Management's Discussion and Analysis

Gold Hawk Resources Inc.

For the Three Months Ended March 31, 2011 and 2010

Contents

The following management's discussion and analysis of financial conditions and results of operations (the "MD&A"), has been prepared by management and provides a review of the activities, results of operations and financial condition of Gold Hawk Resources (the "Company" or "Gold Hawk"). This discussion dated June 1, 2011 complements and supplements the Company's unaudited condensed consolidated interim financial statements and associated notes for the three months ended March 31, 2011 and 2010, and should be read in conjunction with the consolidated audited Financial Statements for the year ended December 31, 2010 and related MD&A. Please also refer to the cautionary statement of forward-looking information at the end of this document.

All financial information in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS") for the first time this quarter and reported in United States dollars unless otherwise noted. Please refer to Note 2 of the March 31, 2011 and 2010 unaudited condensed consolidated interim financial statements for more information. The consolidated audited Financial Statements for the year ended December 31, 2010 were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Further details on the conversion to IFRS are provided in this MD&A and in the notes to our unaudited condensed consolidated interim financial statements for the three months ended March 31, 2011 and 2010.

Additional information about the Company is available under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.goldhawkresources.com.

1. COMPANY OVERVIEW

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

In the third quarter of 2010, the Company acquired the Oracle Ridge copper project located in Arizona, USA. The company has initiated the process of completing a NI 43-101 compliant report on reserves and resources and plans to bring the mine back into production. Gold Hawk also owns a 640 hectare mining concession at the Barry-Souart property northeast of Val d'Or in the Province of Quebec.

2. ORACLE RIDGE MINE DEVELOPMENT

The 100% owned Oracle Ridge copper property is located in the Santa Catalina Mountains northeast of Tucson, Arizona, and is the site of the previously operated Oracle Ridge Copper Mine. The necessary mineral rights have been secured by way of purchase and by the lease of 903 acres of adjacent property surface rights. In addition, the Company has acquired 353 acres of existing tailings and adjacent property that it intends to use as its tailings facility upon re-start of mining operations.

NI 43-101 Validation Drilling Program – Phase 1

Oracle Ridge awarded Major Drilling Environmental LLC of Little Falls, Minnesota the Phase 1 surface drilling program. The drill program is for an initial 15,000 feet designed to validate the existing drill hole data. Subsequent to the three months ended March 31, 2011, the contract was extended to include the completion of an additional 7,500 feet, for a total of 22,500 feet of drilling. Phase 1 drill core assay results will be compared against and used to verify the historic data and to complete a new NI 43-101 compliant technical report on reserves and resources.

A total of 11,800 feet of drilling has been completed to date with initial results meeting expectations. The Phase One drill core assay results will be compared against and used to verify the historic data and to complete a new, NI 43-101 compliant technical report on reserves and resources. Gold Hawk is in possession of the historic data base consisting of 534 drill holes totalling more than 163,000 feet of drilling. The available historic drill core samples are in good condition and stored on site and are in the process of being catalogued, logged and assayed as part of the study to bring the project to NI 43-101 standards. Ten historic drill hole cores will also be assayed as part of the confirmation process.

The Oracle Ridge Copper Mine hosts at least 12 known zones containing multiple beds of primary copper skarn mineralization. During previous operations gold and silver were produced as by-products. Given current precious metal prices a silver/gold credit could potentially enhance project economics. Past ore produced by the mine were not consistently tested for the presence of other minerals, such as magnetite, and the Company has undertaken detailed metallurgy studies as part of the engineering and design studies.

Historically there have been a number of resource and reserve estimates available that were made by reliable, knowledgeable professionals. As part of a 1995 feasibility study for a 2,000 tons-per-day processing plant, the former operator developed a mine plan containing 8.8 million tons grading 2.3% copper diluted, in all categories. This mine plan conformed to United States Securities and Exchange Commission mining reserve definitions in place at that time. The reader is cautioned that the foregoing estimate is not in compliance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and is cited for historical purposes only and should not be relied upon until further work is carried out. Gold Hawk believes, however, that the historical resource estimates reported above are material and should be disclosed as these historical results provide an indication of the potential of the property and are relevant to future exploration.

