

# **Condensed Consolidated Interim Financial Statements of**



## **Gold Hawk Resources Inc.**

March 31, 2011  
(Unaudited)

# Gold Hawk Resources Inc.

March 31, 2011

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# Gold Hawk Resources Inc.

## Condensed consolidated interim statements of (loss) income

(In thousands of US dollars, except share amounts, unaudited)

	Three months ended March 31,	
	2011	2010
	\$	\$
		(Note 17)
<b>Operating costs</b>		
General and administration expenses (Note 11)	1,655	952
Exploration and evaluation expenditures (Note 12)	2,088	-
<b>Loss from operations</b>	<b>(3,743)</b>	<b>(952)</b>
Other expenses (income)		
Foreign exchange loss	175	245
Interest and financing charges	42	3
Gain on sale of marketable securities	(32)	(1,993)
<b>Net (loss) income for the period</b>	<b>(3,928)</b>	<b>793</b>
Net (loss) income per share		
Basic	(0.13)	0.06
Diluted	(0.13)	0.06
Weighted average number of shares outstanding		
Basic	31,262,170	13,016,970
Diluted	31,262,170	13,016,970

# Gold Hawk Resources Inc.

## Condensed consolidated interim statements of comprehensive (loss) income

(In thousands of US dollars, unaudited)

	Three months ended March 31,	
	2011	2010
	\$	\$
		(Note 17)
<b>Net (loss) income</b>	<b>(3,928)</b>	793
<b>Other comprehensive income for the period</b>		
Foreign currency translation	553	466
<b>Total other comprehensive income</b>	<b>553</b>	466
<b>Total comprehensive (loss) income for the period</b>	<b>(3,375)</b>	1,259

# Gold Hawk Resources Inc.

## Condensed consolidated interim statements of financial position

(In thousands of US dollars, unaudited)

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
		(Note 17)	(Note 17)
<b>Assets</b>			
Current assets			
Cash and cash equivalents	21,769	25,406	12,885
Marketable securities	-	-	1,783
Investment in CMSJ	-	-	2,647
Prepaid expenses and other receivables	371	207	55
	<b>22,140</b>	<b>25,613</b>	<b>17,370</b>
Non-current assets			
Plant and equipment (Note 4)	336	138	26
Mineral properties (Note 3)	20,747	20,747	-
	<b>43,223</b>	<b>46,498</b>	<b>17,396</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	1,025	1,431	500
Other current liabilities (Note 5)	-	558	-
Current portion of promissory notes payable (Note 6)	1,000	1,000	-
	<b>2,025</b>	<b>2,989</b>	<b>500</b>
Non-current liabilities			
Promissory notes payable (Note 6)	2,209	2,154	-
Other long-term liabilities (Note 7)	799	481	-
	<b>5,033</b>	<b>5,624</b>	<b>500</b>
<b>Equity</b>			
Issued capital (Note 10 (b))	69,250	69,250	46,312
Warrant reserve (Note 10 (e))	1,929	1,929	2,061
Share-based payment reserve	5,374	4,683	3,427
Foreign currency translation reserve	1,653	1,100	-
Deficit	(40,016)	(36,088)	(34,904)
	<b>38,190</b>	<b>40,874</b>	<b>16,896</b>
	<b>43,223</b>	<b>46,498</b>	<b>17,396</b>

Approved and authorized for issue by the Directors on June 1, 2011

(Signed) Kevin Drover

Kevin Drover, Director

(Signed) Derek Price

Derek Price, Director

# Gold Hawk Resources Inc.

## Condensed consolidated interim statements of changes in equity

(In thousands of US dollars, except share amounts, unaudited)

	Issued capital		Reserves			Deficit	Total
	Shares	Amount	Warrant reserve	Share-based payment reserve	Foreign currency translation reserve		
		\$	\$	\$	\$	\$	\$
<b>At January 1, 2010 (Note 17)</b>	13,016,970	46,312	2,061	3,427	-	(34,904)	<b>16,896</b>
Share-based payment expense	-	-	-	457	-	-	<b>457</b>
Total comprehensive income	-	-	-	-	466	793	<b>1,259</b>
At March 31, 2010	13,016,970	46,312	2,061	3,884	466	(34,111)	<b>18,612</b>
Issued on acquisition (Note 3)	11,200,000	14,454	-	-	-	-	<b>14,454</b>
Issued on the exercise of warrants	850,200	1,182	(132)	-	-	-	<b>1,050</b>
Issued on the exercise of options	195,000	345	-	(152)	-	-	<b>193</b>
Issued for private placement, net of issuance costs of \$526	6,000,000	6,957	-	-	-	-	<b>6,957</b>
Warrants re-issued (Note 10 (e))	-	-	145	-	-	-	<b>145</b>
Capital charge on re-issue of warrants (Note 10 (e))	-	-	(145)	-	-	-	<b>(145)</b>
Share-based payment expense	-	-	-	951	-	-	<b>951</b>
Total comprehensive loss	-	-	-	-	634	(1,977)	<b>(1,343)</b>
At December 31, 2010	31,262,170	69,250	1,929	4,683	1,100	(36,088)	<b>40,874</b>
Share-based payment expense	-	-	-	691	-	-	<b>691</b>
Total comprehensive loss	-	-	-	-	553	(3,928)	<b>(3,375)</b>
<b>At March 31, 2011</b>	<b>31,262,170</b>	<b>69,250</b>	<b>1,929</b>	<b>5,374</b>	<b>1,653</b>	<b>(40,016)</b>	<b>38,190</b>

# Gold Hawk Resources Inc.

## Condensed consolidated interim statements of cash flows

(In thousands of US dollars, unaudited)

	Three months ended March 31,	
	2011	2010
	\$	\$
<b>Operating activities</b>		
Net (loss) income for period	(3,928)	793
Items not affecting cash		
Gain on marketable securities	(32)	(1,993)
Share-based payment expense	691	457
Foreign exchange loss	934	197
Depreciation	14	5
Interest and accretion on promissory notes payable	66	-
	(2,255)	(541)
Net changes in non-cash components of working capital (Note 15)	(820)	23
	(3,075)	(518)
<b>Investing activities</b>		
Proceeds from sale of marketable securities	514	-
Purchase of marketable securities	(482)	-
Additions to plant and equipment	(210)	(1)
	(178)	(1)
Effect of exchange rate changes on cash and cash equivalents	(384)	165
Net change in cash and cash equivalents	(3,637)	(354)
Cash and cash equivalents, beginning of period	25,406	12,885
<b>Cash and cash equivalents, end of period</b>	<b>21,769</b>	<b>12,531</b>
Cash and cash equivalents consist of:		
Cash	19,344	12,531
U.S. money market funds and guaranteed investment certificates	2,425	-
	21,769	12,531

