Gold Hawk Resources Inc.

Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2007

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

Gold Hawk Resources Inc.
Consolidated Balance Sheets

	September 30, 2007	Dec 31, 2006
ASSETS	*Unaudited*	*Audited*
Current Assets		
Cash and cash equivalents	$ 6,843,344	$ 12,441,295
Restricted Cash (Note 3)	1,822,414	48,589
Marketable securities	-	43,500
Accounts receivable (Note 4)	3,361,945	976,099
Inventory (Note 5)	737,133	209,958
Current portion of deferred financing costs	314,772	464,467
Derivative instruments (Note 7)	23,376	406,602
Prepaid expenses	160,291	108,762
	13,263,275	14,699,272
Deferred financing costs	-	265,162
Deposits	-	667,071
Mineral properties, plant and equipment (Note 6)	39,128,529	32,605,293
	$ 52,391,804	**$ 48,236,798**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,934,543	$ 2,259,324
Promissory Note Payable	-	1,748,100
Derivative instruments (Note 7)	1,824,225	342,631
Current portion capital lease obligation (Note 8)	97,528	21,178
Current portion of loan payable (Note 9)	7,461,000	1,019,725
Current portion of asset retirement obligation (Note 10)	453,997	195,962
	12,771,293	5,586,920
Capital lease obligation (Note 8)	53,500	21,178
Loan payable (Note 9)	-	3,059,175
Asset retirement obligation (Note 10)	11,319,919	12,845,362
	24,144,712	21,512,635
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	51,714,131	40,770,842
Warrants (Note 11)	898,330	967,000
Contributed surplus (Note 12)	1,691,871	983,600
Accumulated other comprehensive income (Note 13)	926,874	811,387
Deficit	(26,984,114)	(16,808,666)
	28,247,092	26,724,163
	$ 52,391,804	**$ 48,236,798**

Continuing Operations (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 Deficit and Comprehensive Loss

For the Three and Nine Months Ended September 30, 2007 and 2006 *(Unaudited)*

	Three Months Ended		Nine Months Ended	
	Sept 30, 2007	Sept 30, 2006	Sept 30, 2007	Sept 30, 2006
Revenue				
Interest income	$ 64,946	$ 23,704	$ 214,254	$ 63,386
Expenses				
General and administration expenses (Note 14)	544,955	252,871	1,517,955	466,697
Professional and consulting fees	38,798	39,073	186,112	180,546
General exploration	2,704	187,977	77,591	248,291
Filing costs and shareholders' information	9,934	29,231	74,478	47,077
Stock-based compensation cost (Note 11)	204,030	110,330	757,200	530,580
Depreciation	3,261	2,906	9,170	6,183
Foreign exchange loss	1,754,217	(105,709)	3,600,576	(85,757)
Interest and bank charges	32,490	-	64,063	9,407
Unrealized loss on derivative instruments (Note 7)	553,018	-	1,765,665	-
Realized loss on derivative instruments	231,547	-	417,080	-
Gain on disposal of marketable securities	(444)	(43,500)	(11,617)	(43,500)
Write down of mineral properties	-	-	-	4,824,743
Accretion of asset retirement obligation (Note 10)	257,994	-	818,661	-
	3,632,504	473,179	9,276,934	6,184,267
Net loss for the period	**$ (3,567,558)**	**$ (449,475)**	**$ (9,062,680)**	**$ (6,120,881)**
Deficit at beginning of period	$ (22,303,788)	$ (14,047,263)	$ (16,808,666)	$ (5,612,785)
Costs related to share issuance	(1,112,768)	(13,148)	(1,112,768)	(2,776,220)
Deficit at end of period	**$ (26,984,114)**	**$ (14,509,886)**	**$ (26,984,114)**	**$ (14,509,886)**
Basic and diluted loss per share	$ (0.02)	$ -	$ (0.06)	$ (0.07)
Weighted average number of shares outstanding	158,175,507	113,861,044	151,984,195	92,002,409