Drill Program Results

The drill program began in mid-February 2011 and is advancing on schedule with 12 holes completed at this time. Continuous 24/7 drilling shifts and a second surface drill rig introduced in the quarter made up for a slow start due to difficulties accessing drill locations and abnormally cold weather in February causing waterline freezing. Skyline Assayer and Laboratories, an accredited laboratory in Tucson, Arizona, is contracted to complete all sample preparation and assaying. Gold Hawk is taking the necessary time to analyze for a full suite of elements and have identified silver and iron as two likely by-products that could provide additional positive project economic value. A more detailed evaluation of this potential will be conducted as the project progresses. The table below presents the assay results disclosed in May 12 and May 31, 2011 media releases for the first eight holes the Company has drilled in 2011:

Hole	From (feet)	To (feet)	Interval	%Cu	%Fe	Ag oz/ton	Zone
2011-016	180	250	70	2.53	16.17	0.54	4 Extension
includes	220	240	20	4.62	30.30	1.05	
and	347	384.5	37.5	2.24	17.21	0.54	1 & 2
includes	367	372	5	5.36	22.96	1.26	
2011-039	553	603	50	2.44	16.18	0.55	4
includes	558	563	5	7.9	9.12	0.69	
2011-043	248	278	30	1.3	17.3	0.45	3
and	298	308	10	2.15	10.43	0.83	
2011-051	298	305	7	1.94	6.61	0.43	1 & 2
and	346	371	25	4.63	12.96	1.25	
includes	351	361	10	7.75	14.39	2.07	
and	439	471	32	1.69	8.39	0.46	
includes	459	468	9	3.35	16.04	1.00	
and	518	555.5	37.5	1.69	5.42	0.65	
and	582	617	35	1.75	10.63	0.37	
2011-071	573	596.5	23.5	1.8	1.24	0.44	1 & 2
and	620.5	655.5	35	2	8.4	0.54	
includes	648	655.5	7.5	3.7	11.84	1.08	
and	718	738	20	1.62	9.09	0.38	
and	768	803	35	1.86	6.82	0.54	
and	843	863	20	2.83	12.57	0.48	
includes	853	858	5	4.53	14.45	0.51	
2011-74	Low Grade						5
2011-130	791	806	15	2.39	7.62	0.47	12
2011-135	723	728	5	1.31	2.58	0.49	5
and	748	753	5	1.22	2.13	0.69	

Intervals were calculated using an external 1% copper cut-off. Intervals labeled "Includes" are higher-grade portions of the previous listed interval. True thickness is believed to be between 80-to-100% of the reported thicknesses. Analyses for copper, silver and iron were completed by Skyline Labs of Tucson, Arizona on ½ core splits using standard industry accepted techniques.

The Company considers Hole 2011-016 to be significant as the zone from 180 feet to 250 feet is currently interpreted as an up-dip extension of the Block 4 mineralization. Offset drilling to further delineate this zone is underway.

As part of the ongoing historic data verification program, the Company conducted underground sampling of a sublevel driven on the lower Abrigo skarn bed on the 6,400ft level, in Block 1. Sampling results have returned a continuous 150 feet of mineralization averaging 2.17% copper, 12.59% iron and 0.45 oz/ton silver. Gold averaged 0.006 oz/ton.

The Block 1 sublevel development was completed prior to the Mine's closure in 1996 in preparation for long-hole stoping but no actual mining of this block occurred. The 150-foot sample interval is along the strike of the skarn bed and estimated true thickness of the skarn bed in this area is approximately 25 to 30 feet.

Continuous channel samplings at five-foot intervals were taken on the hanging wall rib of the lower Block 1 Abrigo copper skarn zone. Sampling has been completed on the eastern half of the sublevel and the company plans to complete sampling of the western half of the sublevel and a sublevel driven on the adjacent upper Abrigo skarn zone in the near future.

The silver and iron content returned by the sampling continues to indicate that both metals may be present in sufficient quantities to represent potentially economic by-products to future copper production. Metallurgical test work in Gold Hawk's ongoing engineering studies is being directed at determining the viability of recovering these metals.

Qualified Person

The technical information in this MD&A has been prepared in accordance with Canadian regulatory requirements set out in National Instrument 43-101 and reviewed by Glenn R. Clark, P.Eng. of Glenn R. Clark & Associates Limited, an independent consultant for Gold Hawk and Qualified Person under NI 43-101, who is responsible for the technical information reported above.

Process Plant and Tailings Impoundment Activities

Gold Hawk is in the process of re-activating the underground Oracle Ridge Copper Mine, located in rural Pima County, Arizona north of Tucson, last in production in 1996. Both the mine and the tailings facilities are located on private property. Engineering and design work is underway using a ±15% cost estimation level consistent with industry standards for project debt financing should the company elect to utilize this method for construction financing. The plant design and economic study will be based on a 2,000 tons-per-day processing facility and related facilities including the tailings impoundment. Preliminary production estimates indicate that approximately 140 tons of high-grade copper concentrate could be produced on a daily basis based on historic production at the mine and historic resource estimates that are non-compliant with NI 43-101 technical report on reserves and resources standards, and should not be relied upon.

