Contact Information

Suite 570-789 West Pender Street
Vancouver BC V6C 1H2
604 689 9282

info@goldhawkresources.com
www.goldhawkresources.com

Mr. Colin K. Benner
Executive Chairman
Tel.: (604) 689 9282; or

Mr. Kevin Drover,
President and CEO
Tel.: (604) 689 9296; or

Mr. Larry Taddei, C.A.,
Vice President and CFO
Tel.: (604) 689 9266

Gold Hawk Resources Inc.

Management's Discussion & Analysis
For the Three and Nine Months Ended September 30, 2007

Q3 2007
CGK:TSXV

This Management's Discussion and Analysis ("MD&A") of Gold Hawk Resources Inc. ("Gold Hawk" or "the Company") and its wholly-owned subsidiaries constitutes management's review of the consolidated financial statements of the Company for the three and nine months ended September 30, 2007 and the factors affecting the Company's financial and operating performance for the periods then ended.

This MD&A is dated November 27, 2007 and should be read in conjunction with the Company's Annual Consolidated Financial Statements for the year ended December 31, 2006 as well as the interim unaudited consolidated financial statements of the Company for the three and nine months ended September 30, 2007. The Annual Consolidated Financial Statements and further information regarding the Company and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Please also refer to the cautionary statement of forward-looking information on page 14 of this MD&A. The Company's unaudited interim consolidated financial statements as at and for the nine months ended September 30, 2007 (the "interim consolidated financial statements") are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as fully described in Note 2 of the Company's 2006 audited consolidated financial statements and reported in Canadian dollars unless otherwise noted.

OVERVIEW

Gold Hawk is a Canadian natural resource company, based in Vancouver, B.C., and is engaged in the exploration, development and operation of precious and base metal mines. Its primary asset, the wholly owned Coricancha mine in Peru, was purchased in March of 2006 and has since been refurbished and has now commenced production. As at September 30, 2007, the Company had just achieved its milestones required to declare commercial production for accounting purposes, and on October 1, 2007, the declaration of commercial production was made. The Company, through its subsidiary, Compania Minera San Juan (Peru) S.A., currently has 600 employees and contractors, and is in the process of ramping up production to designed levels.

The Company also has exploration properties in Peru and Canada (Quebec), and although these properties have been previously written off, management continues to pursue joint venture partners to continue exploration and development of the properties.

Gold Hawk Resources Inc. is listed on the TSX Venture Exchange under the symbol CGK.

Q3 2007 HIGHLIGHTS & RECENT DEVELOPMENTS

Major developments during the third quarter of 2007 included the:

- arrival of new mine equipment at the Coricancha Mine;
- hiring of additional experienced operating management at the Coricancha Mine;
- improvement of production and concentrator operations, culminating in the achievement of production milestones in late September, and setting the stage for the Company to declare commercial production on October 1, 2007;
- positive exploration and development results on the 3140 meter level of the Coricancha Mine; and,
- completion of a US$3 million bridge financing and a $10 million bought deal equity financing.

Key mining equipment, ordered in 2006 for the spring of 2007 delivery, finally arrived in Peru and was delivered to the Company's Coricancha Mine in August. As a consequence of the late equipment arrival, the development of sufficient production stopes to produce the rated capacity of 600 tonnes per day ("tpd") was also delayed. However, with the equipment fully operational by September, daily mined tonnage continually improved towards 600 tpd. On several occasions, the target of 600 tpd was exceeded, and one shift exceeded 300 tonnes. With three shifts per day, the mining potential could exceed management's targets.

Other operating accomplishments during the third quarter included the hiring of additional experienced operating management, hiring and training operating personnel and completing equipment design modifications for the concentrator.

Since the start of operations in April 2007, to the end of the third quarter, September 30, 2007, 45,000 tonnes of ore have been processed, yielding 918 tonnes and 668 tonnes of zinc and lead concentrate, respectively. The Biox® circuit has also been operating with Biox® product flowing to the cyanidation circuit, where gold and silver are absorbed onto carbon. Preliminary results of the Biox® circuit operation indicate that the plant operation is meeting the designed gold recovery.

With the arrival of the new mining equipment and the hiring of additional site management, Commercial Production, based on attaining 66% (400 tpd) of designed mill capacity (600 tpd) in any 18 days within a 30 day period, was achieved during the 30 day period ending September 25th, 2007. Mill throughput in the 30 day period totaled 11,700 tonnes, representing an average capacity utilization of 65%. During the five day period ended September 30, 2007, the mill operated at an average capacity utilization of 86%.

