Gold Hawk Resources Inc.

Interim Consolidated Financial Statements

Three Months Ended March 31, 2008

(In Canadian Dollars, unless otherwise noted)

The attached interim consolidated financial statements have been prepared by the Management of Gold Hawk Resources Inc. and have not been reviewed by our auditor.

Gold Hawk Resources Inc.

Consolidated Balance Sheets *(Unaudited)*

	Mar 31, 2008	Dec 31, 2007
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,893,476	$ 2,262,895
Restricted cash (Note 3)	283,714	144,796
Accounts receivable (Note 4)	3,726,913	2,865,817
Inventory (Note 5)	2,785,683	1,715,938
Derivative instruments (Note 9)	697,915	934,568
Prepaid expenses	224,736	180,081
	10,612,437	8,104,095
Mineral properties, plant and equipment (Note 6)	39,325,301	37,921,278
	$ 49,937,738	**$ 46,025,373**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 4,772,285	$ 2,824,582
Derivative instruments (Note 9)	599,029	579,882
Current portion capital lease obligation (Note 10)	98,892	98,582
Loan payable (Note 11)	8,707,709	4,727,999
Current portion of asset retirement obligation (Note 12)	208,818	201,657
	14,386,733	8,432,702
Capital lease obligation (Note 10)	7,347	28,134
Asset retirement obligation (Note 12)	12,023,923	11,356,495
	26,418,003	19,817,331
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	53,466,531	52,509,731
Warrants	599,731	898,330
Contributed surplus	2,151,174	2,075,337
Accumulated other comprehensive income	1,216,763	907,882
Deficit	(33,914,464)	(30,183,238)
	23,519,735	26,208,042
	$ 49,937,738	**$ 46,025,373**

Going Concern (Note 1)

The accompanying notes are an integral part of these interim consolidated financial statements.

Approved on Behalf of the Board of Directors:

("Signed") Richard Godfrey, Director

("Signed") Gordon Bub, Director

Gold Hawk Resources Inc.

Consolidated Statements of Loss and Comprehensive Loss *(Unaudited)*
For the Three Months Ended March 31, 2008 and 2007

	Three Months Ended	
	Mar 31, 2008	**Mar 31, 2007**
Revenue		
Sales	$ 2,703,855	$ -
Operating costs		
Cost of Sales	3,912,323	-
Depreciation and depletion	1,075,529	-
Accretion of asset retirement obligation (Note 12)	258,510	-
Loss from mining operations	(2,542,507)	-
General and administration expenses (Note 14)	756,296	575,330
Stock-based compensation cost (Note 13)	75,837	24,170
General exploration	28,832	44,308
Accretion of asset retirement obligation (Note 12)	-	289,385
Loss from operations	(3,403,472)	(933,193)
Other expenses (income)		
Foreign exchange (gain) loss	(464,949)	188,264
Interest and bank charges	484,785	(82,954)
Loss (gain) on derivative instruments (Note 9)	307,918	(327,361)
Gain on disposal of marketable securities	-	(11,173)
Net loss for the period	**$ (3,731,226)**	**$ (699,969)**
Basic and diluted loss per share	$ (0.02)	$ (0.01)
Weighted average number of shares outstanding	169,613,573	148,416,600

Consolidated Statements of Comprehensive Loss	Three Months Ended	
	Mar 31, 2008	**Mar 31, 2007**
Net loss	$ (3,731,226)	$ (699,969)
Other comprehensive income:		
Foreign currency translation adjustment	308,881	(7,630)
Comprehensive loss:	**$ (3,422,345)**	**$ (707,599)**

The accompanying notes are an integral part of these interim consolidated financial statements.

Gold Hawk Resources Inc.

Consolidated Statements of Cash Flows *(Unaudited)*
For the Three Months Ended March 31, 2008 and 2007

