Redhawk Resources, Inc.

Consolidated Financial Statements

Year Ended March 31, 2016 and 2015

(Presented in Canadian Dollars)

June 24, 2016

Independent Auditor's Report

To the Shareholders of Redhawk Resources, Inc.

We have audited the accompanying consolidated financial statements of Redhawk Resources, Inc. (the Company), which comprise the consolidated statements of financial position as at March 31, 2016 and March 31, 2015 and the consolidated statements of loss and comprehensive income (loss), changes in equity and cash flows for the years then ended, 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.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7 T: +1 604 806 7000, F: +1 604 806 7806

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2016 and March 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 of the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Redhawk Resources, Inc. to continue as a going concern.

(Signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

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

	Notes	March 31, 2016	March 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents		$ 31,266	$ 192,461
Receivables and prepaid expenses	4	35,855	56,816
		67,121	249,277
Non-current assets			
Reclamation deposits		1,299	1,267
Property and equipment		293,111	308,358
Investment in associate	5, 6	24,800,371	24,249,787
		25,094,781	24,559,412
TOTAL ASSETS		**$ 25,161,902**	**$ 24,808,689**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	7	$ 141,947	$ 101,932
Convertible debentures	15	274,320	-
Derivative liability	15	7,954	-
		424,221	101,932
Non-Current liabilities			
Long-term debt - notes payable	8	646,138	639,332
TOTAL LIABILIITES		**1,070,359**	**741,264**
SHAREHOLDERS' EQUITY			
Share capital	9	49,779,279	49,779,279
Contributed surplus	9	11,507,060	11,422,492
Accumulated other comprehensive income	9	6,665,344	6,049,295
Deficit		(43,860,140)	(43,183,641)
TOTAL SHAREHOLDERS' EQUITY		**24,091,543**	**24,067,425**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 25,161,902**	**$ 24,808,689**

Nature of operations and going concern – Note 1

ON BEHALF OF THE BOARD:

Director: "Steven C. Bastable"

Director: "J. Stephen Barley"

See accompanying notes to the consolidated financial statements

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

	Year ended March 31, 2016	2015
Expenses		
Director fees	$ 3,273	$ 125,718
Filing fees	32,885	34,522
Insurance	26,792	35,375
Investor relations	5,383	3,416
Management and consulting fees	292,746	390,225
Office and sundry	52,622	50,878
Professional fees	116,685	325,423
Project generation	89,837	155,619
Rent	17,094	5,838
Salaries	14,464	99,905
Share-based compensation	78,155	372,294
Transfer agents	12,782	17,259
Travel and accommodations	15,346	13,490
Total expenses	(758,064)	(1,629,962)
Interest income	-	3,495
Interest expense	(18,198)	(64,568)
Foreign exchange loss	545	23,016
Management fee income	99,626	143,724
Mark to market adjustment on US dollar denominated warrants	(408)	-
Impairment	-	(18,124,527)
Net loss for year	**$ (676,499)**	**$ (19,648,822)**
Other comprehensive income		
Items that may be reclassified subsequently to net income		
Exchange differences on translating foreign operations	616,049	3,577,541
Total comprehensive income / (loss)	**$ (60,450)**	**$ (16,071,281)**
Loss per share – basic and diluted	**$ (0.00)**	**$ (0.12)**
Weighted average number of common shares outstanding	**157,698,138**	**157,693,882**