Supplemental cash flow information (Note 15)

# Gold Hawk Resources Inc.

Notes to the condensed consolidated interim financial statements

As at March 31, 2011, December 31, 2010 and January 1, 2010

and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

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## 1. Nature and continuance of operations

Gold Hawk Resources Inc. (the "Company" or "Gold Hawk"), listed on the TSX Venture Exchange under the symbol "GHK", is a company incorporated under the Canada Business Corporations Act and a reporting issuer under the jurisdiction of British Columbia. The Company is engaged in the acquisition, exploration, development and exploitation of mineral resource projects.

The Company's head office, principle address and registered office is #1550-666 Burrard Street, Vancouver, British Columbia, V6C 3E1.

On September 28, 2010, the Company completed the acquisition of the Oracle Ridge copper property near Tucson, Arizona. The Company has started exploration and development activities on this property and is developing a plan to bring the property into production. The Company's goal is to become a mid-tier copper producer.

These financial statements are prepared on the basis of a going concern which assumes the realization of assets and satisfaction of liabilities in the normal course of business. During the three months ended March 31, 2011, the Company incurred a net loss for the period of \$3,928,000. The continuation of the Company as a going concern is dependent on its ability to obtain necessary financing as required, to complete exploration and development activities on the Oracle Ridge copper property and ultimately the achievement of profitable operations. These material uncertainties cast doubt upon the Company's ability to continue as a going concern.

## 2. Summary of significant accounting policies

### (a) Basis of preparation

These are the Company's first condensed consolidated interim financial statements prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). The date of transition to IFRS is January 1, 2010. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian generally accepted accounting principles ("GAAP").

The Company's IFRS accounting policies are presented in Note 2 and have been applied in preparing the condensed consolidated interim financial statements for the part of the period covered by the Company's first IFRS consolidated annual financial statements for the year ending December 31, 2011, the comparative information and opening statement of financial position at the date of transition. The effects of the transition to IFRS on equity, total comprehensive (loss) income and the statement of financial position are presented in Note 17.



# Gold Hawk Resources Inc.

## Notes to the condensed consolidated interim financial statements As at March 31, 2011, December 31, 2010 and January 1, 2010 and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

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### 2. Summary of significant accounting policies (continued)

#### (a) Basis of preparation (continued)

These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with GAAP.

The policies applied in these condensed consolidated interim financial statements are based on IFRSs issued and outstanding as at June 1, 2011, the date the Board of Directors approved these condensed consolidated interim financial statements for issue.

The standards that will be effective in the annual financial statements for the year ending December 31, 2011 are subject to change and may be affected by additional interpretation(s). Accordingly, the accounting policies for the annual period that are relevant to these condensed consolidated interim financial statements will be determined only when the first IFRS financial statements are prepared for the year ending December 31, 2011.

#### (b) Basis of consolidation

The condensed consolidated interim financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company's subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Ownership interest</u>
0830438 BC Ltd.	Canada	100%
Oracle Ridge Mining LLC	USA	100%
Copper Moon Mining LLC	USA	100%
Minas San Juan Ltd.	Bahamas	100%

All intra-company transactions, balances, income and expenses are eliminated on consolidation.

# Gold Hawk Resources Inc.

## Notes to the condensed consolidated interim financial statements As at March 31, 2011, December 31, 2010 and January 1, 2010 and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

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### 2. Summary of significant accounting policies (continued)

#### (c) *Foreign currencies*

The condensed consolidated interim financial statements are presented in United States (US) dollars. Prior to January 1, 2011, the Company's presentation currency was the Canadian dollar. The functional currency of Gold Hawk and Minas San Juan Ltd. is the Canadian dollar. The functional currency of Oracle Ridge Mining LLC and 0830438 BC Ltd. is the U.S. dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effect of Changes in Foreign Exchange Rates*.

These condensed consolidated interim financial statements have been translated to the US dollar in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*. This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, and expenses are translated using the exchange rates at the dates of the transactions (where there is not significant fluctuation in the exchange rates used, the average rate for the period is applied to income and expense balances). The exchange differences are recognized in the statement of comprehensive (loss) income.

Transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### (d) *Financial instruments*

Financial assets and liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Upon initial recognition, financial assets and liabilities are measured at fair value plus transaction costs, except for those financial assets and liabilities classified as fair value through profit or loss, which are initially measured at fair value.

# Gold Hawk Resources Inc.

## Notes to the condensed consolidated interim financial statements As at March 31, 2011, December 31, 2010 and January 1, 2010 and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

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### 2. Summary of significant accounting policies (continued)

#### (d) Financial instruments (continued)

##### (i) Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

- Fair value through profit or loss ("FVTPL") - This category comprises derivatives, assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or assets designated upon initial recognition as FVTPL. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of (loss) income.
- Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest rate method less any impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The carrying amount of trade receivables is reduced through an allowance account. Amounts deemed to be uncollectable are written off against the allowance account and subsequent recoveries are credited against the allowance account. Changes in the allowance account are recognized in the statement of (loss) income.
- Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows discounted at the entity's original effective interest rate. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of (loss) income.
- Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of (loss) income.

All financial assets except for those recorded at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

# Gold Hawk Resources Inc.

Notes to the condensed consolidated interim financial statements

As at March 31, 2011, December 31, 2010 and January 1, 2010

and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

## 2. Summary of significant accounting policies (continued)

### (d) Financial instruments (continued)

#### (ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was assumed. The Company's accounting policy for each category is as follows:

- Fair value through profit or loss - This category comprises derivatives, liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term or liabilities designated upon initial recognition as FVTPL. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of (loss) income
- Other financial liabilities - Other financial liabilities are subsequently measured at amortized cost, using the effective interest rate method.

