

Property File

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Second Quarter Rpt

REDHAWK RESOURCES, INC.

Financial Statements

For the Six Months Ended September 30, 1999 and 1998

Unaudited

Redhawk Resources, Inc.
Balance Sheets
as at September 30

	1999	1998
ASSETS		
Current		
Cash	\$ 380,839	\$ 181,252
Accounts receivable and prepaids	9,782	19,468
	<u>390,621</u>	<u>200,720</u>
Fixed Assets, net of accumulated depreciation	2,783	4,025
Mineral Properties	1,794,966	1,756,813
	<u>\$ 2,188,370</u>	<u>\$ 1,961,558</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 196,553	\$ 9,734
	<u>196,553</u>	<u>9,734</u>
SHAREHOLDERS' EQUITY		
Capital Stock	3,146,001	2,869,401
Deficit	(1,154,184)	(917,577)
	<u>1,991,817</u>	<u>1,951,824</u>
	<u>\$ 2,188,370</u>	<u>\$ 1,961,558</u>

APPROVED BY THE BOARD

Director: (Signed) Frederick W. Davidson

Director: (Signed) Kristian Ross

Redhawk Resources, Inc.
Statements of Operations and Deficit
For the Six Months Ended September 30

	1999	1998
Administrative Costs		
Accounting and legal	\$ 8,123	\$ 12,261
Bank charges and interest (net)	(2,730)	(6,656)
Depreciation and amortization	520	722
Filing fees	3,245	1,800
Investor relations	10,581	14,227
Management fees	32,317	-
Rent	7,113	8,144
Office services	15,284	5,054
Office and sundry	5,199	6,069
Property investigations	56,748	-
Travel and accommodation	12,160	8,011
Transfer agent	3,433	3,259
Net Loss	151,993	52,891
Deficit, Beginning of Period	1,002,191	864,686
Deficit, End of Period	\$ 1,154,184	\$ 917,577
Loss per share	\$ 0.04	\$ 0.01

Redhawk Resources, Inc.
Statements of Mineral Properties
For the Six Months Ended September 30

	1999	1998
Expenditures Incurred for the Period		
Assaying	\$ -	\$ 3,527
Camp and general	-	24,925
Drilling	-	295,270
Engineering and consulting	16,781	25,029
Equipment rental	-	8,404
Field costs	80	13,031
Government fees	1,004	8,784
Labour	-	40,205
Option consideration	6,600	-
Travel	-	946
Vehicles	-	6,059
	<u>24,465</u>	<u>426,180</u>
Balance, Beginning of Period	<u>1,770,501</u>	<u>1,330,633</u>
Balance, End of Period	<u>\$ 1,794,966</u>	<u>\$ 1,756,813</u>

Redhawk Resources, Inc.
Statements of Cash Flows
For the Six Months Ended September 30

	1999	1998
Operating Activities		
Loss for the period	\$ (151,993)	\$ (52,891)
Items not affecting cash		
Depreciation and amortization	520	722
	<u>(151,473)</u>	<u>(52,169)</u>
Changes in non-cash working capital	169,831	(38,736)
	<u>18,358</u>	<u>(90,905)</u>
Investing Activities		
Mineral property expenditures	(24,465)	(426,180)
Fixed assets	-	(236)
	<u>(24,465)</u>	<u>(426,416)</u>
Financing Activities		
Capital stock issued (net of share issue costs)	276,600	224,233
Increase (Decrease) in Cash	270,493	(293,088)
Cash, Beginning of Period	<u>110,346</u>	<u>474,340</u>
Cash, End of Period	\$ 380,839	\$ 181,252

Schedule B

For the Quarter Ended September 30, 1999

1. During the six months ended September 30, 1999, management and consulting fees in the amount of \$30,000 (1998 - nil) were accrued or paid to two directors of the Company. The Company was charged \$12,712 (1998 - \$81,821) by three directors and a company controlled by a director as reimbursement for travel, mineral property and administrative expenditures. Of this amount, \$2,395 (1998 - \$1,495) is included in accounts payable at September 30, 1999.

2. During the last quarter:

(a) Securities issued:

Date of Issue	Description	Number of Shares	Price	Proceeds
August 5, 1999	Private Placement	800,000	0.35	\$ 280,000

Each unit consists of one share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional share at \$0.35 per share for the first year and \$0.50 for the second. The shares, warrants and any shares issued upon the exercise of the warrants are subject to a one year hold expiring June 30, 2000.

(b) Options granted:

Date of Issue	Description	Number of Shares	Price	Expiry Date
August 10, 1999	Directors/Employees Stock Options	90,000	0.38	August 10, 2004

2. As at the end of the quarter:

(a) Authorized share capital:

50,000,000 common shares with no par value

Issued and outstanding:

4,558,155 common shares

Redhawk Resources, Inc.