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

	Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
	Number of shares	Amount				
Balance at March 31, 2014	157,601,038	$ 49,751,933	$ 10,931,661	$ 2,471,754	$ (23,534,819)	$ 39,620,529
Shares issued for cash - options exercised	97,100	16,507	-	-	-	16,507
Transfer of value on exercise of stock options exercised	-	10,839	(10,839)	-	-	-
Share-based compensation	-	-	501,670	-	-	501,670
Currency translation adjustment	-	-	-	3,577,541	-	3,577,541
Loss for the year	-	-	-	-	(19,648,822)	(19,648,822)
Balance at March 31, 2015	**157,698,138**	**$ 49,779,279**	**$ 11,422,492**	**$ 6,049,295**	**$ (43,183,641)**	**$ 24,067,425**
Exploration and evaluation assets						
Warrants	-	-	6,413	-	-	6,413
Share-based compensation	-	-	78,155	-	-	78,155
Currency translation adjustment	-	-	-	616,049	-	616,049
Loss for the year	-	-	-	-	(676,499)	(676,499)
Balance at March 31, 2016	**157,698,138**	**$ 49,779,279**	**$ 11,507,060**	**$ 6,665,344**	**$ (43,860,140)**	**$ 24,091,543**

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

	Year ended March 31, 2016	2015
Operating activities		
Loss for the year	$ (676,499)	$ (19,648,822)
Adjustments for non-cash items:		
Depreciation	23,281	24,648
Share-based payments	78,155	372,294
Impairment	-	18,124,527
Interest expense	18,198	
Changes in non-cash working capital items:		
Receivables and prepaid expenses	20,961	54,385
Trade payables and accrued liabilities	40,016	359,999
Net cash flows used in operating activities	(495,888)	(712,969)
Investing activities		
Expenditures on exploration and evaluation assets	-	(508,571)
Investment in associate	66,417	-
Short-term investments	-	1,091,784
Net cash flows used in investing activities	66,417	583,213
Financing activities		
Convertible debentures, net	256,122	-
Derivative liability	14,367	-
Proceeds on issuance of common shares	-	16,507
Net cash flows received from financing activities	270,489	16,507
Currency impact on cash and cash equivalents	(2,213)	153,726
Decrease in cash and cash equivalents	(161,195)	40,477
Cash and cash equivalents, beginning	192,461	151,984
Cash and cash equivalents, ending	**$ 31,266**	**$ 192,461**

Supplemental cash flow information - Note 14.

1. Nature of operations and going concern

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 property in the U.S.A.

The head office and principal address of the Company is located at One Bentall Centre, Suite 1560 – 505 Burrard Street, Vancouver BC V7X 1M5. The Company's registered and records office address is 1066 West Hastings Street, Suite 2600, Vancouver, British Columbia, Canada, V6E 3X1.

Going concern

These consolidated financial statements have been prepared as applicable to a going concern, which assumes 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, has no source of revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and continue its exploration activities. As at March 31, 2016, the Company's working capital was negative $357,100.

The Company's ability to meet its administrative expenses and complete its planned exploration and development activities is dependent upon management's ability to secure additional financing. While management has been successful in obtaining funding in the past, there can be no assurance that it will be able to do so in the future. If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used, and such adjustments would be material.

2. Statement of compliance

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

These consolidated financial statements of the Company were approved by the Board of Directors on June 24, 2016.

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.

(Presented in Canadian dollars)

3. Summary of significant accounting policies

Consolidation

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

		Percentage owned*	
	Country of incorporation	March 31, 2016	March 31, 2015
Redhawk Copper, Inc.	U.S.	100%	100%
Redhawk Resources (USA), Inc.	U.S.	100%	100%

*Percentage of voting power is in proportion to ownership.

Subsidiaries are all entities over which the Company has control. Control is defined as where the Company is exposed to, or has rights to, variable returns from its involvement in the investee and has the ability to affect those returns through power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control ceases. All significant inter-company transactions and balances have been eliminated upon consolidation.

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.

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

Significant accounting judgments and estimates

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 5 and 6 for further details.

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

Foreign currency translation

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

<u>Transactions and balances:</u>

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

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

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

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

Property and equipment

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

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

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

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

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 the statement of loss.

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

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

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

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

Recognition

Financial instruments are recognized on the consolidated balance sheet on the date on which the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, canceled or expired.

All financial instruments are required to be classified and measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instrument.

