceptions and sentiments could have a material adverse outcome on the Company and its securities.

**Commodity price risks.** The Company's exploration projects seek copper, molybdenum, silver and gold in the United States. While each of these minerals have recently been the subject of significant price increases from levels prevalent earlier in the decade, there can be no assurance that such price levels will continue, or that investors' evaluations, perceptions, beliefs and sentiments will continue to favour these target commodities. An adverse change in these commodities' prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its securities.

**Financing risks.** Exploration and development of mineral deposits is an expensive process, and frequently the greater the level of interim stage success the more expensive it can become. The Company has no producing properties and generates no operating revenues; therefore, for the foreseeable future, it will be dependent upon selling equity in the capital markets to provide financing for its continuing substantial exploration budgets. While the Company has been successful in obtaining financing from the capital markets for its projects in recent years, there can be no assurance that the capital markets will remain favourable in the future, and/or that the Company will be able to raise the financing needed to continue its exploration programs on favourable terms, or at all. Restrictions on the Company's ability to finance could have a material adverse outcome on the Company and its securities.

**Share Price Volatility and Price Fluctuations.** In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies, particularly junior mineral exploration companies like the Company, have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that these price fluctuations and volatility will not continue to occur.

**Currency risks.** The Company's exploration expenditures are predominately in US dollars and equity raised is predominately in Canadian dollars. The financial risk is the risk to the Company's operations that arises from

fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company is subject to fluctuations in foreign currency at the time payments are due on the US dollar promissory note. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

**Key personnel risks.** The Company's exploration efforts are dependent to a large degree on the skills and experience of certain of its key personnel. The Company does not maintain "key man" insurance policies on these individuals. Should the availability of these persons' skills and experience be in any way reduced or curtailed, this could have a material adverse outcome on the Company and its securities.

**Competition.** Significant and increasing competition exists for the limited number of mineral property acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mineral properties on terms it considers acceptable.

**Foreign Countries and Regulatory Requirements.** Currently, the Company's principal properties are located in the United States. Consequently, the Company is subject to certain risks associated with foreign ownership, including currency fluctuations, inflation, and political risk. Both mineral exploration and mining activities and production activities in foreign countries may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to community rights, restrictions on production, price controls, export controls, restriction of earnings, taxation laws, expropriation of property, environmental legislation, water use, labour standards and workplace safety. The Company maintains the majority of its funds in Canada and only forwards sufficient funds to meet current obligations.

**Environmental and Other Regulatory Requirements.** The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various governmental authorities and such operations are and will be subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required to commence production on its properties will be obtained on a timely basis, or at all. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, may be necessary prior to operation of the properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or extraction operations may be required to compensate those suffering loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or abandonment or delays in development of new mineral exploration properties.

To the best of the Company's knowledge, it is currently operating in compliance with all applicable environmental regulations.

**History of Net Losses; Accumulated Deficit; Lack of Revenue from Operations.** The Company has incurred net losses to date. Its deficit as of December 31, 2015 was \$43,741,802. The Company has not yet had any revenue from the its investment in the Copper Creek Project LLC, with the exception of the management fee, nor has the Company yet determined that commercial development is warranted on any of its properties. Even if the Company commences development of certain of its properties, the Company may continue to incur losses. There is no certainty that the Company will produce revenue, operate profitably or provide a return on investment in the future.

**Uninsurable risks.** The Company and its subsidiaries may become subject to liability for pollution, fire, explosion, against which it cannot insure or against which it may elect not to insure. Such events could result in substantial damage to property and personal injury. The payment of any such liabilities may have a material, adverse effect on the Company's financial position.

**Copper Creek Project LLC Risk ("CCP").** Under the terms of an agreement among Anglo Holdings, RDK Copper and CCP, certain long-term debt obligations were transferred to the CCP dated November 25, 2014. These are identified as permitted encumbrances, disclosed in the agreement, in the total amount of US\$2,636,701 at the effective date. Should Anglo Holdings discontinue the project funding and forfeit their 60% in the CCP, the Company would become a 100% owner. In turn, the Company would then be responsible for these encumbrances.

### 13. OTHER MD&A DISCLOSURE REQUIREMENTS

#### Information available on SEDAR

As specified by National Instrument 51-102, Redhawk advises readers of this MD&A that important additional information about the Company is available on the SEDAR website <http://www.sedar.com/>

#### Disclosure Controls and Procedures

The CEO and the CFO are responsible for establishing and maintaining disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to Management in a timely manner so that information required to be disclosed under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The CEO and the CFO, together with Management, after evaluating the effectiveness of the Company's disclosure controls and procedures as at December 31, 2015, have concluded that the Company's disclosure controls and procedures were effective.

#### Internal Controls over Financial Reporting

The CEO and the CFO are responsible for establishing and maintaining internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

The CEO and the CFO, together with Management, after evaluating the effectiveness of the Company's internal control over financial reporting as at December 31, 2015, have concluded that the Company's internal control over financial reporting was effective.

The CEO and the CFO, together with Management, have concluded, after conducted an evaluation and to the best of their knowledge that, as at December 31, 2015, no change in the Company's internal control over financial reporting occurred that could have materially affected or is reasonable likely to materially affect the Company's internal control over financial reporting.

**Outstanding Share Data**

As at February 10, 2016, the Company had 157,698,138 common shares outstanding. As at the same date there were 191,500 warrants outstanding with an exercise price of \$0.055. In addition, 11,775,000 stock options were outstanding at exercise prices from \$0.05 to \$0.42 per share.

	<u>Number of shares</u>	<u>Number of options</u>	<u>Exercise price</u>	<u>Expiry date</u>
<b>Issued and outstanding</b>	157,698,138	250,000	\$0.42	Oct 3, 2016
		200,000	\$0.35	Nov 1, 2018
		<u>11,325,000</u>	\$0.05	Sep 9, 2020
		<u>11,775,000</u>		
		<u>Number of warrants</u>	<u>Exercise price</u>	<u>Expiry date</u>
		191,500	\$0.055	Aug 24, 2017

Vancouver, British Columbia

February 10, 2016

**Cautionary Statement**

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration plans, and our other future plans and objectives, are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, (i) estimates of exploration investment and scope of exploration programs, and (ii) estimates of stock-based compensation expense. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change. Forward-looking statements are subject to risks, uncertainties and other factors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks. Readers are advised not to place undue reliance on forward-looking statements.