The Company's financial instruments consist of the following:

<u>Instrument</u>	<u>Classification</u>	<u>Measurement basis</u>
Cash and cash equivalents	Fair value through profit or loss	Fair value
Marketable securities	Fair value through profit or loss	Fair value
Investment in CMSJ	Available-for-sale	Fair value
Other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other liabilities	Amortized cost
Other current liabilities	Other liabilities	Amortized cost
Promissory notes payable	Other liabilities	Amortized cost
Other long-term liabilities	Other liabilities	Amortized cost

# Gold Hawk Resources Inc.

## Notes to the condensed consolidated interim financial statements As at March 31, 2011, December 31, 2010 and January 1, 2010 and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

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### 2. Summary of significant accounting policies (continued)

#### (d) *Financial instruments (continued)*

##### (iii) Classification of financial instruments

IFRS 7 establishes a fair value hierarchy that reflects significance of inputs in measuring fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and cash equivalents are designated as Level 1 and the Company's marketable securities and investment in CMSJ as Level 2.

The fair values of cash and cash equivalents, trade and other payables, and other current liabilities approximate their carrying values due to the short-term maturities of these financial instruments.

#### (e) *Cash and cash equivalents*

The Company considers cash to be cash on deposit and cash equivalents to be highly liquid short-term interest bearing securities with maturities at the date of purchase of three months or less.

#### (f) *Plant and equipment*

Plant and equipment are recorded at cost less accumulated depreciation and impairment losses, if any, and are depreciated using the straight-line method over the following periods:

Mobile equipment	5 years
Furniture and fixtures	5 years
Computer equipment and software	4 years
Machinery and equipment	5 years
Leasehold improvements	Term of lease

# Gold Hawk Resources Inc.

Notes to the condensed consolidated interim financial statements

As at March 31, 2011, December 31, 2010 and January 1, 2010

and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

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## 2. Summary of significant accounting policies (continued)

### (f) *Plant and equipment (continued)*

Amortization of mobile equipment as well as machinery and equipment used directly in exploration or development projects are included in exploration and development costs. Where an item of plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment and depreciated over their useful life.

Borrowing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to borrowings specifically raised for that purpose, or at the weighted average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

All other borrowing costs are expenses when incurred.

The depreciation method, useful life and residual values are assessed annually.

### (g) *Impairment of non-financial assets*

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether an impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset or cash generating units recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

# Gold Hawk Resources Inc.

Notes to the condensed consolidated interim financial statements

As at March 31, 2011, December 31, 2010 and January 1, 2010

and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

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## 2. Summary of significant accounting policies (continued)

### (h) Mineral properties

All direct costs related to the acquisition of mineral properties are capitalized as intangible assets on a property by property basis. The Company expenses all costs relating to the exploration for and development of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not limited to, geological, geophysical studies, exploratory drilling and sampling.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation expenses attributable to that area of interest will be capitalized in mineral properties. Costs will continue to be capitalized until the property to which they relate is ready for its intended use, sold, abandoned or management has determined there to be impairment. If economically recoverable reserves are developed, capitalized costs of the property are depleted using the units of production method.

### (i) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the balance sheet liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that affects neither accounting or taxable loss and is not a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced using a valuation allowance.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

# Gold Hawk Resources Inc.

Notes to the condensed consolidated interim financial statements

As at March 31, 2011, December 31, 2010 and January 1, 2010

and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

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## 2. Summary of significant accounting policies (continued)

### (j) *Share-based payment transactions*

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured for each tranche at grant date and is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted and management's estimate of forfeitures. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that vest.

### (k) *Restoration, rehabilitation, and environmental obligations*

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset and the environment in which the mine operates.

Pre-tax discount rates that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations at March 31, 2011 as the disturbance to date on the Company's mineral properties are not significant.



# Gold Hawk Resources Inc.

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(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

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## 2. Summary of significant accounting policies (continued)

### (l) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

### (m) Leases

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

### (n) (Loss) income per share

The Company presents the basic (loss) income per share data for its common shares, calculated by dividing the (loss) income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted (loss) income per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding for the year, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period. During the three months ended March 31, 2011 and 2010 all outstanding stock options and warrants were anti-dilutive.

### (o) Significant accounting judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (Note 2 (p)), that have the most significant effect on the amounts recognized in the Company's condensed consolidated interim financial statements are related to the economic recoverability of the mineral properties, the determination of functional currency for the Company and its subsidiaries, the determination that the acquisition of the Oracle Ridge project represents an acquisition of an asset rather than a business combination and the assumption that the Company will continue as a going concern.

# Gold Hawk Resources Inc.

Notes to the condensed consolidated interim financial statements

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(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

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## 2. Summary of significant accounting policies (continued)

### (p) Significant accounting estimates

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, 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, relate to, but are not limited to, the following:

- the recoverability of amounts receivable and prepayments which are included in the statement of financial position;
- impairment of non-financial assets;
- the estimated fair value of marketable securities;
- the estimated useful lives of property, plant and equipment which are included in the condensed consolidated interim statement of financial position and the related depreciation included in the statement of (loss) income; and
- the inputs used in accounting for share-based compensation expense in the statement of (loss) income.

### (q) New accounting standards and interpretations

The following are IFRS changes that have been issued by the International Accounting Standards Board, which may affect the Company, but are not yet effective:

IAS 12, Income taxes, was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The Company is assessing the effect of the changes to IAS 12 on its financial results and financial position.

IAS 27, Separate Financial Statements, replaced the existing IAS 27 "Consolidated and Separate Financial Statements". IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. IAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IAS 27 on its financial results and financial position.

# Gold Hawk Resources Inc.

## Notes to the condensed consolidated interim financial statements As at March 31, 2011, December 31, 2010 and January 1, 2010 and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

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### 2. Summary of significant accounting policies (continued)

#### (q) *New accounting standards and interpretations (continued)*

IAS 28, Investments in Associates and Joint Ventures, was amended in 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IAS 28 on its financial results and financial position.

IFRS 7, Financial Instruments: Disclosures, was amended in October 2010 to provide additional disclosure on the transfer of financial assets including the possible effects of any residual risks that the transferring entity retains. These amendments are effective as of July 1, 2011. The Company is assessing the effect of the changes to IFRS 7 on its financial statement disclosures.

IFRS 9, Financial Instruments, was issued in November 2009 and is the first step to replace current IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the effect of IFRS 9 on its financial results and financial position; however any changes are not expected to be material.

IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation—Special Purpose Entities, and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 10 on its financial results and financial position.

IFRS 11, Joint Arrangements, establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers, and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 11 on its financial results and financial position.