The Company's existing financial instruments are classified in the following categories:

Loans and receivables

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.

Financial liabilities at amortized cost

Financial liabilities at amortized cost include trade payables, due to related parties, and promissory notes payable. Promissory notes are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

Financial assets at fair value through profit or loss

Derivative instruments, including embedded derivatives, are recorded at fair value through profit or loss and, accordingly, are recorded on the balance sheet at fair value. Unrealized gains and losses on derivatives are recorded in profit or loss in the period in which they arise. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the balance sheet date or settlement date of the derivative.

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

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. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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 with banks, and other short-term highly liquid investments with original maturities of three months or less.

Short-term investments

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

Income taxes

<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 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.

Recent accounting standards issued and not yet applied

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

(Presented in Canadian dollars)

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

IFRS 16, Lease

In January 2016, the IASB announced its new leasing standard, IFRS 16. The new standard will eliminate the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The new standard will, instead, present a single on-balance sheet accounting model that is similar to current finance lease accounting. The new standard will take effect for fiscal years starting on or after January 1, 2019. The Company expects the new standard to result in some leases that are currently accounted for under the operating lease method being added to the balance sheet. The Company is in the process of determining the extent of the impact of adopting this standard.

4. Receivables and prepaid expenses

		March 31, 2016		March 31, 2015
Value-added tax receivables	$	4,186	$	6,811
Prepaids		31,669		50,005
	$	35,855	$	56,816

5. Investment in associate – Copper Creek Project LLC

The associate of the Company as at March 31, 2016 is Copper Creek Project LLC ("CCP"), a Limited Liability Corporation incorporated on August 26, 2014 in Delaware, USA.

Anglo American US Holdings Inc. ("Anglo Holdings"), entered into an agreement among RDK Copper and Copper Creek Project LLC ("CCP" a limited liability company pursuant to the laws of Delaware). The agreement provides for exploration and development efforts on the Copper Creek property.

Under the agreement Redhawk 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 (paid). Subsequent to the first anniversary of the effective date of the agreement (November 25, 2014) Anglo funded a further US$2.7M 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 then the operator.

CCP has a primary focus on the development of the Copper Creek copper-molybdenum project in San Manuel, Arizona, USA.

(Presented in Canadian dollars)

5. Investment in associate – Copper Creek Project LLC (cont'd)

Summarized statement of financial position – Copper Creek Project LLC:

	March 31, 2016	March 31, 2015
Current assets	$ 1,047,683	$ 1,764,199
Non-current assets	32,816,272	29,721,293
Total Assets	**$ 33,863,956**	**$ 31,485,492**
Current liabilities	$ 1,224,949	$ 496,553
Non-current liabilities	1,533,350	2,912,371
Total Liabilities	2,758,300	3,408,923
Equity - Members		
LLC Members		
Anglo Exploration USA - contributions to date	6,161,133	3,748,600
Redhawk Resources Inc. - contributions to date	24,944,523	24,327,969
Total Members equity	31,105,656	28,076,569
Total Equity and liabilities	**$ 33,863,956**	**$ 31,485,492**

Carrying amount of the Company's interest in Copper Creek Project LLC as at March 31, 2016 was CA$24,800,371 (March 31, 2015 - CA$24,249,787).

(Presented in Canadian dollars)

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, 2015
		Copper Creek, Arizona
Property acquisition costs		
Balance, March 31, 2014	$	8,406,093
Additions		1,422
Balance, November 25, 2014	$	8,407,515
Exploration and evaluation costs		
Balance, March 31, 2014	$	32,684,451
Costs incurred during period:		
Assaying and laboratory		13,523
Engineering and consulting		264,538
Other		111,632
Permits and fees		114,958
Road development		2,198
Share-based compensation		129,376
		636,225
Currency translation adjustment		906,990
Balance, November 25, 2014		34,227,666
Total at November 25, 2014 before the transfer		42,635,181
Transfer to Associate (Note 6)		(42,635,181)
Total at March 31, 2015	$	-

a) 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. Redhawk 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 had 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 (2024). 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.