	Mar 31, 2008	Mar 31, 2007
Operating activities		
Net loss for the year	$ (3,731,226)	$ (699,969)
Items not affecting cash:		
Stock-based compensation cost	75,837	24,170
Depreciation and depletion	1,079,106	17,900
Gain on disposal of marketable securities	-	(11,173)
Unrealized foreign exchange (gain) loss	(384,197)	184,804
Unrealized (gain) loss on derivative instruments	268,395	(327,361)
Accretion expense	258,510	289,385
	(2,433,576)	(522,244)
Net changes in non-cash components of working capital	57,007	(2,517,113)
Cash flows from operating activities	**(2,376,569)**	**(3,039,357)**
Financing activities		
Loan Proceeds	3,826,153	1,694,100
Promissory note from acquisition	-	(1,731,900)
Capital lease obligation	(24,441)	179,980
Exercise of Broker warrants and stock options	520,000	181,250
Cash flows from financing activities	**4,321,711**	**323,430**
Investing activities		
Addition to plant and equipment	(970,983)	(1,442,453)
Addition to mining properties	(594)	(104,984)
Asset retirement expenditures	-	(19,627)
Deferred exploration and development expenditures	(257,247)	(1,078,954)
Deposits on Equipment	-	2,504
Proceeds on disposition of marketable securities	-	54,673
Purchase of call options	-	(116,903)
Restricted cash required on investing activities	(138,918)	(1,466,533)
Cash flows from investing activities	**(1,367,742)**	**(4,172,277)**
Effect of exchange rate changes on Cash and Cash Equivalents	**53,180**	**-**
Net change in cash and cash equivalents	**630,581**	**(6,888,204)**
Cash and cash equivalents at beginning of period	2,262,895	12,489,884
Cash and cash equivalents at end of period	**$ 2,893,476**	**$ 5,601,680**
Additional information		
Interest paid	$ 69,207	$ 72,818

The accompanying notes are an integral part of these consolidated interim financial statements

Gold Hawk Resources Inc.

Consolidated Statements of Shareholders' Equity *(unaudited)*
For the Three Months Ended March 31, 2008 and 2007

	Share Capital (Number of Shares)	Share Capital (Amount)	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	**Total**
At January 01, 2007	147,921,044	40,770,842	967,000	983,600	811,387	(16,808,666)	**26,724,163**
Shares issued upon exercise of options	225,000	139,000	-	(58,580)	-	-	**80,420**
Units issued upon exercise of warrants	500,000	230,000	(105,000)	-	-	-	**125,000**
Foreign exchange translation adjustment	-	-	-	-	(7,630)	-	**(7,630)**
Net loss	-	-	-	-	-	(699,969)	**(699,969)**
At March 31, 2007	148,646,044	41,139,842	862,000	925,020	803,757	(17,508,635)	**26,221,984**
Private Placement	16,761,100	10,056,660	271,530	-	-	-	**10,328,190**
Share issue costs	-	-	-	-	-	(1,112,768)	**(1,112,768)**
Shares issued upon exercise of options	175,000	2,429	-	9,651	-	-	**12,080**
Units issued upon exercise of warrants	3,460,000	1,310,800	(235,200)	-	-	-	**1,075,600**
Stock based compensation	-	-	-	1,140,666	-	-	**1,140,666**
Foreign exchange translation adjustment	-	-	-	-	104,125	-	**104,125**
Net loss	-	-	-	-	-	(11,561,835)	**(11,561,835)**
At December 31, 2007	169,042,144	52,509,731	898,330	2,075,337	907,882	(30,183,238)	**26,208,042**
Units issued upon exercise of warrants	2,080,000	956,800	(436,800)	-	-	-	**520,000**
Warrants issued as a financing fee	-	-	138,201	-	-	-	**138,201**
Stock based compensation	-	-	-	75,837	-	-	**75,837**
Foreign exchange translation adjustment	-	-	-	-	308,881	-	**308,881**
Net loss	-	-	-	-	-	(3,731,226)	**(3,731,226)**
At March 31, 2008	171,122,144	$53,466,531	$ 599,731	$2,151,174	$ 1,216,763	$(33,914,464)	**$ 23,519,735**

The accompanying notes are an integral part of these consolidated interim financial statements

1. BASIS OF PRESENTATION AND GOING CONCERN

These consolidated financial statements include the accounts of Gold Hawk Resources Inc. ("Gold Hawk" or the "Company") and its direct and indirect wholly-owned subsidiaries Minas San Juan Ltd. (incorporated in the Commonwealth of the Bahamas), Compañia Minera San Juan (Peru) S.A. (incorporated in Peru) and Larizbeascoa & Zapata S.A.C. (incorporated in Peru). All significant inter-company transactions and balances have been eliminated.

These unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and on a basis consistent with those followed in the most recent annual consolidated financial statements, except as described in note 2. These interim consolidated financial statements do not include all note disclosures required by Canadian GAAP for annual financial statements, and therefore should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2007.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception including a net loss of $3,731,226 for the three months ended March 31, 2008, and has a working capital deficiency of $3,774,296 as at March 31, 2008. Although the Company achieved commercial production at the Coricancha Mine in Peru on October 1, 2007, it has not yet generated a profit from mining operations.