# Gold Hawk Resources Inc.

## Notes to the condensed consolidated interim financial statements As at March 31, 2011, December 31, 2010 and January 1, 2010 and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

### 2. Summary of significant accounting policies (continued)

#### (g) *New accounting standards and interpretations (continued)*

IFRS 12, Disclosure of Interests in Other Entities, applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 12 on its financial statement disclosures.

IFRS 13, Fair Value Measurements, defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 13 on its financial results and financial position.

### 3. Asset acquisition

On September 28, 2010, the Company completed the acquisition of the Oracle Ridge copper property through the purchase of all the outstanding common shares of 0830438 BC Ltd. and its wholly-owned subsidiary, Oracle Ridge Mining LLC. The transaction has been accounted for as an asset acquisition by the Company.

The aggregate purchase consideration consisted of 11,200,000 common shares of the Company, which have been valued at \$1.29 (C\$1.33) per share, the share price of the Company on the closing date of the transaction.

The purchase consideration has been allocated to the assets acquired and liabilities assumed as follows:

	\$
Shares issued upon acquisition	14,454
Transaction Costs	322
<b>Purchase consideration</b>	<b>14,776</b>
Cash and cash equivalents	14
Prepays	8
Mineral properties	20,747
Trade and other payables	(890)
Other current liabilities	(541)
Promissory notes payable	(4,090)
Other long term liability	(472)
	<b>14,776</b>

The Oracle Ridge property is located 24 km northeast of Tucson, Arizona. In 2010, the Company has secured the surface rights by way of lease and by purchase of an adjacent property necessary to bring the property into production.

# Gold Hawk Resources Inc.

Notes to the condensed consolidated interim financial statements

As at March 31, 2011, December 31, 2010 and January 1, 2010

and for three months ended March 31, 2011 and 2010

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## 4. Plant and equipment

	Oracle Ridge equipment	Corporate office and other equipment	Total
	\$	\$	\$
<i>Cost</i>			
January 1, 2010	-	66	66
Additions	68	74	142
Disposals	-	(72)	(72)
Foreign exchange movement	-	4	4
December 31, 2010	68	72	140
Additions	119	90	209
Foreign exchange movement	-	3	3
March 31, 2011	187	165	352

	Oracle Ridge equipment	Corporate office and other equipment	Total
	\$	\$	\$
<i>Accumulated depreciation</i>			
January 1, 2010	-	40	40
Additions	1	15	16
Disposals	-	(55)	(55)
Foreign exchange movement	-	1	1
December 31, 2010	1	1	2
Additions	7	7	14
Foreign exchange movement	-	-	-
March 31, 2011	8	8	16

	Oracle Ridge equipment	Corporate office and other equipment	Total
	\$	\$	\$
<i>Carrying amounts</i>			
At January 1, 2010	-	26	26
At December 31, 2010	67	71	138
At March 31, 2011	179	157	336

## 5. Other current liabilities

As part of the acquisition of Oracle Ridge (Note 3), the Company assumed current liabilities of US\$541,500 for the purchase of land adjacent to the Oracle Ridge property. The terms of the liability had an interest rate of 7% per annum, payable in two installments, January 30, 2011 and July 30, 2011. In January 2011, the Company settled the total liability outstanding on the property for \$559,074 (inclusive of interest).

# Gold Hawk Resources Inc.

## Notes to the condensed consolidated interim financial statements As at March 31, 2011, December 31, 2010 and January 1, 2010 and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

### 6. Promissory notes payable

As part of the acquisition of Oracle Ridge (Note 3), the Company assumed promissory notes payable of \$3,800,000 that were secured by the Oracle Ridge copper property.

As at March 31, 2011, the amount outstanding is as follows:

	<b>March 31</b>	December 31
	<b>2011</b>	2010
	\$	\$
Promissory notes payable, including accrued interest	<b>3,209</b>	3,154
Less: Current portion	<b>(1,000)</b>	(1,000)
Notes payable, non-current	<b>2,209</b>	2,154

The schedule of principal payment amounts and maturity dates of the notes as at March 31, 2011 are as follows:

Principal	Maturity date
\$500,000	May 2, 2011 <sup>1</sup>
\$500,000	October 31, 2011 <sup>1</sup>
\$500,000	April 27, 2012 <sup>1</sup>
\$806,500	October 21, 2012 <sup>1</sup>
\$500,000	October 21, 2013 <sup>2</sup>

<sup>1</sup> The notes bear interest until repaid at 8% per annum and interest is not payable until October 21, 2012.

<sup>2</sup> The note bears interest at 8% per annum and the interest is payable when the note comes due on October 21, 2013.

Subsequent to quarter-end, the Company paid \$500,000 of principal owing under the promissory notes.

### 7. Other long-term liability

Other long term liabilities includes a provision of \$490,000 relating to the acquisition of Oracle Ridge (Note 3). As part of the acquisition, the Company assumed an obligation to construct a roadway on the property and committed to spend a minimum amount of \$500,000 in the realization of this project. If the Company is unable to complete construction of the road by June 2011, the Company is still liable for the \$500,000 and this amount will be added to the principal of the Company's 2013 promissory note payable (Note 6) and will become due in October 2013. Interest of 8% per annum on the note does not start to accrue until June 2011 and is payable when the note comes due in October 2013.

# Gold Hawk Resources Inc.

Notes to the condensed consolidated interim financial statements

As at March 31, 2011, December 31, 2010 and January 1, 2010

and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

## 8. Capital risk management

The Company's objectives in managing its liquidity and capital resources are to safeguard the Company's ability to continue as a going concern and to provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of promissory notes payable, other long-term liabilities, and equity, comprised of issued capital, warrant reserve, share based payment reserve, foreign currency translation reserve and deficit.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue shares, issue new debt, and acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company does not pay out dividends.

The Company expects its current capital resources will be sufficient to carry out its exploration and development plans through its current operating period.

The Company's capital at March 31, 2011 is as follows:

	\$
Promissory notes payable	3,209
Other long-term liabilities	799
<u>Equity</u>	<u>40,016</u>
	<u>44,024</u>

## 9. Financial risk and risk management

The Company's financial instruments consist of cash and cash equivalents, other receivables, marketable securities, investment in CMSJ, trade and other payables, promissory notes payable and other liabilities. The Company has exposures to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors is responsible for the establishment and oversight of the Company's risk management policies and reviews the policies on an ongoing basis.