Consolidated Statements of Comprehensive Loss	Three Months Ended		Nine Months Ended	
	Sept 30, 2007	Sept 30, 2006	Sept 30, 2007	Sept 30, 2006
Net loss	$ (3,567,558)	$ (449,475)	$ (9,062,680)	$ (6,120,881)
Other comprehensive income (loss):				
Foreign currency translation income	141,064	-	115,487	-
Comprehensive loss:	**$ (3,426,494)**	**$ (449,475)**	**$ (8,947,193)**	**$ (6,120,881)**

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 and Nine Months Ended September 30, 2007 and 2006

	Three Months Ended		Nine Months Ended	
	Sept 30, 2007	**Sept 30, 2006**	**Sept 30, 2007**	**Sept 30, 2006**
Operating activities				
Net loss for the year	$ (3,567,558)	$ (449,475)	$ (9,062,680)	$ (6,120,881)
Items not affecting cash:				
Stock-based compensation cost	204,030	110,330	757,200	530,580
Depreciation of fixed assets	3,261	2,906	9,170	6,183
Gain on disposal of marketable securities	(444)	(43,500)	(11,617)	(43,500)
Unrealized foreign exchange loss	1,728,717	(80,100)	3,276,837	(96,325)
Write-off of mining assets	-	-	-	4,824,743
Unrealized loss on derivative instruments	553,018	-	1,765,665	-
Accretion expense	257,994	-	818,661	-
	(820,982)	(459,839)	(2,446,764)	(899,200)
Net changes in non-cash components of working capital	3,636	(274,667)	(2,289,332)	(418,767)
Cash flows from operating activities	**(817,346)**	**(734,506)**	**(4,736,096)**	**(1,317,967)**
Financing activities				
Loan Proceeds	-	2,240,000	4,357,600	2,240,000
Promissory note from acquisition	-	-	(1,731,900)	-
Deferred Financing Costs	(6,601)	(489,122)	(43,187)	(489,122)
Capital lease obligation	-	-	161,302	-
Exercise of Broker warrants and stock options	140,000	-	497,500	-
Issuance of share capital	10,056,660	-	10,056,660	16,250,000
Share issue expenses	(831,238)	(13,148)	(831,238)	(1,684,220)
Cash flows from financing activities	**9,358,821**	**1,737,730**	**12,466,737**	**16,316,658**
Investing activities				
Acquisition of Coricancha mine, net of cash acquired	-	(1,760,100)	-	(11,497,868)
Addition to plant and equipment	(509,974)	(433,874)	(3,120,950)	(1,010,872)
Addition to mining properties	1,723	(123,368)	(140,639)	(178,132)
Asset retirement expenditures	(57,668)	-	(99,687)	-
Deferred exploration and development expenditures	(4,091,444)	(458,072)	(8,798,776)	(731,269)
Deposits on Equipment	599,820	(286,210)	667,071	(286,210)
Proceeds on disposition of marketable securities	444	-	55,117	-
Purchase of call options	-	-	(116,903)	-
Restricted cash on investing activity security	(356,976)	-	(1,773,825)	-
Cash flows from investing activities	**(4,414,075)**	**(3,061,624)**	**(13,328,592)**	**(13,704,351)**
Net change in cash and cash equivalents	**4,127,400**	**(2,058,400)**	**(5,597,951)**	**1,294,340**
Cash and cash equivalents at beginning of period	2,715,944	3,935,244	12,441,295	582,504
Cash and cash equivalents at end of period	**$ 6,843,344**	**$ 1,876,844**	**$ 6,843,344**	**$ 1,876,844**
Additional information				
Interest paid	$ 210,515	$ -	$ 386,284	$ -
Broker warrants recorded as a share issue expense	-	-	271,530	1,092,000
Lender warrants recorded as deferred financing costs	-	90,000	-	90,000
Conversion of promissory note into share capital	-	-	-	413,895

Cash and cash equivalents consist of cash and cash equivalents

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 Nine Months Ended September 30, 2007 and 2006