The Company's capability to continue as a going concern is dependent upon its ability to obtain additional debt or equity financing to meet its obligations as they come due, and to successfully achieve profitable operations in the future. If the Company were unable to continue as a going concern, then significant adjustments would be required to the carrying value of assets and liabilities, and to the balance sheet classifications used. On May 9, Gold Hawk temporarily suspended operations at its Coricancha Mine in Peru due to natural ground displacement in and around its tailings area (see Note 17).

The Company's cash flow has been adversely affected by the temporary suspension of mine operations at the Coricancha Mine and as part of the initial mitigation, management has initiated a strict cost control program. In spite of these cost control efforts, it is expected that cash on hand at May 30, 2008 will not be sufficient to fund the Company's needs for the near future. Management is currently reviewing several funding options including equity and debt financing and is in active discussions with its primary lenders (see Note 17).

Specifically, the Company has negotiated a "standstill" agreement with its primary lender that postpones all scheduled payments until October 1, 2008 and expects to complete a new US$2.0 million secured bridge loan with one of its existing lenders shortly. Proceeds of the loan will be used by the Company solely for expenditures related to its Coricancha Mine. The secured bridge loan lender conducted a recent on-site technical due diligence visit to the Coricancha Mine in Peru (see Note 11).

While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. With additional financing and the restart of production at the Coricancha Mine, the Company believes that it will have sufficient funds for working capital based on the Company's current mine plan and budget. Future cash flows generated will depend on volumes produced, commodity prices, exchange rates, the level of operating costs and other factors.

The preparation of financial statements in conformity with Canadian GAAP 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. Significant areas requiring the use of management estimates include the determination of asset retirement obligations, future income taxes, recoverability of mineral properties, plant and equipment and the fair values of net assets acquired in business combinations. Actual results could differ from those estimates.

2. CHANGES IN ACCOUNTING POLICIES

Accounting policies implemented effective January 1, 2008

On January 1, 2008, the Company adopted Section 1535, Capital Disclosures. This section establishes standards for disclosing information about an entity's objectives, policies, and processes for managing capital. This section has been adopted effective January 1, 2008. See Note 7 for additional details.

On January 1, 2008, the Company adopted Section 3031, Inventories, which provides more guidance on the measurement and disclosure requirements for inventories. Specifically the new pronouncement requires inventories to be measured at the lower of cost and net realizable value, and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The new section has been adopted effective January 1, 2008 and resulted in no material changes to the Company's financial position or results of operations.

On January 1, 2008, the Company adopted Section 3862, Financial Instruments – Disclosures ("Section 3862") and Section 3863, Financial Instruments – Presentation ("Section 3863"). Section 3862 requires disclosure of detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These sections have been adopted effective January 1, 2008. See Note 8 for additional details.

3. RESTRICTED CASH

As at March 31, 2008, $196,462 (December 31, 2007 $20,883) was on deposit in an interest-bearing account with the Company's lender as cash collateral under the terms of the Company's credit facility. It is to be used to fund future interest and principal payments under the Company's credit facility, as well as to provide security on certain derivative contracts (note 9) undertaken with the lender.

Previous to the quarter ended March 31, 2008, the Company's subsidiary entered into a capital lease for mining equipment for its Coricancha Mine. A compensating restricted cash balance of $87,252 (December 31, 2007 $123,913) was deposited by the Company in an interest-bearing GIC as security against the lease payments.

4. ACCOUNTS RECEIVABLE

	Mar 31, 2008	Dec 31, 2007
Receivable from sales	$ 309,405	$ -
Value added tax receivable	3,325,801	2,758,458
Other receivables	91,707	107,359
	$ 3,726,913	**$ 2,865,817**

5. INVENTORY

Inventories are valued at the lower of cost and net realizable value, and consist of:

	Mar 31, 2008	Dec 31, 2007
Consumable parts and supplies	$ 726,302	$ 544,570
In process and finished goods inventory	2,059,381	1,171,368
	$ 2,785,683	**$ 1,715,938**

As at March 31, 2008, in process and finished goods inventory of $2,059,381 is valued at net realizable value, which is lower than the cost of production.