### (a) Interest rate risk

The Company has interest bearing promissory notes payable with fixed interest rates, principal and interest are payable upon maturity of the notes.

The Company is also exposed to interest rate risk with respect to the interest it earns on its cash and cash equivalents balances.

The Company does not enter into derivative contracts to manage the risk associated with interest rate movements.

# Gold Hawk Resources Inc.

## Notes to the condensed consolidated interim financial statements As at March 31, 2011, December 31, 2010 and January 1, 2010 and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

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### 9. Financial risk and risk management (continued)

#### (b) Foreign currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and has acquired a 100% interest in the Oracle Ridge copper property in the U.S. A significant change in the currency exchange rates between the Canadian dollar relative to the U.S. dollar could have an effect on the Company's financial performance, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At March 31, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars:

	C\$
Cash and cash equivalents	5,305
Other receivable	157
Trade and other payables	(603)
	<hr/> 4,859 <hr/>

At March 31, 2011, with other variables unchanged, a 10% change in the U.S. dollar/Canadian dollar exchange rate would impact pre-tax loss by \$0.1 million.

#### (c) Credit risk

The Company's credit risk is mainly attributable to its liquid financial assets: cash and cash equivalents, marketable securities, investment in CMSJ and other receivables. The Company deposits cash with high credit quality financial institutions and credit risk is considered to be minimal. The Companies maximum exposure to credit risk is \$22,100,000.



# Gold Hawk Resources Inc.

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(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

### 9. Financial risk and risk management (continued)

#### (d) Liquidity risk

The Company manages liquidity risk through an annual budget and ongoing monitoring of expenses and capital expenditures to ensure it has sufficient liquidity to meet its business requirements as they come due. As of March 31, 2011, the Company had working capital of \$20,100,000 (December 31, 2010 - \$22,624,000).

As at March 31, 2011, the Company's liabilities and commitments have contractual maturities of:

	Payments due by period		
	Total	Less than 1 year	1-3 years
	\$	\$	\$
Trade and other payables	1,025	1,025	-
Promissory notes payable, including interest	3,209	1,000	2,209
Other liabilities	799	-	799
Lease commitments	356	203	153
	<u>5,389</u>	<u>2,228</u>	<u>3,161</u>

Although the Company does not have operating profits, the Company believes it has sufficient cash on hand to meet operating requirements for at least the next twelve months. However, the Company will require significant funding in the future to complete development of Oracle Ridge.

### 10. Issued capital

#### (a) Authorized

The Company's authorized share capital consists of an unlimited number of common shares with no par value.

#### (b) Issued

During the three months ended March 31, 2011, the Company did not issue shares.

On September 28, 2010, the Company issued 11,200,000 shares in consideration for the acquisition of the Oracle Ridge copper property through the share purchase of 0830438 BC LTD ("Oracle Ridge") which have been valued at \$1.29 (C\$1.33) per share, the share price of the Company on the closing date of the transaction (Note 3).

# Gold Hawk Resources Inc.

## Notes to the condensed consolidated interim financial statements As at March 31, 2011, December 31, 2010 and January 1, 2010 and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

### 10. Issued capital (continued)

#### (b) Issued (continued)

On October 20, 2010, the Company announced that warrant holders of 878,200 common share purchase warrants with an exercise price of C\$1.25 were subject to a 30-day forced exercise provision as the Company's closing share price met or exceeded C\$1.50 for the 10 consecutive trading days. A total of 850,200 warrants were exercised as of the November 19, 2010 deadline, accordingly, the Company issued 850,200 shares at C\$1.25 per share for total proceeds of C\$1,062,750 (US\$1,049,319).

On November 8, 2010, the Company closed a non-brokered private placement for 6,000,000 common shares at a subscription price of C\$1.25 per common share for aggregate gross proceeds of C\$7,500,000 (US\$7,400,000). The Company paid a finder's fee to an arm's length party in the aggregate amount of C\$450,000 (US\$444,313) and incurred C\$83,000 (US\$81,951) in other issuance costs. The private placement was fully subscribed to by Coalcorp Mining Inc. ("Coalcorp") and, as a result, Coalcorp now owns approximately 19.2% of the Company's issued and outstanding shares.

Subsequent to quarter-end, 110,000 stock options were exercised for cash proceeds of C\$135,000.

#### (c) Stock option plan

Pursuant to the terms of the Company's stock option plan the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options may be exercisable over periods of up to five years as determined by the Board of Directors of the Company and the exercise price is the last closing price of the shares preceding the awarding date. Stock options granted to employees, officers and consultants vest one-third immediately, one-third after 12 months from the date of grant and one-third after 24 months from the date of grant, while stock options granted to directors vest immediately.

A summary of the Company's stock options outstanding as at March 31, 2011 and the changes for the quarter then ended are as follows:

	Directors and officers	Employees and consultants	Total number of options	Weighted average exercise price per share
				C\$
Balance, January 1, 2010	462,200	54,200	516,400	5.47
Granted	1,505,000	425,000	1,930,000	1.43
Exercised	(195,000)	-	(195,000)	1.00
Forfeited	-	(6,067)	(6,067)	2.50
Expired	(193,200)	(20,133)	(213,333)	5.54
Balance, December 31, 2010	1,579,000	453,000	2,032,000	2.06
Granted	475,000	300,000	775,000	1.97
<b>Balance, March 31, 2011</b>	<b>2,054,000</b>	<b>753,000</b>	<b>2,807,000</b>	<b>2.02</b>

# Gold Hawk Resources Inc.

Notes to the condensed consolidated interim financial statements  
As at March 31, 2011, December 31, 2010 and January 1, 2010  
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(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

## 10. Issued capital (continued)

### (c) Stock option plan (continued)

The following table summarizes information about options outstanding, granted to officers, directors, employees and consultants of the Company as at March 31, 2011:

Number of stock options outstanding	Number of stock options exercisable	Option exercise price C\$	Expiry date
13,000	13,000	12.00	April 2011 <sup>1</sup>
40,000	40,000	8.75	July 2011
8,000	8,000	17.25	June 2012
20,000	20,000	16.00	July 2012
20,000	20,000	12.25	February 2013
78,000	78,000	1.63	August 2013
118,000	105,333	2.50	April 2014
500,000	360,000	1.00	February 2015
100,000	100,000	1.22	August 2015
860,000	540,000	1.60	October 2015
125,000	41,667	1.82	November 2015
150,000	50,000	2.23	December 2015
25,000	8,333	2.15	January 2016
750,000	550,000	1.90	March 2016
<b>2,807,000</b>	<b>1,934,333</b>		
<b>2.02</b>	<b>2.17</b>	<b>Weighted average exercise price</b>	

<sup>1</sup> These options expired unexercised in April 2011.