- (b) As at September 30, 1999 the following warrants and options were outstanding:
- i) 450,000 share purchase warrants - two warrants entitle the holder to purchase one additional share of the Company until December 31, 1999 at a price of \$1.40 per share for 110,500 warrants and \$0.35 per share for 339,500 warrants.
 - ii) 800,000 share purchase warrants – one warrant entitles the holder to purchase one additional share of the Company until June 28, 2001 at a price of \$0.35 per share for the first year and \$0.50 for the second. The warrants and any shares issued upon the exercise of the warrants are subject to a one year hold period expiring June 30, 2000.
 - iii) 340,000 directors/employees share options - exercisable up to May 5, 2003 at a price of \$0.35 per share.
 - iv) 90,000 directors/employees share options – exercisable up to August 10, 2004 at a price of \$0.38 per share.
- (c) As at September 30, 1999 there were a total of 281,250 common shares subject to escrow restrictions.
- (d) The Directors as at September 30, 1999 of the Company are:
- Kristian Ross
 - Richard D. Somerville
 - Victor Guinet
 - Frederick W. Davidson
 - Michael Foster

President's Report to the Shareholders

During the last quarter the Company completed a private placement for \$280,000, consisting of 800,000 units at \$0.35 per unit. Zincox Resources BV a London based company purchased 600,000 of the units and Mr. Michael Foster formerly Managing Director of Reunion Mining joined the Redhawk board representing Zincox. Subsequent to the end of the quarter the Company announced a deal on the Remac project with Billiton Metals Canada Inc.

Summary

Redhawk is pleased to announce the simultaneous option to purchase land and mineral titles adjacent to the Company's Redbird property from Reeves MacDonald Mines Limited ("Reeves") and the signing of a letter of intent with Billiton Metals Canada Inc., a wholly-owned subsidiary of London-based Billiton Plc, to explore for zinc on the Company's Redbird property and adjoining Reeves property (collectively the "Remac" project). Both transactions are subject to due diligence by Billiton and Redhawk and are subject to regulatory approval of the Vancouver Stock Exchange.

The Reeves property is located 35 kilometers southeast of Cominco's zinc lead smelter complex at Trail southeast British Columbia, and consists of approximately 315 hectares of crown granted mineral rights and crown granted and fee simple land. The purchase agreement allows Redhawk to consolidate a package of mineral claims covering approximately 4430 hectares or 17 square miles.

Billiton and Redhawk see the zinc oxide project at Remac as a potential source of low cost zinc metal due to recent metallurgical advances. The inferred oxide resource for the consolidated ground holdings are independently estimated on behalf of Redhawk by Ralph Westervelt, P. Eng. at 4.6 million short tons grading 16.3% Zn. Calculations were made in accordance with the Vancouver Stock Exchange code of reporting Mineral Resources, Appendix 19C.

Redhawk-Reeves Agreement Details

Redhawk has offered to purchase the Reeves property for \$1,395,000. Under the terms of the offer, Redhawk has made an irrevocable payment of \$150,000 to Reeves. In exchange, Reeves has granted Redhawk the exclusive right for 45 days to conduct a due diligence study and, at its election, to purchase the property for the remainder of the above purchase price. Billiton on a non-recourse basis, has provided funds equal to the \$150,000 irrevocable payment.

As part of this agreement Reeves will subscribe for a \$100,000 "part and parcel" private placement of 250,000 common shares of Redhawk at \$0.40 per share. These shares are subject to a one year hold.

Redhawk-Billiton Agreement Details

Coincidental with this announcement Redhawk also announces a letter of intent with Billiton Metals Canada Inc. for funding of the Reeves property acquisition and for the exploration and development of the entire Remac zinc project.

Redhawk Resources, Inc.

To fund the property acquisition Billiton would subscribe for a 4 year \$1,395,000 non-interest bearing limited recourse convertible debenture, inclusive of the initial \$150,000 payment with a conversion price of \$1.35. Billiton would hold a second right, at its sole election, to convert the debenture into a 100% interest in non-mining portions of the Reeves property. During the first 18 months Billiton would be restricted from converting the debenture but Redhawk would be permitted to pay out the debenture at face value.

In the second part of the proposed agreement, Billiton would subscribe for two private placements in Redhawk, totaling \$500,000 in exchange for the right to option the Reeves and Redbird properties.

The first private placement would consist of 333,333 flow through common shares and 83,333 common shares at \$0.60 per share for a total of \$250,000. A full warrant would be attached to each share for an aggregate of 416,666 warrants, exercisable for one year at \$0.75.

The second \$250,000 private placement would be at the higher of market or \$0.60 and would consist of a \$200,000 flow through common share component and a \$50,000 common share component. A full one-year warrant at 15% above the share market price would be attached to each share. Redhawk would be the initial operator. The private placement funds will be used to conduct the \$400,000 first program of trenching and drilling on the properties during 2000.

Following delivery of the initial results, Billiton may earn a 50% interest in the project by investing \$6.0 million over a four year period, after which Billiton and Redhawk will establish a joint venture to spend an additional \$4.0 million on the properties. Prior to the joint venture having spent this \$4.0 million, Billiton may elect to earn a further 20% interest in the project, for an aggregate 70% interest by providing Redhawk with project financing to the start of commercial production. Should Billiton elect not to proceed with their 70% election the project would remain a joint venture with both parties being responsible for maintaining their interest, subject to a standard dilution formula.