6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

As at March 31, 2008	Cost	Accumulated depreciation and depletion	Net book value
Land	$ 116,395	$ -	$ 116,395
Plant and equipment	11,799,495	(1,164,098)	10,635,397
	$ 11,915,890	$ (1,164,098)	$ 10,751,792
Mineral properties and concessions	$ 19,758,537	$ (750,452)	$ 19,008,085
Deferred exploration and development costs	9,960,069	(394,645)	9,565,424
	$ 29,718,606	$ (1,145,097)	$ 28,573,509
Total	**$ 41,634,496**	**$ (2,309,195)**	**$ 39,325,301**

As at December 31, 2007	Cost	Accumulated depreciation and depletion	Net book value
Land	$ 112,403	$ -	$ 112,403
Plant and equipment	10,540,833	(638,551)	9,902,282
	$ 10,653,236	$ (638,551)	$ 10,014,685
Mineral properties and concessions	$ 19,080,991	$ (363,300)	$ 18,717,691
Deferred exploration and development costs	9,366,586	(177,684)	9,188,902
	$ 28,447,577	$ (540,984)	$ 27,906,593
Total	**$ 39,100,813**	**$ (1,179,535)**	**$ 37,921,278**

Coricancha Mine (Peru)

The Company's wholly-owned Coricancha Mine is located on a paved highway approximately 90 km due east of Lima, the capital city of Peru. The mine includes a 600 tonne per day concentrator and a BIOX® circuit for the recovery of gold and silver from the refractory ore. The Company purchased 100% of the Coricancha Mine in March 2006 and has since refurbished it and the Company declared commercial production on October 1, 2007.

Coricancha (Peru)	Interest (%)	Dec 31, 2007	Additions	Depletion	Translation adjustment (a)	Mar 31, 2008
Mineral properties and concessions	100	$ 8,251,248	$ 594	$ (166,269)	$ 292,993	**$ 8,378,566**
Asset retirement cost **(b)**	100	10,466,443	-	(204,105)	371,652	**10,629,519**
Deferred exploration costs	100	9,188,902	257,247	(207,013)	326,288	**9,565,424**
		$ 27,906,593	**$ 257,841**	**$ (577,387)**	**$ 990,933**	**$ 28,573,509**

(a) The March 31, 2008 balance has been adjusted to reflect the current rate translation of the Company's self-sustaining foreign operation.

(b) The fair value of assets acquired has been adjusted to reflect the fair value assessment of the mine closure costs, known as the Asset Retirement Obligation (note 12). The amount of the liability has been added to the fair value of the mining property acquired, and is adjusted to reflect changes in closure cost estimates.

For the three months ended March 31, 2008, capitalized interest was $Nil (Q1, 2007 – $134,086).

7. CAPITAL MANAGEMENT

The capital of the Company consists of the items included in shareholders' equity, short term credit facilities, and capital lease obligations. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient committed loan facilities to meet its short term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The Company's cash flow has been adversely affected by the temporary suspension of mine operations at Coricancha and management has initiated a strict cost control program. In spite of these cost control efforts, it is expected that cash on hand at May 30, 2008 will not be sufficient to fund the Company's needs for the near future. Management is currently reviewing several funding options including equity and debt financing and is in active discussions with its primary lenders.

Specifically, the Company has negotiated a "standstill" agreement with its primary lender that postpones all scheduled payments until October 1, 2008 and expects to complete a new US$2.0 million secured bridge loan with one of its existing lenders shortly. Proceeds of the loan will be used by the Company solely for expenditures related to its Coricancha Mine. The secured bridge loan lender conducted a recent on-site technical due diligence visit to the Coricancha Mine in Peru (see Note 11).

It is the Company's intention to replace all of its existing loan facilities with longer term financing prior to October 1, 2008.

While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. With additional financing under management consideration at this point, and the restart of production at the Coricancha Mine in the near future, the Company believes that it will have sufficient funds to fund working capital projected needs based on the Company's current mine plan and budget. Future cash flows generated will depend on volumes produced, commodity prices, exchange rates, the level of operating costs and other factors.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, restricted cash, receivables, accounts payable and accrued liabilities, loan facilities, capital lease obligations, and derivative instruments.

Cash and cash equivalents and restricted cash are designated as "held-for-trading" and measured at fair value. Receivables are designated as "loans and receivables". Accounts payable and accrued liabilities, loan facilities, and capital lease obligations are designated as "other financial liabilities". Derivative financial instruments are classified as "held-for-trading".

Financial assets and liabilities "held-for-trading" are measured at fair value with changes in those fair values recognized in net income. Financial assets and financial liabilities considered "loans and receivables" and "other financial liabilities" are measured at amortized costs.

(a) Market Risk

The significant market risk exposures to which the Company is exposed are commodity price risk, interest rate risk, and foreign exchange risk.

(b) Commodity price risk

The Company is exposed to price risk due to changes in commodity prices related to its production. To mitigate this anticipated risk, the Company uses derivative instruments including forward sales contracts and call options. See Note 9 for details of the Company's derivative instruments as at March 31, 2008.