Geotechnical sampling in the tailing impoundment area has been completed in addition to the initial design of a 10-million-ton dry stack tailing impoundment and plant area and which are now being reviewed.

Permitting and Regulatory Programs

The regulatory process for the Oracle Ridge copper project includes federal, state and county jurisdictions. Biological, archaeological, hydrological and storm water characterization, waste rock and tailings characterization, and air quality analysis will be systematically studied to support the requisite permit regime. Several of these involve baseline studies for determining any potential impacts from the reactivation of this previously producing mine. The results of the waste characterization of the reclaimed tailings and waste rock were favourable and verified that the waste rock and tailings are non-acid generating and synthetic precipitation leaching procedure results were all below established water quality standards.

Constructive meetings have been held with personnel representing Pima County, the Arizona Department of Environmental Quality ("ADEQ") and the U.S. Forest Service. In March the Company submitted an application for the transfer of the existing Aquifer Protection Permit to the ADEQ. The transfer of this permit is expected in the second quarter of 2011. Also underway is the completion of archaeological and cultural resource surveys on the project site and access roads, the commencement of water quality sampling on both surface and underground waters, which includes the installation of automated sampling stations in affected drainages, and the construction of two air quality and weather monitoring stations.

3. REVIEW OF FINANCIAL RESULTS

For the quarter ended March 31, 2011, the Company had a net loss of $3.9 million compared to net income of $0.8 million in the 2010 comparative period. Net income in the prior year was primarily driven by the gain on the sale of marketable securities. The current loss consisted of general and administrative expenses of $1.7 million (2010 - $1.0 million) and $2.1 million in exploration and evaluation expenditures (2010 - $Nil).

The increase in general and administrative expenses for the quarter ended March 31, 2011 compared to the equivalent 2010 period consisted of share-based payments of $0.7 million, increased rent costs, and an increase in salaries and consultants fees of $0.3 million due to higher staffing and consultant levels.

Exploration and evaluation expenditures for the three months ended March 31, 2011 (2010 - $Nil), consisted of the following:

Design and technical studies	$	260
Drilling		655
Permitting		713
Site and safety services		178
Site and advisory		282
	$	2,088

As at March 31, 2011, total assets were $43.2 million compared to $46.5 million as at December 31, 2010. The difference resulted from increased expenditures relating to the ongoing development of the Oracle Ridge Copper project, including the exploration program, technical studies and permitting activities.

As at March 31, 2011, total liabilities were $5.0 million compared to $5.6 million as at December 31, 2010. They primarily consist of liabilities assumed on the acquisition of the Oracle Ridge copper project, which includes promissory notes payable of approximately $3.2 million. In January 2011, the Company settled the total liability outstanding for the purchase of land adjacent to the Oracle Ridge property for $0.6 million.

Summary of Quarterly Results

The following table presents our quarterly results of operations for each of the last eight quarters.

In thousands of US Dollars except for per share amounts	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009	Sept 30, 2009	June 30, 2009
Sales revenue	-	-	-	-	-	-	-	-
Interest income	25	23	16	12	12	4	1	1
Net (loss) gain for the period	(3,928)	(1,665)	1,674	(1,986)	793	22,126	(4,071)	(7,236)
Basic and diluted (loss) gain per share	(0.13)	(0.02)	0.34	(0.16)	0.06	2.08	(0.50)	(0.66)

The financial results for the periods ending prior to January 1, 2010 have been prepared in accordance with Canadian GAAP and have not been restated to IFRS.

Net loss for the three months ended March 31, 2011 was $3.9 million compared to net income of $0.8 million for the same period in 2010. The difference reflects the Company's commencement of the Oracle Ridge copper mine development program with the ultimate goal of reopening the mine for operations.

Significant expenses in Q1 2011 include share-based payments of $0.7 million, general and administrative expenses of $1.0 million, and exploration and evaluation expenditures of $2.1 million as discussed above.

4. OUTLOOK

Major steps in the Company's development process include preparation of a NI 43-101 compliant report outlining reserves and resources, preparation of an economic design and feasibility study, obtaining regulatory permits and approvals for operation, rehabilitating the mine, constructing processing facilities and obtaining mining equipment.

The confirmation drill program at the Oracle Ridge Copper Mine is advancing on schedule with 12 holes completed to date. Assay results have been received for seven of the holes with more assays expected in the near future. To date, the results compare favourably with the historic assays and are within expectations.

Management continues to evaluate additional investment opportunities that will deliver value to Gold Hawk's shareholders by combining its assets of cash, an experienced mine operations team and a near-producing asset with a company or project that has a quality producing or near-producing mining property.