(Presented in Canadian dollars)

6. Exploration and evaluation assets (cont'd)

By a limited liability agreement dated November 25, 2014 (Note 5), the Company assigned, transferred and conveyed all of its right, title and interests under the D&G Mining Agreement to CCP, CCP accepted and assumed the Agreement and D&G Mining approved the assignment and assumption.

b) 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.

On March 11, 2014 Freeport and the Company amended to agreement. The $200,000 payment due on April 1, 2014 was deferred to April 1, 2024.

By a limited liability agreement dated November 25, 2014 (Note 5), the Company assigned, transferred and conveyed to CCP all of the Company's rights and obligations under agreement with Freeport-McMoRan, CCP accepted and assumed the Agreement and Freeport consented to the assignment and assumption.

c) Bell and Morgan Agreements

In December 2012, the Company acquired patented land from two unrelated parties for total consideration of US $1.2 million payable by deposits of US $100,000 (paid) and the balance to be paid under the agreements.

In May 2014, Bell and the Company amended the agreement. The $75,000 payment due on June 17, 2014 was deferred to June 17, 2016.

By a limited liability agreement dated November 25, 2014, the Company assigned, transferred and conveyed all of its right, title and interests under Morgan Agreement to CCP, CCP accepted and assumed the Agreement and Morgan approved the assignment and assumption.

By a limited liability agreement dated November 25, 2014 (Note 5), the Company assigned, transferred and conveyed all of its right, title and interests under Bell Agreement to CCP, CCP accepted and assumed the Agreement and Bell approved the assignment and assumption.

7. Trade payables and accrued liabilities

		March 31, 2016	March 31, 2015
Trade payables	$	7,068	$ 28,802
Amounts due to related parties (Note 11)		90,867	11,244
Accrued liabilities		44,012	61,886
	$	141,947	$ 101,932

(Presented in Canadian dollars)

8. Long term debt – notes payable

		March 31, 2016	March 31, 2015
Amounts due to suppliers	$	204,515	$ 154,736
Amounts due to related parties (Note 9)		441,623	484,596
	$	646,138	$ 639,332

The Company has indebtedness to a number of officers, current and previous directors and advisors. The indebtedness has arisen principally from cash payments being made for 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;

(3) The notes may be used as partial or full payment under any future private placement 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.

9. Share capital and contributed surplus

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At March 31, 2016 there were 157,698,138 issued and fully paid common shares (March 31, 2015 – 157,698,138).

During the year ended March 31, 2015 97,100 stock options were exercised for cash proceeds of $16,507 and 97,100 common shares were issued.

Warrants

At March 31, 2016 there were 191,500 warrants issued and outstanding with an exercise price of $0.055 (March 31, 2015 – 420,000 with an exercise price of $0.35). During the year ended March 31, 2016, 420,000 warrants expired unexercised with an exercise price of $0.35.

The following table summarizes information about the granted and outstanding warrants during the year ended March 31, 2016 and 2015:

	March 31, 2016		March 31, 2015	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of year	420,000	$ 0.35	420,000	$ 0.35
Warrants granted	191,500	$0.055	-	-
Warrants expired	(420,000)	0.35	-	-
Warrants outstanding, end of year	191,500	$ 0.055	420,000	$ 0.35

(Presented in Canadian dollars)

9. Share capital and contributed surplus (cont'd)

Stock options

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

The changes in options during the period ended March 31, 2016 and 2015 are as follows:

	March 31, 2016			**March 31, 2015**		
	Number of options		**Weighted average exercise price**	**Number of options**		**Weighted average exercise price**
Options outstanding, beginning of period	12,410,000	$	0.47	13,060,000	$	0.45
Options granted	11,325,000		0.05	2,100,000		0.25
Options exercised	-		-	(97,100)		0.17
Options cancelled/expired	(11,960,000)		0.47	(2,652,900)		0.22
Options outstanding, end of period	11,775,000	$	0.06	12,410,000	$	0.47
Options exercisable, end of period	4,696,875	$	0.08	11,600,625	$	0.49

During the year ended March 31, 2016, the Company granted 11,325,000 stock options with an exercise price of $0.05 (March 31, 2015 – 2,100,000). The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	March 31, 2016	March 31, 2015
Expected life of options	5 years	5 years
Volatility	89.25%	89.75%
Risk-free interest rate	0.53%	1.44%
Dividend rate	0%	0%

(Presented in Canadian dollars)

9. Share capital and contributed surplus (cont'd)

Details of options outstanding as at March 31, 2016 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding	Number of options exercisable
$0.05 - $0.25	4.70 years	11,325,000	4,246,875
$0.26 - $0.42	1.69 years	450,000	450,000
	4.58 years	11,775,000	4,696,875

During the year ended March 31, 2016 and 2015, the Company recorded share-based compensation of $78,155 (2015 - $501,670) relating to options vested during the period, of which $Nil (2015 - $129,376) was recorded to the exploration and evaluation assets.

During the year ended March 31, 2016, 3,170,000 options expired unexercised, and in addition 8,790,000 options were cancelled.

Contributed surplus

Stock option

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

Warrant

The warrant contributed surplus 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.

10. Income tax

a) The Company has accumulated non-capital losses for income tax purposes as of March 31, 2016 that may be used to reduce future taxable income. These losses expire as follows:

	Total tax loss	Expire between
Canadian (CAD)	11,013,206	2026 and 2036
United States (USD)	12,422,869	2026 and 2036

(Presented in Canadian dollars)

10. Income tax (cont'd)

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

		March 31, 2016		March 31, 2015
Loss for the year before income taxes	$	(658,300)	$	(19,648,822)
Statutory tax rate		26.00%		26.00%
Income tax recovery based on the above rates		(171,158)		(5,108,694)
Stock based compensation and other permanent differences		20,320		96,797
Difference between foreign and Canadian tax rates		(16,867)		(2,492,486)
Losses and temporary differences for which no future income tax asset has been recognized and other		167,704		7,504,383
Income tax expense	$	-	$	-

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

		March 31, 2016		March 31, 2015
Future tax assets (liability)				
Resource property	$	13,689,619	$	13,351,253
Investment in partnership		3,893,473		3,772,587
Share issuance cost		21,810		32,716
Operating loss carry-forwards		9,118,836		8,879,154
Unrecognized deferred tax assets	$	**26,723,739**	$	**26,035,710**

11. Related party transactions

Related party balances

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

		March 31, 2016	March 31, 2015
Directors and officers of the Company - trade		90,867	11,244
Directors and officers of the Company - long term		441,623	484,596
	$	532,490	$ 495,840

(Presented in Canadian dollars)

11. Related party transactions (cont'd)

Key management compensation [2]

	Year ended	
	March 31, 2016	March 31, 2015
Management fees [1]	$ 296,876	$ 251,083
Consulting	20,800	234,102
Director fees	3,273	125,718
Share-based compensation [1]	47,260	361,888
	$ 368,209	$ 972,791

(1) Management fees 2016 - $Nil (2015 - $170,533) and certain share-based payments 2016 - $Nil (2015 - $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.

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 and cash equivalents, short-term investments held in bank accounts and reclamation bonds. The majority of cash and short-term deposits are held with major banks in Canada and U.S.A. This credit risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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 attempts to ensure 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. The exposure for trade payables and accrued liabilities is considered insignificant.

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. For further information related to liquidity refer to Note 1.