(c) Interest rate risk

Currently the Company's liabilities are based on fixed and/or variable interest rates. The Company is exposed to interest rate risk on its variable rate debt facilities. Variable interest rates are based on the London Inter-bank Offered Rate ("LIBOR") plus a fixed margin. The Company does not enter into derivative contracts to manage this risk. See Note 11 for details of the Company's loan facilities as at March 31, 2008.

At March 31, 2008, with other variables unchanged, a 10% change in interest rates would impact pre-tax loss by $11,202.

(d) 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 Peru and a portion of its revenues and expenses are incurred in US dollars and/or Nuevo Soles. A significant change in the currency exchange rates between the Canadian dollar relative to the other currencies could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At March 31, 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Nuevo Soles:

	US Dollars	Nuevo Soles
Cash and cash equivalents	$ 2,321,465	$ 298,465
Restricted cash	276,390	-
Accounts receivable	320,054	8,961,315
Derivative instruments	96,333	-
Prepaid expenses	93,810	117,354
Accounts payable and accrued liabilities	(2,492,003)	(4,181,766)
Capital lease obligations	(103,497)	-
Loan payable	(8,482,912)	-
	$ (7,970,360)	**$ 5,195,369**

At March 31, 2008, with other variables unchanged, a 10% change in the USD/CAD exchange rate would impact pre-tax earnings by $818,157. Likewise, a 10% change in the Nuevo Soles/CAD exchange rate would impact pre-tax earnings by $194,637.

(e) Credit risk

The Company is exposed to credit risk through its cash and cash equivalents, restricted cash, and trade receivables on concentrate sales. The Company manages this risk by requesting advances of up to 95% of the value of the concentrate shipped as per the terms of its off-take agreement. The Company deposits cash and cash equivalents and restricted cash with high credit quality financial institutions, and enters into derivative instruments with a large, well diversified multinational. Credit risk is considered to be minimal. As at March 31, 2008, the Company's maximum exposure to credit risk was the carrying value of trade receivables and derivatives.

(f) Liquidity risk

The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient committed loan facilities to meet its short term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The Company's expected source of cash flow in 2008 will be the Coricancha Project, which achieved commercial production October 1, 2007, and future loan facilities. As the mine has limited history of operation there can be no assurance that the mine will generate positive cash flow and there can be no assurance that other sources of funding would be available. Failure to generate positive cash flow or obtain additional funding could result in the delay or indefinite postponement of the mining operations and further exploration and development of the Company's properties. As indicated in Note 7, the company is in the process of negotiating new financing and the restructuring of its current credit facility. Under the terms of its revised agreements being negotiated with lenders, the total of the debt would become payable on October 1, 2008. It is the Company's intention to replace all of its existing loan facilities with longer term financing prior to the loan becoming due (see Note 11).

Cash on hand at March 31, 2008, and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. Therefore, the Company will need funding through equity or debt financing, or a combination thereof.

9. DERIVATIVE INSTRUMENTS

The Company is exposed to price risk due to changes in commodity prices related to its production. To mitigate this anticipated risk, the Company uses derivative instruments including forward sales contracts and call options. The Company has not designated these derivative instruments as hedges and, accordingly, changes in fair value are recognized in the statement of operations under the caption "loss (gain) on derivative instruments".

Information regarding the Company's derivative instruments and estimated fair values as at March 31, 2008 are as follows:

		Nominal Volume		Average Price		Fair value at
	Maturity	**(tonnes)**	**(lbs)**	**US$/tonne**	**US$/lb**	**Mar 31, 2008**
Forward Sales Contracts						
Zinc	2008	1,350.0	2,976,240	$ 3,056	$ 1.39	679,863
Offsetting Forward Contracts						
Zinc Sale / Purchase	2008	500.0	1,102,312	$ 3,175 / $ 3,140	$1.44 / $1.42	17,784
Call Options						
Zinc	2008	450.0	992,080	$ 4,300	$ 1.95	268
Derivative instruments receivable and call premiums						$ 697,915
Forward Sales Contracts						
Lead	2008	1,125.0	2,480,201	$ 2,013	$ 0.91	(599,029)
Derivative instruments payable						$ (599,029)

The fair value of the derivative instruments has been estimated using market values as at March 31, 2008. The fair value represents the amount that the Company would either (pay) or receive to settle the contracts at March 31, 2008.

As at March 31, 2008, there is an unrealized mark-to-market loss of $261,466 (December 31, 2007 - $304,541) on the above outstanding derivative contracts. Subsequent to quarter end all derivative instruments were settled (see Note 17).

At March 31, 2008, with other variables unchanged, a 10% change in the forward prices of lead and zinc would impact pre-tax loss by $429,283.

Under the terms of its credit facilities, the Company assigned its rights under these derivative contracts to the lender as security for the facility.