# Gold Hawk Resources Inc.

## Notes to the condensed consolidated interim financial statements As at March 31, 2011, December 31, 2010 and January 1, 2010 and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

### 10. Issued capital (continued)

#### (d) Stock-based compensation

During the quarter ended March 31, 2011, the Company granted 775,000 (2010 – 695,000) stock options to directors, officers and employees. An amount of \$691,000 (2010 - \$457,000) was recorded in share-based payment reserve in recognition of stock-based compensation, based on the vesting schedule for the options granted.

The fair value of each option granted during the quarter is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions and resulting values for grants as follows:

	Three months ended March 31	
	2011	2010
Number of options granted	<b>775,000</b>	695,000
Weighted average		
Risk-free interest rate (%)	<b>1.92</b>	1.49
Expected life (years)	<b>2.71</b>	2.65
Expected volatility (%)	<b>86</b>	161
Expected dividend (%)	-	-
Weighted average fair value (per option)	<b>1.01</b>	0.82

Stock option pricing models require the input of subjective assumptions including the expected price volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of fair value of the Company's options.

#### (e) Share purchase warrants

A summary of the Company's share purchase warrants outstanding as at March 31, 2011 and the changes for the quarter then ended are as follows:

	Number of warrants	Average price of warrants
		C\$
Balance, January 1, 2010	3,802,000	1.39
Expired	(2,082,000)	1.25
Exercised	(850,200)	1.25
Balance, December 31, 2010	869,800	2.40

# Gold Hawk Resources Inc.

## Notes to the condensed consolidated interim financial statements As at March 31, 2011, December 31, 2010 and January 1, 2010 and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

### 10. Issued capital (continued)

#### (e) Share purchase warrants (continued)

	Number of warrants	Average price of warrants C\$
Balance, December 31, 2010	923,800	2.40
Expired and exercised	-	-
Balance, March 31, 2011	923,800	2.40

On May 19, 2010 the Company announced an amendment to the 1,002,000 share purchase warrants issued further to the private placement that closed on June 3, 2009. The amendment, extended the exercise term from June 3, 2010 to June 3, 2011, and changed the exercise price from C\$1.75 to C\$1.25. The estimated incremental fair value of these amended warrants was determined using the Black-Scholes model with the following assumptions: a risk free interest of 1.76%, an expected volatility of 85.48%, an expected dividend yield of \$Nil and an expected life of 0.5 years. This incremental fair value in the amount of \$145,372 was recorded as a capital charge in the statement of changes in equity. Warrant pricing models require the input of subjective assumptions including the expected price volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

On October 20, 2010, the Company announced that warrant holders of 878,200 common share purchase warrants with an exercise price of C\$1.25 were subject to a 30-day forced exercise provision as the Company's closing share price met or exceeded C\$1.50 for the 10 consecutive trading days. A total of 850,200 warrants were exercised as of the November 19, 2010 deadline, accordingly, the Company issued 850,200 shares at C\$1.25 per share for total proceeds of C\$1,062,750 (US\$1,049,319).

Details of outstanding and exercisable warrants as at March 31, 2011 are as follows:

Number of warrants	Exercise prices C\$	Expiry date
800,000	2.50	May 8, 2011 <sup>1</sup>
123,800	1.75	June 3, 2011
923,800	2.40	

<sup>1</sup> These warrants expired unexercised on May 8, 2011.

# Gold Hawk Resources Inc.

Notes to the condensed consolidated interim financial statements

As at March 31, 2011, December 31, 2010 and January 1, 2010

and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

## 11. General and administration expenses

	Three months ended March 31	
	2011	2010
	\$	\$
Share-based payments	670	457
Salaries and benefits	520	332
Professional and consulting fees	188	69
Office expenses	112	32
Travel	79	32
Investor relations	45	-
Filing costs and shareholders' information	23	16
Insurance	8	11
Depreciation	7	-
Other	3	3
	<b>1,655</b>	<b>952</b>

## 12. Exploration and evaluation expenditures

	Three months ended March 31	
	2011	2010
	\$	\$
Design and technical studies	260	-
Permitting costs	713	-
Site and safety services	178	-
Drilling	655	-
Site and advisory costs	282	-
	<b>2,088</b>	<b>-</b>

Site and advisory costs includes \$20,246 of share-based compensation and depreciation of \$6,802.

# Gold Hawk Resources Inc.

## Notes to the condensed consolidated interim financial statements As at March 31, 2011, December 31, 2010 and January 1, 2010 and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

### 13. Related party transactions

- (a) During the three months ended March 31, 2011, the Company paid \$172,885 in advisory fees to directors of the Company, of which \$85,833 has been included in site and advisory costs for Oracle Ridge.

These transactions were incurred in the normal course of business and are measured at the fair value of the services provided.

- (b) *Compensation of key management personnel*

The remuneration of directors and other members of key management personnel during the three month period ending March 31, 2011 were as follows:

	Three months ended March 31	
	2011	2010
	\$	\$
Salaries and directors' fees <sup>1</sup>	462	252
Share-based payment <sup>2</sup>	516	477
<b>Total</b>	<b>978</b>	<b>729</b>

<sup>1</sup> Salaries and directors' fees include consulting and management fees disclosed in Note 13(a).

<sup>2</sup> Share-based payments are the fair value of options that have been granted to directors and key management personnel.

### 14. Contingencies and commitments

- (a) The Company is committed under the terms of two operating leases for office premises for total aggregate payments of approximately \$428,000 expiring in 2013.
- (b) As part of the share purchase agreement for Oracle Ridge (Note 3), there is a clause whereby if the seller of Oracle Ridge is required to pay U.S. federal capital gains tax at a rate higher than 15%, the Company is required to pay additional consideration for the property in an amount to offset the cost of the additional tax up to the equivalent of a U.S. federal capital gains tax rate of 25%, or US\$470,800. U.S. federal capital gains tax rates have been frozen at 15% through to December 31, 2012, therefore no additional taxes will be owed by the seller on the 2012 promissory notes payable (Note 6). It is uncertain as to whether federal capital gains taxes will be raised in 2013 and therefore any additional consideration in relation to the 2013 notes is not determinable at this time.
- (c) In the normal course of business, the Company is aware of certain potential claims. The outcome of these matters is not determinable at this time, although the Company does not believe these potential claims will have a material adverse effect on the Company's operations.