	Share Capital (Number of Shares)	Share Capital (Amount)	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	**Total**
At December 31, 2005	46,967,377	$12,037,772	$ 172,500	$ 375,220	$ -	$ (5,612,785)	**$6,972,707**
Private Placement	65,000,000	16,250,000	1,092,000	-	-	-	**17,342,000**
Share issue costs	-	-	-	-	-	(2,778,469)	**(2,778,469)**
Shares issued upon exercise of warrants	34,060,000	12,085,400	(315,000)	-	-	-	**11,770,400**
Shares issued upon conversion of debt	1,893,667	397,670	(172,500)	-	-	-	**225,170**
Warrants issued as a financing fee	-	-	190,000	-	-	-	**190,000**
Stock based compensation	-	-	-	608,380	-	-	**608,380**
Accumulated other Comprehensive income	-	-	-	-	811,387	-	**811,387**
Net loss	-	-	-	-	-	(8,417,412)	**(8,417,412)**
At December 31, 2006	147,921,044	40,770,842	967,000	983,600	811,387	(16,808,666)	**26,724,163**
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	400,000	141,429	-	(48,929)	-	-	**92,500**
Units issued upon exercise of warrants	1,620,000	745,200	(340,200)	-	-	-	**405,000**
Stock based compensation	-	-	-	757,200	-	-	**757,200**
Accumulated other Comprehensive income	-	-	-	-	115,487	-	**115,487**
Net loss	-	-	-	-	-	(9,062,680)	**(9,062,680)**
At September 30, 2007	166,702,144	$51,714,131	$ 898,330	$1,691,871	$ 926,874	$(26,984,114)	**$ 28,247,092**

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

1. BASIS OF PRESENTATION AND MEASUREMENT UNCERTAINTY

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, 2006.

These consolidated financial statements have been prepared in accordance with GAAP 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 and is completing development of the Coricancha mine in Peru. The Company's ability to continue as a going concern is dependent upon its ability to successfully commence commercial production at the Coricancha mine, to obtain debt or equity financing to meet its obligations as they come due**,** and ultimately to achieve profitable operations in the future.

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

i) Effective January 1, 2007, the Company adopted the revised Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1506 "Accounting Changes", which requires that: (a) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and (c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting principles since the adoption of the revised standard.

ii) Effective January 1, 2007, the Company adopted the CICA Handbook Section 1530, "Comprehensive Income", Section 3251, "Equity", Section 3855, "Financial Instruments - Recognition and Measurement", Section 3861, "Financial Instruments - Disclosure and Presentation", and Section 3865, "Hedges". These new accounting standards, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the presentation and disclosure of shareholders' equity, recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Section 1530 establishes standards for reporting and presenting comprehensive income or loss, which is defined as the change in equity from transactions and other events from sources other than the Company's shareholders. Other comprehensive income or loss refers to items recognized in comprehensive income or loss that are excluded from net income calculated in accordance with generally accepted accounting principles such as unrealized gains or losses on available-for-sale investments. Amounts initially recorded to other comprehensive income or loss are reclassified to earnings when the financial instrument is derecognized or impaired.

Under these new standards, financial instruments are classified as one of the following: loans and receivables, held-to-maturity, held-for-trading, available-for-sale and other financial liabilities. Financial instruments will be measured on the balance sheet at amortized cost or fair value depending on the classification. Loans and receivables, held-to-maturity and other financial liabilities are accounted for at amortized cost. Held for trading and available-for-sale financial instruments are recorded at fair value on the balance sheet. Changes in fair value of held-for-trading financial instruments are recognized in earnings while changes in fair value of available-for-sale financial instruments are initially recorded in other comprehensive income or loss.

Effective January 1, 2007, the Company classified its cash equivalents as held-for-trading, which are measured at fair value with changes in fair value recognized in earnings. Accounts payable and accrued liabilities and loan payable are classified as other financial liabilities and are accounted for at amortized cost. Derivative instruments, including embedded derivatives, are classified as held-for-trading and recorded on the balance sheet at fair value unless exempted as a contract closely related to the Company's expected purchase, sale or usage requirements. Changes in the fair value of recognized derivative instruments are recorded in earnings unless the instruments are designated as hedging instruments pursuant to specific criteria. As at September 30, 2007, the Company has not designated any derivative instruments as hedging instruments.

At January 1, 2007, in accordance with the transitional provisions, the adoption of these standards relating to financial instruments resulted in the following change to the Company's financial statements:

- a change in terminology with reference to foreign currency gains and losses relating to self-sustaining foreign operations. Prior to the adoption of these standards, these unrealized gains and losses were classified and reported in the equity section of the balance sheet as a foreign currency translation adjustment. Prior year unrealized gains and losses are now classified and reported in the equity section of the balance sheet as accumulated other comprehensive gain (loss).