10. CAPITAL LEASE OBLIGATIONS

	Mar 31, 2008	**Dec 31, 2007**
Total capital lease obligations	$ 106,239	$ 126,716
Less: current portion of capital lease obligations	98,892	98,582
	$ 7,347	**$ 28,134**

Capital lease obligation relates to passenger vehicles and mining equipment for the Coricancha Mine.

11. LOAN PAYABLE

	Mar 31, 2008	Dec 31, 2007
Revolving loan facility (Tranche A and B)	$ 5,628,209	$ 4,727,999
Bridge loan facility	3,079,500	-
Less: current portion	8,707,709	4,727,999
	-	-

As at March 31, 2008, $3,849,375 (US$3,750,000) (December 31, 2007 US$3,333,333) was drawn on the revolving loan facility (Tranche A), and $1,924,688 (US$1,875,000) (December 31, 2007 US$1,666,667) was drawn on the non-revolving loan facility (Tranche B). The facilities bear interest at LIBOR + 3.5% and 4.5% for Tranche A and B, respectively. Financing costs of $145,854 previously deferred have been offset against the loan payable and are being amortized on a straight line basis over the term to maturity. In accordance with the refinancing plan initiated in November 2007, a Loan Supplemental Agreement was signed and US$1,250,000 was redrawn on Tranches A and B (US$833,333 and US$416,667 respectively) on February 20, 2008. Further principal repayments were suspended and rescheduled for combined equal monthly principal repayments of US$937,500 due on May 1, 2008 and monthly thereafter, with the final principal repayment due on October 1, 2008. The lender provided the Company with a waiver letter to defer the May 1, 2008 principal repayment until June 2, 2008. On June 2, 2008, the Company made its US$937,500 scheduled repayment of its current short-term debt. The loans may be repaid at anytime without penalty.

A new bridge loan tranche was created within the original US$10 million facility to allow the Company to draw US$3 million for working capital and expenditures related to its Coricancha Mine, while the refinancing was in progress. The Company paid a cash fee upon closing of the bridge loan tranche equal to 2.917% of the proceeds, and the loan will bear interest at a rate of 13% per annum. The funds are available for draw-down in minimum increments of US$1,000,000 with each draw-down bearing a fee of 1% payable at the time of such draw-down. In connection with the bridge loan, the Company issued the Lender Warrants to purchase 1,400,000 shares at an exercise price of $0.468 per share, with the warrants expiring on March 12, 2009.

On March 12, 2008, US$3 million was drawn on the bridge loan tranche and is due no later than October 1, 2008.

During the first quarter, the Company was in the process of refinancing its current credit facility to increase the total available funding for expenditures related to the Coricancha Mine. Due to the suspension of operations at the mine (see Note 17), the refinancing process has been suspended while the Company evaluates other financing options.

Management is currently reviewing several funding options including equity and debt financing and is in active discussions with its primary lenders. Specifically, the Company has negotiated a "standstill" agreement with its primary lender that postpones all scheduled payments until October 1, 2008 and expects to complete a new US$2.0 million secured bridge loan with one of its existing lenders shortly. Proceeds of the loan will be used by the Company solely for expenditures related to its Coricancha Mine. The secured bridge loan lender conducted a recent on-site technical due diligence visit to the Coricancha Mine in Peru.

It is the Company's intention to replace all of its existing loan facilities with longer term financing prior to the loan becoming due.

12. ASSET RETIREMENT OBLIGATION

The asset retirement obligation represents the legal and contractual obligations associated with the reclamation and monitoring activities and the removal of tangible assets at the Corporation's Coricancha Mine in Peru. The Company has recorded the following asset retirement obligations:

		Amount
Balance, December 31, 2007	$	11,356,495
Accretion expense		258,510
Cash payments		39,956
Effect of translation of foreign currencies		577,780
Balance, March 31, 2008	**$**	**12,232,741**
Less: current portion		208,818
	$	**12,023,923**

The estimated future cash flows have been discounted using a credit-adjusted risk-free rate of 9.0%. As the liability is initially recorded on a discounted basis, it is increased each period until the estimated date of settlement. The resulting expense is referred to as accretion expense and is included in the results from operations.