# Gold Hawk Resources Inc.

## Notes to the condensed consolidated interim financial statements As at March 31, 2011, December 31, 2010 and January 1, 2010 and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

### 15. Supplemental cash flow information

The changes in non-cash working capital items are comprised of:

	Three months ended March 31	
	2011	2010
	\$	\$
Prepaid expenses and other receivables	(164)	(22)
Trade and other payables	(656)	45
Net change in non-cash working capital	(820)	23

### 16. Segmented information

The Company currently operates in one business segment, being the acquisition and development of mineral properties. The Company's sole development property, Oracle Ridge, is located in the U.S. and the Company's head office is located in Canada.

### 17. Transition to International Financial Reporting Standards

In preparing the opening IFRS statement of financial position, comparative information for the three months ended March 31, 2010 and the financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP.

An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

#### *Exemptions applied*

IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the IFRS standards are applied retrospectively as at the transition date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2010:

#### (a) *Business combinations*

IFRS 1 states that a first-time adopter may elect not to apply IFRS 3, *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has utilized this election and has applied IFRS 3 to business combinations that occurred on or after January 1, 2010.



# Gold Hawk Resources Inc.

## Notes to the condensed consolidated interim financial statements As at March 31, 2011, December 31, 2010 and January 1, 2010 and for three months ended March 31, 2011 and 2010

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### 17. Transition to International Financial Reporting Standards (continued)

(b) *Share-based payment transactions*

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, *Share-based Payment* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010.

(c) *Cumulative translation differences*

As permitted by the IFRS 1 election for cumulative translation differences, the Company has deemed cumulative translation differences for foreign operations to be zero at the date of transition. Cumulative translation loss at January 1, 2010 was re-allocated from accumulated other comprehensive loss to deficit. As a result, a difference of \$3,642,000 was recorded in deficit to reduce the foreign currency translation reserve to zero.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following mandatory exceptions to its opening statement of financial position dated January 1, 2010:

(d) *Estimates*

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its GAAP estimates for the same date.

(e) *Non-controlling interest*

Certain requirements of IAS 27 – Consolidated and Separate Financial Statements must be applied prospectively from January 1, 2010, the Company's transition date. Retrospective application is not permitted. These requirements relate to:

- The attribution of total comprehensive income to non-controlling interests even if this results in non-controlling interests having a deficit balance;
- The accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control as equity transactions; and
- The accounting for loss of control over a subsidiary and the related requirements of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

# Gold Hawk Resources Inc.

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## 17. Transition to International Financial Reporting Standards (continued)

IFRS employs a conceptual framework that is similar to GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows it has resulted in changes to the Company's reported financial position and financial performance. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP statement of (loss) income, comprehensive (loss) income, and statement of cash flows for the year ended December 31, 2010, three months ended March 31, 2010, and the statement of financial position on January 1, 2010, March 31, 2010 and December 31, 2010 have been reconciled to IFRS, with the resulting differences explained below:

(f) *Share-based payment*

*GAAP*

The fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period.

The Company had previously elected under GAAP to recognize forfeitures of awards as they occur.

*IFRS*

Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches.

Forfeitures are estimated on the date the award is granted and are revised for actual forfeitures in subsequent periods.

As a result, as at January 1, 2010 an amount of \$94,000 was recorded in deficit to adjust the share-based payment reserve for these differences.

(g) *Available-for-sale investment*

On November 12, 2009, the Company ceased to control its former Peruvian subsidiary, Compania Minera San Juan ("CMSJ") as a result of the dilution of its controlling interest by a third party. The Company's remaining interest in CMSJ at December 31, 2009 was 15%.

*GAAP*

Available-for-sale ("AFS") investments are recorded at cost unless the available-for-sale equity instrument was quoted in an active market. The investment in CMSJ was recorded at its cost of \$Nil at January 1, 2010.

# Gold Hawk Resources Inc.

## Notes to the condensed consolidated interim financial statements As at March 31, 2011, December 31, 2010 and January 1, 2010 and for three months ended March 31, 2011 and 2010

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### 17. Transition to International Financial Reporting Standards (continued)

(g) *Available-for-sale investment (continued)*

*IFRS*

IFRS requires such investments (AFS equity instruments with no active market) to be measured at fair value unless fair value is not reliably measurable. The Company has concluded that fair value can be determined at January 1, 2010 for the investment in CMSJ from the sale of the 85% interest in this investment in November 2009 to a third party.

As a result, \$2,647,000 was recorded in deficit to adjust the carrying value of Company's investment in CMSJ at the date of transition.

The subsequent gain on the sale of the Company's investment in CMSJ was also adjusted to reflect the IFRS carrying value.

(h) *Acquisition of Oracle Ridge (Note 3)*

*GAAP*

If an acquired project does not constitute a business, the transaction is accounted for as the acquisition of an asset and results in a deferred tax asset or liability being recognized for any difference between the resulting carrying value and the tax basis of the asset.

*IFRS*

If an acquired project does not constitute a business, the transaction is accounted for as an acquisition of an asset, however, no deferred tax asset or liability is recognized because of the initial recognition exception in IAS 12, which prohibits recording of deferred tax assets or liabilities on asset acquisitions.

As a result, as at December 31, 2010 an amount of \$9,957,000 was recorded to reduce the carrying value of mineral properties, and also remove the deferred tax liability to reflect this difference.

# Gold Hawk Resources Inc.

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## 17. Transition to International Financial Reporting Standards (continued)

(i) *Exploration and evaluation expenditures*

*GAAP*

The Company's accounting policy was to capitalize all costs relating to the acquisition of, exploration for and development of mineral claims.

*IFRS*

The Company has elected to adopt an accounting policy to expense all costs relating to exploration and development of mineral claims until such time as technical feasibility for the related mineral property can be established.

(j) *Statement of cash flows*

The adoption of IFRS had no material impact on the net cash flows of the Company.