These standards have been adopted beginning January 1, 2007.

iii) Effective September 30, 2007, the Company established inventories for in-process and finished goods inventories, including ore concentrate and gold on carbon and in dore, which are all valued at the lower of average production cost or net realizable value. Production costs include the cost of raw materials, direct labor, mine-site overhead expenses and depreciation and depletion of mining interests.

3. RESTRICTED CASH

As at September 30, 2007, $1,662,251 (December 31, 2006 $48,589) 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 6) undertaken with the lender.

The Company's subsidiary entered into a capital lease for mining equipment totalling US$161,000 for its Coricancha mine. A compensating restricted cash balance of $160,163 was deposited by the Company in an interest bearing GIC as security against the lease payments.

4. ACCOUNTS RECEIVABLE

	Sept 30, 2007	Dec 31, 2006
Concentrate Sales	$ 771,146	$ -
Value Added Tax	2,508,781	832,258
Other	82,018	143,841
	$ 3,361,945	**$ 976,099**

5. INVENTORY

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

	Sept 30, 2007	Dec 31, 2006
Consumable parts and supplies	$ 455,803	$ 209,958
In process and finished goods inventory	281,330	-
	$ 737,133	**$ 209,958**

6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

As at September 30, 2007	**Cost**	**Accumulated depreciation**	**Net book value**
Land	$ 112,800		$ 112,800
Plant and equipment	10,012,193	(153,804)	9,858,389
Mineral properties and concessions	19,623,727		19,623,727
Deferred exploration and development costs	9,533,613		9,533,613
	$ 39,282,333	**$ (153,804)**	**$ 39,128,529**

As at December 31, 2006	**Cost**	**Accumulated depreciation**	**Net book value**
Land	$ 132,144	$ -	$ 132,144
Plant and equipment	7,734,165	(20,556)	7,713,609
Mineral properties and concessions	22,824,277	-	22,824,277
Deferred exploratin costs	1,935,263	-	1,935,263
	$ 32,625,849	**$ (20,556)**	**$ 32,605,293**

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 placed it into production. The Company declared commercial production subsequent to the quarter end, on October 1, 2007.

Coricancha (Peru)	**Interest (%)**	**Dec 31, 2006**	**Additions**	**Translation adjustment (a)**	**Sept 30, 2007**
Mineral properties and concessions	100	$ 22,824,277	$ 140,639	$ (3,341,189)	**$ 19,623,727**
Deferred exploration costs	100	1,935,263	7,881,648	(283,298)	**9,533,613**
		$ 24,759,540	**$ 8,022,287**	**$ (3,624,487)**	**$ 29,157,340**

(a) The September 30, 2007 balance has been adjusted to reflect the current rate translation of the Company's self sustaining foreign operation.

For the nine months ended September 30, 2007 capitalized interest was $430,331 (2006 – Nil).

7. FINANCIAL INSTRUMENTS, DERIVATIVES AND RISK MANAGEMENT

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 "unrealized loss (gain) on derivative instruments".

Information regarding the Company's derivative instruments and estimated fair values as at September 30, 2007 are as follows:

		Nominal Volume		**Average Price**		**Fair value at**
	Maturity	**(tonnes)**	**(lbs)**	**US$/tonne**	**US$/lb**	**Sept 30, 2007**
Forward Sales Contracts						
Lead	2007	470.0	1,036,387	$ 1,511	$ 0.69	(882,142)
Lead	2008	1,125.0	2,480,201	$ 2,013	$ 0.91	(1,411,521)
Zinc	2008	1,350.0	2,976,240	$ 3,056	$ 1.39	90,606
Offsetting Forward Contracts						
Zinc Sale / Purchase	2007	415.1	915,218	$ 3,784 / $ 2,908	$1.72 / $1.32	361,597
Zinc Sale / Purchase	2008	500.0	1,102,312	$ 3,175 / $ 3,140	$1.44 / $1.42	17,235
						$ (1,824,225)
Call Options						
Zinc	2007	340.1	749,880	$ 4,630	$ 2.10	-
Zinc	2008	450.0	992,080	$ 4,300	$ 1.95	23,376
						$ 23,376
					Derrivative instruments	$ (1,800,849)

The fair value of the derivative instruments has been estimated using market values as at September 30, 2007. The fair value represents the amount that the Company would either (pay) or receive to settle the contracts at September 30, 2007.