The estimated future cash flows for the mine closure obligation, on an undiscounted basis, are expected to be paid in various stages over the life of the mine through 2013 and beyond:

Assumed Mine or Closure Year	Undiscounted cash flows for mine closure
2008 – 2013	$2,737,803 (US$2,667,124)
2014 – 2016	$8,390,555 (US$8,173,945)
2017 – 2021	$6,351,669 (US$6,187,695)
Post 2021	$1,112,847 (US$1,084,118) per year

The mine closure obligation, on an undiscounted basis, has been calculated on the basis of an estimated remaining life of mine of six years. Like most underground mines, the proven and probable reserves are limited, not because of a lack of resources, but due to the cost of proving up large quantities of resources to reserves. There are considerable measured, indicated, and inferred resources available at the Coricancha Mine at this time, and it is Managements' opinion that a significant portion of these resources will be converted into the proven and probable categories as the mine's development progresses. The six year life of mine used for estimating the asset retirement obligations is based on an estimated conversion of 33% of these resources into proven and probable reserves.

13. SHARE CAPITAL

(a) Authorized:

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

(b) Issued:

Changes in the Company's share capital during the three months ended March 31, 2008 were as follows:

	Number of shares		Amount
Balance, January 01, 2007	147,921,044	$	40,770,842
For cash received from the exercise of stock options	400,000		92,500
For cash received from the exercise of warrants	3,960,000		1,200,600
For cash received from private placements	16,761,100		10,056,660
Transferred to share capital upon exercise of options and broker warrants			389,129
Balance, December 31, 2007	169,042,144	$	52,509,731
For cash received from the exercise of warrants	2,080,000		520,000
Transferred to share capital upon exercise of options and broker warrants			436,800
Balance, March 31, 2008	171,122,144	$	53,466,531

(c) Stock option plan

On October 26, 2007, the Company's Board of Directors approved a new stock option plan (The "2007 Plan") and cancelled the previous plan (The "2006 Plan"). With the cancellation of the 2006 Plan, 285,000 unexercised options were transferred to the 2007 Plan. The maximum number of common shares issuable under the 2007 Plan, including the preceding options, is 12,000,000 common shares. Stock options granted to employees 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. Under the 2007 Plan stock options granted have a maximum term of five years.

A summary of the Company's stock options outstanding as at March 31, 2008 and the changes for the three months then ended are as follows:

	Directors and officers	Employees and a consultant	Total Number of options		Weighted average exercise price per share
Balance, December 31, 2007	7,910,000	370,000	8,280,000	$	0.48
Granted	500,000	-	500,000		0.49
Balance, March 31, 2008	**8,410,000**	**370,000**	**8,780,000**	**$**	**0.48**

The following table summarizes information about common share purchase options outstanding, granted to officers, directors, employees and a consultant of the Company as at March 31, 2008:

Number of stock options outstanding	Number of stock options exercisable	Option Exercise price ($)	Expiry date (Month-Yr)
75,000	75,000	0.25	July-08
1,230,000	1,230,000	0.40	November-08
175,000	175,000	0.30	May-09
200,000	200,000	0.15	August-10
925,000	925,000	0.48	April-11
500,000	333,334	0.43	April-11
250,000	250,000	0.38	June-11
1,000,000	666,667	0.35	July-11
350,000	233,334	0.39	August-11
135,000	111,667	0.43	November-11
160,000	120,000	0.52	December-11
200,000	133,333	0.54	March-12
1,055,000	1,055,000	0.69	June-12
530,000	176,667	0.64	July-12
150,000	50,000	0.60	August-12
345,000	115,000	0.52	October-12
1,000,000	1,000,000	0.53	October-12
500,000	166,666	0.49	February-13
8,780,000	**7,016,668**		
0.48	**0.47**	**Weighted average exercise price**	

(d) Stock Based Compensation

During the three months ended March 31, 2008, the Company granted 500,000 stock options to an officer of the Company at $0.49 valid for 5 years. An amount of $75,837 was charged as an expense in recognition of stock-based compensation, based on the vesting schedule for the options granted.

The fair value of each option granted 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:

	Mar 31, 2008	Dec 31, 2007
Assumptions:		
Risk-free interest rate (%)	3.42	4.42
Expected life (years)	5.0	5.0
Expected volatility (%)	75	77
Expected dividend	Nil	Nil
Results:		
Weighted average fair value of options granted *(per option)*	$0.49	$0.45

(e) Share Purchase Warrants

The Company's warrants outstanding at March 31, 2008 and the change for the three months then ended are as follows:

	Number of warrants		Average price of warrants
Balance, January 01, 2007	7,140,000	$	0.31
Issued to agents on brokered financing	1,508,499		0.60
Exercised and converted to Common shares	(3,960,000)		0.30
Balance, December 31, 2007	4,688,499	$	0.42
Issued to lender on financing	1,400,000		0.47
Exercised and converted to Common shares	(2,080,000)		0.25
Balance, March 31, 2008	4,008,499	**$**	**0.52**

On March 12, 2008, the Company issued 1,400,000 warrants exercisable at a price of $0.468 per share exercisable for a period of one year. The warrants were issued in connection with the bridge loan (Note 11) and had a fair value at the date of grant of $0.10 per warrant. The Company determined the fair value of the warrants based upon a Black-Scholes model using the following assumptions: expected life of 12 months, expected volatility 53.32%, risk free interest rate 2.85%, dividend yield of 0%.