Billiton has agreed to vote their shares in favour of Redhawk management for a period of five years from the date of the first private placement.

Project Summary

As part of our due diligence and as a requirement for regulatory approval of the Reeves purchase, Redhawk commissioned Mr. Ralph Westervelt, M.Sc., P.Eng., to prepare a summary review report on the Remac zinc project. Mr. Westervelt's report dated October 12, 1999 covers both the longer term zinc sulphide potential and the near term zinc oxide potential of the Remac project.

The purchase of the adjoining property from Reeves will allow Redhawk and Billiton to concentrate on exploring and developing the projects near term zinc oxide potential (of which the known resource exists approximately equally on the Redhawk owned and on the to be purchased from Reeves portion of the Remac properties).

Redhawk Resources, Inc.

Based on the known information Mr. Westervelt calculates an inferred current oxide resource of approximately 4,500,000 tons averaging 16.3% zinc. Quoting from his report:

“The inferred oxide resources outlined in the previous section are quite conservatively estimated and are based solely on the projection of the high grade “cores” of the known sulphide zones. Considerable potential exists for adding significantly to this oxide potential”.

Mr. Westervelt recommends a phase 1 program costing \$400,000 consisting primarily of trenching, mapping and sampling and initial drilling of several of the known zones. Quoting further from Mr. Westervelt's report:

“In 1998 the Beer Bottle showing was re-trenched using a backhoe and was re-sampled by Mr. G. H. Klein, P. Eng., the new sampling of the totally oxidized zone gave:

- 1) a footwall section grading 21.93% zinc, 3.11% lead, and 0.74 ounces per ton silver over 33.1 feet (estimated true thickness 21.5 feet); and
- 2) an immediately overlying hangingwall section grading 5.27% Zn, 1.82% Pb, and 0.10 ounces per ton Ag over 31.8 feet (estimated true thickness 20.7 feet)”.

Details of the program will be agreed between Redhawk and Billiton, which, subject to the due diligence and closing details above, will be funded by the Billiton private placement.

The most recent advances in commercial zinc oxide beneficiation have come at the Skorpion project in Namibia under the direction of the technical personnel of Reunion Mining. Reunion was recently the subject of a takeover by Anglo American of South Africa (following the completion of a detailed feasibility study by Reunion) to re-acquire the 60% portion of the Skorpion zinc oxide project previously farmed out to Reunion. Mr. Michael Foster, who was the Managing Director of Reunion, has recently joined the Board of Directors of Redhawk. Mr. Foster is the representative of Zincox Resources BV which owns 600,000 Redhawk shares and has a warrant to increase their holdings to 1,200,000 shares.

Skorpion is situated in a remote location in Namibia and contains a fully diluted proven and probable reserve of 19.5 million metric tonnes grading 10.1% zinc. At Skorpion London Special High Grade zinc metal is expected to be produced for \$U.S. 0.24 cents per pound.

The main oxide mineral at Remac is hemimorphite, a hydrated zinc silicate. Although much detailed testing will be necessary to ensure success, preliminary metallurgical testing is encouraging and indicates the material should be amenable to beneficiation. As historically these oxide resources were not of interest due to the inability to remove the zinc economically from the rock no effort was made to look for oxides beyond what was discovered during sulphide mining operations. With this in mind, Redhawk management feels there is considerable potential to expand this already significant potential resource by exploration.

Redhawk Resources, Inc.

The significance of the new zinc oxide beneficiation technology is that, unlike with sulphide production, it allows pure zinc metal to be produced without the need to send a concentrate to a conventional smelter. Given all things being equal this allows for a significantly lower operating cost per tonne of zinc metal produced from oxides than from sulphides. At Remac we have the benefit of being located close to all necessary infrastructure for an operation of this kind, adding significantly to the potential value of our project.

And now with Billiton's financial and technical commitment the first modern day exploration of the Remac zinc projects' oxide potential will begin.

Financial Discussion and Analysis

During the quarter, the cost of the Company shareholder relations activities increased primarily due to the distribution of shareholder information related to the Company's annual general meeting.

With respect to the year 2000 issue, the Company has assessed its internal software and hardware systems and believes all systems are ready for the year 2000. Most key suppliers have indicated that they have dealt, or they will shortly deal, with their year 2000 issues.

Liquidity and Capital Resources:

During the quarter, the Company completed a \$280,000 non-brokered private placement of 800,000 units at \$.35 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional share at \$0.35 per share for the first year and \$0.50 for the second. The shares, warrants and any shares issued upon the exercise of the warrants are subject to a one year hold period. There was a \$10,000 finders fee paid on \$210,000 of the private placement.

A limited exploration program at the Redbird and Bow properties commenced in September, as a result the Company incurred approximately \$16,000 of related costs. During the same period the Company conducted an active reconnaissance program, in Canada and the United States. At the end of the period the company had cash on hand of \$380,839 (1998 - \$ 181,252) and net working capital of \$194,068 (1998 - \$190,986).

(Signed) Kristian Ross
President & Director