As at September 30, 2007, there is an unrealized mark-to-market loss of $1,765,665 (December 31, 2006 - $573,291) on the above outstanding derivative contracts.

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

8. CAPITAL LEASE OBLIGATIONS

	Sept 30, 2007	Dec 31, 2006
Total capital lease obligations	$ 151,028	$ 42,356
Less: current portion of capital lease obligations	97,528	21,178
	$ 53,500	**$ 21,178**

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

9. LOAN PAYABLE

	Sept 30, 2007	Dec 31, 2006
Revolving loan facility (Tranche A)	$ 7,461,000	$ 4,078,900
Less: current portion	7,461,000	1,019,725
	$ -	**$ 3,059,175**

As at September 30, 2007, $4,974,000 (US$5,000,000) (December 31, 2006 US$3,500,000) was drawn on a US$5 million revolving loan facility (Tranche A), and $2,487,000 (US$2,500,000) (December 31, 2006 Nil) was drawn on a US$5 million non revolving loan facility (Tranche B). The availability of the remaining Tranche B US$2,500,000 for the purpose of mining property acquisitions expired on September 7, 2007. The facilities bear interest at LIBOR + 3.5% and 4.5% for Tranche A and B, respectively, and mature on September 7, 2008. The first principal repayment date is on October 1, 2007, at which time, equal monthly principal repayments of US$625,000 are required with a final principal repayment due on September 7, 2008. The loans may be repaid at anytime without penalty.

The Company has signed a general security agreement with the lenders, and all of the Coricancha Mine assets held by the Company have been pledged as security for the loan facility.

On July 31, 2007, the Company entered into an agreement with one of its lenders whereby the lender agreed to provide a $2,984,400 (US$3 million) unsecured loan facility to the Company as a bridge loan. The funds were advanced against a promissory note from the Company in favour of the lender. The Company paid a cash fee upon funding of equal to 2% of the loan proceeds. Interest on the bridge Loan, during the period that it was outstanding, was at a rate of 12.5% per annum. Net proceeds of the bridge Loan were used for expenditures relating to ongoing development of the Coricancha Mine and general working capital purposes. The bridge loan was repaid on August 17, 2007, upon completion of the brokered private placement (see Note 10).

Subsequent to the quarter end, the Company signed an indicative term sheet to refinance its loan payable (see subsequent events).

10. ASSET RETIREMENT OBLIGATION

The asset retirement obligation consists of mine closure provisions as well as retirement obligations for processing facilities. The Company has recorded the following asset retirement obligations:

		Amount
Balance, December 31, 2006	$	13,041,324
Accretion expense		818,661
Cash payments		(99,687)
Effect of translation of foreign currencies		(1,986,382)
Balance, Sept 30, 2007	**$**	**11,773,916**
Less: current portion		453,997
	$	**11,319,919**

The estimated future cash flows for the mine closure obligation are expected to be paid in various stages over the life of the mine through 2012 and beyond. 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.

11. 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 nine months ended September 30, 2007 were as follows:

	Number of shares		**Amount**
Balance, December 31, 2006	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	1,620,000		405,000
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, September 30, 2007	166,702,144	$	51,714,131

During the quarter ended September 30, 2007, the Company closed a brokered private placement for 16,761,100 common shares at a price of $0.60 per share, for gross proceeds of $10,056,660. The Company paid the underwriter a cash fee on closing of $703,966 equal to 7% of the gross proceeds and issued them 1,508,499 broker warrants, equal to 9% of the number of common shares sold pursuant to the private placement. Each broker warrant entitles the underwriter to purchase one common share of the Company at $0.60 per share until August 16, 2009. Net proceeds of the private placement were also used for expenditures relating to ongoing development of the Coricancha Mine, general working capital purposes, and to repay the outstanding bridge loan from one of the Company's lenders (see Note 8).