5. RISKS AND UNCERTAINTIES

Continuing operations

At March 31, 2011 the Company had cash and cash equivalents of $21.8 million, working capital of $20.1 million, and long-term debt of $3.0 million. Future financial needs and the continuity of the entity as a going concern will be dependent on the Company's ability to develop the Oracle Ridge copper property into a profitable operating mine. The Company's current working capital is sufficient to fund operations for the next 12 months, however, the Company will require significant funding in the future to complete development of the Oracle Ridge copper project.

Industry and economic factors affecting the Company's performance

a) Exploration and development

The business of exploration and development for minerals and mining involves a high degree of risk. Few exploration properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides, and the inability to obtain suitable or adequate machinery, equipment, or labour are other risks involved in the conduct of exploration programs. The Company from time to time augments its internal exploration and operating expertise with advice from consultants and others as required. The economics of developing mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined, and fluctuations in the price of any minerals produced.

b) Titles to property

While the Company has diligently investigated title to the various properties in which it has an interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer or native or government land claims, and title may be affected by undetected defects.

c) Permits and licenses

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations at its projects.

d) Metal prices

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities, and worldwide production levels. The effect of these factors cannot be accurately predicted.

e) Competition

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

f) Environmental regulations

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving toward stricter standards in which enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

g) Conflicts of interest

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

h) Stage of development

The Company does not have a history of earnings or the provision of return on investment, and in the future there is no assurance that it will produce revenue, operate profitably, or provide a return on investment.

i) Industry conditions

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls, or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

j) Uninsured hazards

Hazards, such as unusual geological conditions, are involved in exploring for and developing mineral deposits. The Company may become subject to liability for pollution or other hazards, which cannot be insured against, or against which the Company may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Company assets or the insolvency of the Company.

k) Future financing

Completion of future programs may require additional financing, which may dilute the interests of existing shareholders.

l) Key employees

Management of the Company rests on a few key officers, the loss of any of whom could have a detrimental effect on its operations.

6. LIQUIDITY AND CAPITAL RESOURCES

The Company's condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. The Company's future liquidity will depend upon its ability to develop and finance future profitable business opportunities.

	As at			
In thousands of US$	**Mar 31, 2011**	**Dec 31, 2010**	**Mar 31, 2010**	**Mar 31, 2009**
Cash and cash equivalents	$ 21,769	$ 25,406	$ 1,281	$ 2,836
Restricted cash	-	-	2	277
Working capital	20,115	22,624	(24,327)	(3,700)

Cash and cash equivalents as at March 31, 2011 were $21.8 million compared to $25.4 million as at December 31, 2010. Working capital was $20.1 million as at March 31, 2011, as compared to working capital of $22.6 million as at December 31, 2010. The decrease in both cash on hand and working capital was primarily due to funding the development activities at the Oracle Ridge copper mine.

Cash on hand as at June 1, 2011 and expected cash flows for the next 12 months are sufficient to fund the Company's ongoing operational needs.

Investing activities

During the quarter ended March 31, 2011, the Company invested approximately $210,000 on plant and equipment. There were no material investing activities in the 2010 comparative period.

Financing activities

During the quarter ended March 31, 2011, the Company did not undertake in any significant financing activities. There were no material financing activities in the 2010 comparative period.

Contingencies, commitments and liabilities

As at March 31, 2011 the anticipated cash payments required to satisfy the Company's commitments and liabilities are as follows:

In thousands of US$	**Total**	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**After 5 years**
Accounts payable and accrued liabilities	$ 1,025	$ 1,025			-
Notes payable	3,209	1,000	2,209		
Other long term liability	799		799		
Other lease commitments	428	239	189	-	-
Total	**$ 5,461**	**$ 2,264**	**$ 3,197**	**-**	**-**

Promissory Notes Payable

As part of the acquisition of Oracle Ridge, the Company assumed promissory notes payable in US dollars that were secured by the Oracle Ridge copper property. The schedule of the US dollar principle payment amounts and maturity dates of the notes as at March 31, 2011 are as follows:

Principal (US$)	Maturity date
$500,000	May 2, 2011[1]
$500,000	October 31, 2011[1]
$500,000	April 27, 2012[1]
$806,500	October 21, 2012[1]
$500,000	October 21, 2013[2]
$2,806,500	

[1] The notes bear interest until repaid at 8% per annum and interest is not payable until October 21, 2012.
[2] The note bears interest at 8% per annum and the interest is payable when the note comes due on October 21, 2013.

A promissory note payable maturing on May 2, 2011 was settled by the Company subsequent to the quarter ended March 31, 2011.