(k) *Reclassification of the equity section*

*GAAP*

The fair value of warrants are reclassified to contributed surplus when the warrants expire.

*IFRS*

Amounts recorded in warrant reserve are not reclassified on expiry.

# Gold Hawk Resources Inc.

Notes to the condensed consolidated interim financial statements

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## 17. Transition to International Financial Reporting Standards (continued)

The January 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

		As at January 1, 2010		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
		\$	\$	\$
<b>Assets</b>				
Current assets				
Cash and cash equivalents		12,885	-	12,885
Marketable securities		1,783	-	1,783
Investment in CMSJ	(g)	-	2,647	2,647
Prepaid expenses and other receivables		54	-	55
		14,722	2,647	17,370
Plant and equipment		26	-	26
		14,748	2,647	17,396
<b>Liabilities</b>				
Current liabilities				
Trade and other payables		500	-	500
		500	-	500
		<b>500</b>	<b>-</b>	<b>500</b>
<b>Equity</b>				
Issued capital		46,312	-	46,312
Warrant reserve		2,061	-	2,061
Share-based payment reserve	(f)	3,333	94	3,427
Foreign currency translation reserve	(c)	3,642	(3,642)	-
Deficit	(c)(f)(g)	(41,100)	6,195	(34,904)
		14,248	2,647	16,896
		14,748	2,647	17,396

# Gold Hawk Resources Inc.

Notes to the condensed consolidated interim financial statements

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## 17. Transition to International Financial Reporting Standards (continued)

The Canadian GAAP income statement and statement of comprehensive income for the three months ended March 31, 2010 have been reconciled to IFRS as follows:

Three months ended March 31, 2010				
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
		\$	\$	\$
<b>Operating costs</b>				
General and administration expenses		495	-	495
Share-based payments	(f)	477	(20)	457
<b>Loss from operations</b>		<b>(972)</b>	<b>(20)</b>	<b>(952)</b>
Other expenses (income)				
Foreign exchange loss		245	-	245
Interest and financing charges		3	-	3
Gain on sale of marketable securities		(1,993)	-	(1,993)
Net income (loss) for the period		773	(20)	793
Foreign currency translation		466	-	466
<b>Total comprehensive income for the period</b>		<b>1,239</b>	<b>(20)</b>	<b>1,259</b>

# Gold Hawk Resources Inc.

## Notes to the condensed consolidated interim financial statements As at March 31, 2011, December 31, 2010 and January 1, 2010 and for three months ended March 31, 2011 and 2010

(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

### 17. Transition to International Financial Reporting Standards (continued)

The Canadian GAAP statement of financial position at March 31, 2010 have been reconciled to IFRS as follow:

		As at March 31, 2010		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
		\$	\$	\$
<b>Assets</b>				
Current assets				
Cash and cash equivalents		12,531	-	12,531
Marketable securities		3,879	-	3,879
Investment in CMSJ	(g)	-	2,647	2,647
Prepaid expenses and other receivables		78	-	78
		16,488	2,647	19,135
Plant and equipment				
		22	-	22
		16,510	2,647	19,157
<b>Liabilities</b>				
Current liabilities				
Trade and other payables		545	-	545
		545	-	545
		545	-	545
<b>Equity</b>				
Issued capital		46,312	-	46,312
Warrant reserve	(k)	1,638	423	2,061
Share-based payment reserve	(f)(k)	4,234	(350)	3,884
Foreign currency translation reserve	(c)	4,108	(3,642)	466
Deficit	(c)(f)(g)	(40,327)	6,216	(34,111)
		15,965	2,647	18,612
		16,510	2,647	19,157

# Gold Hawk Resources Inc.

Notes to the condensed consolidated interim financial statements

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## 17. Transition to International Financial Reporting Standards (continued)

The Canadian GAAP income statement and statement of comprehensive income (loss) for the twelve months ended December 31, 2010 have been reconciled to IFRS as follows:

	Note	Twelve months ended December 31, 2010		
		Canadian GAAP \$	Effect of transition to IFRS \$	IFRS \$
<b>Operating costs</b>				
Exploration and evaluation expenditures	(i)	-	633	633
Depreciation		15	-	15
General and administration expenses		3,209	-	3,209
Share-based payment reserves	(f)	1,245	163	1,408
<b>Loss from operations</b>		<b>(4,469)</b>	<b>(796)</b>	<b>(5,265)</b>
Other expenses (income)				
Foreign exchange loss		570	-	570
Interest and financing charges		29	-	29
Gain on sale of marketable securities		(2,918)	-	(2,918)
Gain on sale of investment in CMSJ	(g)	(4,425)	2,647	(1,778)
Loss on sale of equipment		16	-	16
Net income (loss)		2,259	(3,443)	(1,184)
Foreign currency translation		1,100	-	1,100
<b>Total comprehensive income (loss)</b>		<b>3,359</b>	<b>(3,443)</b>	<b>(84)</b>



# Gold Hawk Resources Inc.

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(Tabular amounts in thousands of US dollars, unless otherwise noted, unaudited)

### 17. Transition to International Financial Reporting Standards (continued)

The Canadian GAAP statement of financial position at December 31, 2010 have been reconciled to IFRS as follows:

		As at December 31, 2010		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
		\$	\$	\$
<b>Assets</b>				
Current assets				
Cash and cash equivalents		25,406	-	25,406
Prepaid expenses and other receivables		207	-	207
		25,613	-	25,613
Plant and equipment		138	-	138
Mineral properties	(h)(i)	31,337	(10,590)	20,747
		57,088	(10,590)	46,498
<b>Liabilities</b>				
Current liabilities				
Trade and other payable		1,431	-	1,431
Other current liabilities		558	-	558
Current portion of promissory notes payable		1,000	-	1,000
		2,989	-	2,989
Promissory notes payable		2,154	-	2,154
Other long-term liabilities		481	-	481
Deferred tax liability	(h)	9,957	(9,957)	-
		15,581	(9,957)	5,624
<b>Equity</b>				
Issued capital		69,250	-	69,250
Warrant reserve	(k)	643	1,286	1,929
Share-based payment reserve	(f)(k)	5,777	(1,094)	4,683
Foreign currency translation reserve	(c)	4,676	(3,576)	1,100
Deficit	(c)(f)(i)	(38,839)	2,751	(36,088)
		41,507	(633)	40,874
		57,088	(10,590)	46,498