(c) Stock option plan

On April 21, 2006, the Company's Board of Directors approved a new stock option plan (The "2006 Plan") and cancelled the previous plans. The maximum number of common shares issuable under the 2006 Plan is 8,000,000 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 2006 Plan stock options granted have a maximum term of five years.

A summary of the Company's stock options outstanding as at September 30, 2007 and the changes for the nine months then ended are as follows:

	Directors and officers	Employees and consultants	Total Number of options		Weighted average exercise price per share
Balance, December 31, 2006	5,080,000	355,000	5,435,000	$	0.38
Granted	1,905,000	30,000	1,935,000		0.66
Exercised	(175,000)	(225,000)	(400,000)		0.23
Expired		(35,000)	(35,000)		0.43
Balance, September 30, 2007	**6,810,000**	**125,000**	**6,935,000**	**$**	**0.47**

The following table summarizes information about common share purchase options outstanding, granted to officers, directors, employees and a consultant of the Company as at September 30, 2007:

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	66,666		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
6,935,000	**5,668,335**	**Weighted**	**0.47**	

(d) Stock Based Compensation

i) In March 2007, the Company granted 200,000 stock options to an officer of the Company at $0.54 valid for 5 years. Total stock compensation costs are $72,500 and are being amortized over the vesting period, including an amount of $24,170 charged as an expense for the nine months ended September 30, 2007. The weighted average of the estimated fair value of each option is $0.36.

ii) In June 2007, the Company granted 1,055,000 stock options to directors of the Company at $0.64 valid for 5 years. Total stock compensation costs are $479,000 and are charged as an expense for the nine months ended September 30, 2007. . The weighted average of the estimated fair value of each option is $0.45.

iii) In July 2007, the Company granted 530,000 stock options to a director and an employee of the Company at $0.64 valid for 5 years. The options granted to the director are in accordance with the employment contract negotiated while they were an officer of the Company. Total stock compensation costs are $222,600 and are being amortized over the vesting period, including an amount of $74,200 charged as an expense for the nine months ended September 30, 2007. The weighted average of the estimated fair value of each option is $0.42.

iv) In August 2007, the Company granted 150,000 stock options to an officer of the Company at $0.60 valid for 5 years. Total stock compensation costs are $58,500 and are being amortized over the vesting period, including an amount of $19,500 charged as an expense for the nine months ended September 30, 2007. The weighted average of the estimated fair value of each option is $0.39.

One third of the options granted to officers and employees vest immediately upon the date of grant, one third of the options vest 12 months from the date of grant and one third of the options vest 24 months from the date of grant. Options granted to directors vest on the grant date.

The fair value of options granted was estimated on the date of the grant using the Black-Scholes Option Pricing Model, with the following assumptions:

Number of Options Granted	**200,000**	**1,055,000**	**500,000**	**30,000**	**150,000**
Risk-free interest rate (%)	3.95%	4.66%	4.64%	4.61%	4.48%
Expected life (years)	5	5	5	5	5
Expected volatility (%)	81%	78%	76%	76%	76%
Expected dividend (%)	- %	- %	- %	- %	- %

(e) Share Purchase Warrants

The Company's warrants outstanding at September 30, 2007 and the change for the nine months then ended are as follows:

	Number of warrants		**Average price of warrants**
Balance, December 31, 2006	7,140,000	$	0.31
Issued to agents on brokered financing	1,508,499		
Exercised and converted to Common shares	(1,620,000)		0.25
Balance, September 30, 2007	7,028,499	$	0.39

Upon the exercise of 1,620,000 Broker warrants, $340,200 previously recorded as warrants in shareholder's equity was transferred to share capital.