12. Financial risk management (cont'd)

The table below analyses the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at March 31, 2016	Less than 1 year	1-2 years	2-5 years	Over 5 years
Trade payables and accrued liabilities	141,947	-	-	-
Convertible debenture	256,122	-	-	-
Derivative liability	7,954	-	-	-
Long-term debt – notes payable	-	646,138	-	-
Total	**406,023**	**646,138**	**-**	**-**

As at March 31, 2015	Less than 1 year	1-2 years	2-5 years	Over 5 years
Trade payables and accrued liabilities	101,932	-	-	-
Long-term debt – notes payable	-	639,332	-	-
Total	**101,932**	**639,332**	**-**	**-**

Foreign exchange risk

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

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

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

Financial assets and liabilities that are denominated in US dollars are as follows:

	March 31, 2016	March 31, 2015
Cash and cash equivalents	$ 31,048	$ 102,110
Trade payables and accrued liabilities	(50,047)	(21,860)
Convertible loan	(277,922)	-
Long-term debt	(275,324)	(181,991)
	$ (572,245)	$ (101,741)

(Presented in Canadian dollars)

12. Financial risk management (cont'd)

Based on the above net exposures, as at March 31, 2016, a 10% change in the US dollar to Canadian dollar exchange rate would impact the Company's net loss by $57,225.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risks because the long term debt agreements are comprised of non-interest bearing notes payable (See Note 8).

Capital Management

The capital structure of the Company consists of shareholders' equity.

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 cash and cash equivalents, short term investments and reclamation bonds approximates their carrying value due to their short term maturity. The fair value of long term debt, trade payables and accrued liabilities may be less than the carrying value as a result of the Company's credit and liquidity risk (Note 1).

IFRS establishes a fair value hierarchy that categorises the inputs to valuation techniques used to measure fair value into three levels:

Level 1 – Quoted prices in active markets for the same instrument.

Level 2 – Valuation techniques for which significant inputs are based on observable market data.

Level 3 – Valuation techniques for which any significant input is not based on observable market data.

13. Segmented information

Operating segments

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

Geographic segments

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

	As at March 31, 2016		
	Canada	U.S.	Total
Reclamation deposits	$ -	$ 1,299	$ 1,299
Property and equipment	-	293,111	293,111
Investment in associate (Note 5)	-	24,800,371	24,800,371
	$ -	$ 25,094,781	$ 25,094,781

13. Segmented information (cont'd)

	As at March 31, 2015		
	Canada	U.S.	Total
Reclamation deposits	$ -	$ 1,267	$ 1,267
Property and equipment	-	308,358	308,358
Investment in associate (Note 5)	-	24,249,787	24,249,787
	$ -	$ 24,559,412	$ 24,559,412

14. Supplemental disclosure with respect to cash flows

During the year ended March 31, 2016 and 2015, the following non-cash transactions took places that are not reflected in the statements of cash flows:

	Year ended	
	March 31, 2016	March 31, 2015
Exploration and evaluation share-based payments	$ -	$ 129,376
Interest income received	-	3,495
Transfer of exploration and evaluation assets to associate	-	42,635,181
Recognition of investment in associate	-	24,249,787

15. Convertible debentures

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$296,196). The debentures bear interest at 10% per annum and matures 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 debentures is convertible, at the option of the holder, into units of the Company at a price of $0.05 per unit. Each unit will be 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.

As the convertible debentures are denominated in US dollars and are contingently convertible into common shares denominated in Canadian dollars, the conversion feature is a derivative liability. The derivative liability is measured at fair value with a recognition of changes in fair values included in the statement of loss and comprehensive loss. The Company has measured the fair value of the derivative liability. At March 31, 2016, the Company determined the fair value of the derivative component of the $296,196 convertible debentures to be $7,954.

The statement of financial position discloses in the current liability section two components of the convertible debentures obligation, for a total liability of $282,274, including $18,198 in accrued interest. This disclosed liability is the total of funds raised of $296,196 less costs related to the financing.