Other Long term liability

As part of the acquisition of Oracle Ridge, 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 the construction of the road by June 2011, the Company is liable for the $500,000 and this amount will be added to the principle of the Company's 2013 promissory notes payable and will come 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.

Oracle Ridge

As part of the share purchase agreement for Oracle Ridge, there is a clause whereby if the seller of Oracle Ridge is required to pay U.S. federal capital tax at a higher rate than 15%, the Company is required to offset the cost of the additional tax up to the equivalent of a U.S. federal capital tax rate of 25%, or US$470,800. U.S. federal capital tax rates have been frozen at 15% through December 31, 2012; therefore no additional taxes will be owed by the seller on the 2012 promissory notes payable. It is uncertain as to whether U.S. federal capital taxes will be raised in 2013 and therefore any additional consideration in relation to the 2013 notes is not determinable at this time.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Proposed Transactions

As is typical of the mineral exploration and development industry, Gold Hawk is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, other current liabilities, promissory notes payable and other long-term liabilities. The Company has exposures to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principle financial risks to which the Company is exposed are interest rate risk, foreign currency risk, credit risk and liquidity risk.

In management's opinion, the Company is not exposed to significant interest rate or credit risk arising from these financial instruments, with the exception of promissory notes denominated in US dollars, on which the Company could be exposed to a foreign exchange risk. The Company also has cash and certain liabilities denominated in US dollars. As a result, the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates. At March 31, 2011, with other variables unchanged, a 10% change in the US dollar/Canadian dollar exchange rate would impact pre-tax earnings by $0.1 million.

Transactions with Related Parties

(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 exchange amount which was the consideration established and agreed to by the related parties.

(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 end March 31	
	2011	2010
Salaries and directors' fees	**$ 462**	$ 252
Share-based payment	**66**	477
	$ 978	$ 729

[1] Salaries and directors' fees include consulting and management fees in section (a).
[2] Share-based payments are the fair value of options that have been granted to directors and key management personnel.

Capitalization

As at June 1, 2011, the Company had the following issued and outstanding common shares and unexercised stock options and warrants:

	Shares and Potential Shares
Common shares outstanding	31,372,170
Stock options (average exercise price C$2.02)	2,674,000
Warrants (average exercise price C$1.75)	123,800
Total common shares and potential common shares	34,169,970

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

7. INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

There have been no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

8. CRITICAL JUDGEMENTS AND ESTIMATES

These unaudited condensed consolidated interim financial statements are prepared in accordance with IFRS. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

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 (see below), that have the most significant effect on the amounts recognized in the Company's consolidated 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.

Certain of our accounting policies are recognized as critical because they require management to make estimates and assumptions about matters that are inherently uncertain. Our critical accounting policies and estimates relate to:

- The recoverability of amounts receivable and prepayments;
- Impairment of non-financial assets;
- The estimated fair value of short-term investments;
- The estimated useful lives of property, plant and equipment and the related depreciation;
- The inputs used in accounting for share-based compensation expense; and
- Accrued and contingent liabilities.

For a summary of significant accounting policies, please refer to Note 3 of the condensed consolidated interim financial statements.

Management believes it has made estimates that best reflect the facts and circumstances, however, actual results may differ from estimates.

9. TRANSITION TO IFRS

IFRS represents standards and interpretations approved by the International Accounting Standards Board ("IASB"), and are comprised of IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") or the former Standing Interpretations committee ("SICs").

Effective January 1, 2011, the Company prepares its financial statements in accordance with IFRS. The comparative financial information of 2010 in the MD&A has also been restated to conform with IFRS. This MD&A should be read in conjunction with Note 17 "Transition to International Financial Reporting Standards" of the Company's unaudited condensed consolidated interim financial statements for the quarter ended March 31, 2011.

To transition from Canadian GAAP to IFRS, the main adjustments include:

a) Share-based payments: Under Canadian GAAP the Company's policy was to calculate the fair value of stock-based awards with graded vesting as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period. With 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.

b) 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 is 15%. Under Canadian GAAP available-for-sale ("AFS") investments are recorded at cost unless the AFS equity instrument was quoted in an active market. The investment in CMSJ was recorded at its cost of $nil at January 1, 2010. IFRS requires such investments 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.

c) Acquisition of Oracle Ridge: According to Canadian 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. Under 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.

10. FORWARD-LOOKING INFORMATION

This document may contain "forward-looking statements" within the meaning of Canadian securities legislation. These forward-looking statements are made as of the date of this document and the Company does not intend, and does not assume any obligation, to update these forward-looking statements. Forward-looking statements relate to future events or future performance and reflect management of the Company's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.