Details of outstanding warrants as at September 30, 2007 are as follows:

Number of warrants		Exercise price	Expiry date
2,340,000	$	0.34	Dec 21, 2007
2,080,000		0.25	Mar 6, 2008
500,000		0.45	Sep 8, 2008
600,000		0.50	Sep 14, 2008
1,508,499		0.60	Aug 15, 2009
7,028,499	**$**	**0.39**	

12. CONTRIBUTED SURPLUS

The net change in contributed surplus during the nine months ended September 30, 2007 is as follows:

		Amount
Balance, December 31, 2006	$	983,600
Stock-based compensation cost recorded on grant of stock options		757,200
Transferred to share capital upon exercise of options		(48,929)
Balance, September 30, 2007	$	1,691,871

13. ACCUMLATED OTHER COMPREHENSIVE INCOME

The balance in accumulated other comprehensive income as at September 30, 2007 relates entirely to the unrealized foreign exchange gain on the translation of its self-sustaining foreign operation. At January 1, 2007, an unrealized foreign exchange gain of $811,387 was reclassified from foreign currency translation adjustment to accumulated other comprehensive income upon transition to new accounting standards for financial instruments (see Note 2).

Opening balance on adoption of new accounting standards on January 1, 2007	$	811,387
Comprehensive income for the period - currency translation gain		115,487
Accumulated Other Comprehensive income on September 30, 2007:	**$**	**926,874**

14. GENERAL AND ADMINISTRATION EXPENSES

	Three Months Ended		Nine Months Ended	
	Sept 30, 2007	**Sept 30, 2006**	**Sept 30, 2007**	**Sept 30, 2006**
Capital taxes	$ 28,550	$ -	$ 60,261	$ -
Filing fees and mailings	4,332	690	23,497	5,717
Insurance	51,250	18,847	126,469	42,318
Meals and entertainment	2,448	786	9,233	5,106
Miscellaneous	26,103	1,512	41,699	1,820
Office expenses	10,578	(16,958)	44,696	31,606
Rent	40,753	5,238	89,926	18,113
Salaries and benefits	255,027	156,995	708,458	212,917
Security	58,731	53,364	183,545	89,795
Telecommunications	6,241	7,015	17,225	9,061
Travel	60,942	25,382	212,946	50,244
	$ 544,955	**$ 252,871**	**$ 1,517,955**	**$ 466,697**

15. RELATED PARTY TRANSACTIONS

Management, salary and consulting fees of $256,567 (2006 - $157,835) were charged for the nine months ended September 30, 2007, including $109,967 (2006 - $47,880) charged by directors in the current quarter. These transactions are in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed to by the parties.

16. COMMITMENTS

(a) Lease Commitments

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

	Amount
2007	$ 48,247
2008	182,843
2009	97,324
2010	19,005
2011	-
Total	**$ 347,419**

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) Share Capital

Subsequent to the quarter end, 383,000 warrants were exercised for proceeds of $130,333.

(b) Stock Options

Subsequent to the quarter end, the Company's Board of Directors has approved a new Stock Option Plan (The "2007 Plan") subject to regulatory approval. The Board approved the cancellation of the 2006 Plan and the transfer of the 285,000 unexercised options under that plan 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 (which is 7.2% of the issued and outstanding common shares of the Company).

Subsequent to the quarter end, the Company granted options to a director of the Company, expiring five years from the date of the grant, to purchase 1,000,000 common shares at a price of $0.53 per common share.

Subsequent to the quarter end, options to purchase 100,000 and 245,000 common shares of the Company at a price of $0.52 were granted to an officer and employees of the Company, respectively. These options expire five years from the date of the grant, and vest one third immediately upon the date of grant, one third 12 months from the date of grant and one third 24 months from the date of grant.

(c) Derivative Instruments

Subsequent to the quarter end, the Company's September 2007 derivative instruments were settled at a realized loss of $105,066.

(d) Loan Payable

On November 27, 2007, the Company signed an indicative term sheet to refinance its current credit facility, and increase the total available funding for expenditures related to the Coricancha mine from US$7.5 million to US$10 million and extend the term of the facility through to November 2009. Closing of the facility is subject to due diligence, negotiation, satisfactory documentation and regulatory approval.

The loan facility is to be consolidated into a single US$10 million facility available to fund a portion of the Company's working capital and remaining capital requirements, as the Coricancha mine ramps up to expected production levels. The refinancing will have an upfront flat fee of 2.0% of the facility amount, bear interest at LIBOR + 3.75% per annum, and will include 900,000 Gold Hawk warrants with each warrant being exercisable for one common share of the Company at a strike price of $0.485 and expiring on November 30, 2009. The warrants to be issued pursuant to this loan transaction will be subject to a four-month restricted period pursuant to applicable securities legislation.