Upon the exercise of 2,080,000 Broker warrants, $436,800 previously recorded as warrants in shareholder's equity was transferred to share capital.

Details of outstanding warrants as at March 31, 2008 are as follows:

Number of warrants		Exercise price	Expiry date
500,000		0.45	Sep 8, 2008
600,000		0.50	Sep 14, 2008
1,400,000		0.47	Mar 12, 2009
1,508,499		0.60	Aug 15, 2009
4,008,499	**$**	**0.52**	

14. GENERAL AND ADMINISTRATION EXPENSES

	Three Months Ended	
	Mar 31, 2008	Mar 31, 2007
Capital tax	$ 24,714	$ -
Filing costs and shareholders' information	31,363	18,926
Insurance	9,891	37,824
Meals and entertainment	5,202	2,250
Miscellaneous	46,182	6,682
Office expenses	18,188	28,742
Professional and consulting fees	98,154	84,262
Rent	23,076	18,554
Salaries and benefits	409,942	220,118
Security	-	57,588
Telecommunications	18,329	5,186
Travel	71,255	95,198
	$ 756,296	**$ 575,330**

Security expenses primarily consist of contracted non-employee security workers at the Coricancha Mine and processing plant sites. At commencement of commercial operations (October 1, 2007), these costs, which had previously been considered general and administrative expenses, were classified as cost of sales.

15. RELATED PARTY TRANSACTIONS

There were no related party transactions in the three months ended March 31, 2008 and 2007.

16. COMMITMENTS

(a) Lease Commitments

The Company has commitments under various office, vehicle and equipment lease agreements, with minimum future payments as follows:

	Amount
2008	$ 137,243
2009	98,237
2010	19,005
2011	-
Total	**$ 254,485**

Other

The Company has signed a ten year electricity contract for power supply to its Coricancha Mine and a two-year term gold-stripping contract.

The Company is obligated to pay a royalty of US$1 per ounce of gold processed by its BIOX® plant.

17. SUBSEQUENT EVENTS

(a) Concentrate Off-take Customer

Subsequent to quarter end, an accounts receivable balance of approximately US$263,200 with a previous off-take customer was settled. The Company signed an agreement to accept a compensating balance of US$130,000 to close off the account. The balance originates from both final settlement of 2007 invoices (US$82,800) and from new sales during the first quarter (US$ $181,200). An allowance of US$133,200 is recorded in these statements to reflect the final settlement.

(b) Derivative Instruments

On May 27, the Company's derivative instruments were settled at a realized gain of $348,175 (US$350,523).

(c) Temporary Suspension of Crushing and Milling Operations

On May 9, Gold Hawk temporarily suspended operations at its Coricancha Mine in Peru due to natural ground displacement in and around its tailings area. Following an initial assessment performed by a senior engineering and geotechnical consulting firm, the Company was advised that due to the limited monitoring data set collected to date, more data will be required to make a decision regarding future actions. The Company was also advised that based on the available information collected to date, and considering the actions already taken by the Company to control the displacement, it is unlikely that a major ground displacement could occur under current normal conditions.

As the extent and direction of the movement has not been accurately determined as yet, the precautionary measure of the temporary suspension of operations will continue until a potential remedy is determined.

The Company's cash flow has been adversely affected by the temporary suspension of mining operations at the Coricancha Mine and to mitigate this situation, management has initiated a strict cost control program. In spite of these cost control efforts, it is expected that cash on hand at March 31, 2008 will not be sufficient to fund the Company's needs for the next 12 months. Management is currently reviewing several funding options including equity and debt financing, or a combination thereof. Specifically, the Company has negotiated a "standstill" agreement with its primary lender that postpones all scheduled payments until October 1, 2008 and expects to complete a new US$2.0 million secured bridge loan with one of its existing lenders shortly. Proceeds of the loan will be used by the Company solely for expenditures related to its Coricancha Mine. The secured bridge loan lender conducted a recent on-site technical due diligence visit to the Coricancha Mine in Peru (see Note 11).

The loan will be repaid in full before or on October 1, 2008, and will be repaid with the proceeds of any debt or equity transactions, unless otherwise exempted at the Lender's discretion.