Commercial Production for accounting purposes is effective October 1, 2007. Attaining commercial production was a major milestone for the Company as the mine's future sales and operating costs are now reported on the Company's income statement. Up to September 30, 2007, sales and operating costs have been capitalized for financial reporting purposes.

During the third quarter, exploration and development work on the 3140 meter level of the Company's Coricancha Mine, encountered what is believed to be the downward extension of the Constancia Vein. Based on assay results, geological projections and mineralization characteristics, there is a high probability that the Constancia Vein extends at least 320 meters below the 3460 level, which is currently the lowest working level of the mine. No development or mining has yet been conducted on the Constancia Vein between the 3460 level and the 3140 level, and no reserves or resources for this potential mineralized zone have been included in the Company's latest 43-101 Technical Report (dated April 16, 2007 and available on SEDAR, www.sedar.com).

Since this discovery in July, development of the 3140 level has continued on two levels, the main 3140 level and a sub-level located three meters above the main 3140 level. To date, approximately 150 meters of development has been completed and sampled on these two levels. Mineralogical comparisons between the Constancia Vein in the higher levels of the mine and the 3140 level vein match each other. Therefore, there is a very high probability that the 3140 meter level vein is in fact the downward extension of the Constancia Vein.

The average vein grades of the 150 meters of development on the 3140 meter level are as follows: 0.81% copper, 0.55% lead, 3.49%, zinc, 169 grams per tonne silver and 2.31 grams per tonne gold over an average vein width of 0.92 meters. The average grades reported over the 150 meters of development have been taken from channel samples across the vein every 2 meters along strike.

Included in the above average for the main 3140 level are number of higher grade sections including a 18 meter section grading 1.04% copper. 0.61% lead, 5.21% zinc, 274 grams per tonne of silver and 2.75 grams per tonne of gold over a 1.02 meter true vein width. Similarly values of 1.24% copper, 0.25% lead, 5.66% zinc, 232 grams per tonne of silver and 4.91 grams per tonne of gold over a true vein width of 0.70 meters in the sub-level have been encountered over the same 18 meter section.

Results of 41 duplicated samples sent to ALS Chemex Laboratory show a good correlation and fall within an acceptable level of accuracy for the samples analyzed and reported above.

Projecting this vein southward to the property boundary gives approximately another 2,000 meters of potential strike length to be developed. With a vertical extent of 320 meters and the potential strike length of 2,000 meters, there is the potential to significantly increase the total resources in the Constancia Vein between the 3140 and 3460 meter levels. In addition, the vein is open at depth below the 3140 meter level.

During the third quarter, the Company successfully completed both a US$3 million interim bridge financing and 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 (see financing activities for details). The net proceeds of these financings are being used for expenditures relating to ongoing development of the Coricancha Mine and general working capital purposes.

Recent Developments subsequent to Q3 2007

Although the Company achieved Commercial Production status on October 1, 2007 (based on processing 400 tpd in any 18 days within a 30 day period), achieving rated production levels at designed capacity of 600 tpd is expected in the first quarter of 2008. The Company previously anticipated reaching 600 tpd during the fourth quarter of 2007, but has experienced delays due to startup operational issues and further delays due to the tight supplier delivery market.

With the steady increase in mill throughput, the effluent treatment systems required modifications to achieve environmental compliance limits. These changes have now been implemented; however, the modifications did require the plant operations to be temporarily suspended on several occasions, resulting in lower mill throughput in recent months.

As the average daily production levels have increased, the filtering equipment proved incapable of achieving the required moisture content for tailings deposition. While a solution to the problem has been developed, it is estimated that it will take until January to effect the necessary changes. In the interim, modifications to the tailings deposition procedures to stay within the facility permit specifications have been implemented, and include the construction of an internal dyke required to retain deposited tailings. During the fourth quarter, dyke construction lagged behind the tailings deposition and plant thru-put had to be reduced in order to raise the dyke.

Gold production subsequent to the third quarter has been hampered by two issues; the first being, one of the air blowers for the Biox® circuit is currently out of service due to a failure of one of the internal parts of the unit. New parts are expected in early December, and with both blower units operating, the Biox® circuit will be increased from its current capacity of 35 tpd to its designed operating capacity of 70 tpd. The Company has also sourced a backup air blower that is expected to arrive in the first quarter of 2008.

Secondly, in order to achieve the separation of Arsenopyrite (which contains most of the gold) and Pyrite, the bulk concentrate is subjected to heat conditioning prior to differential flotation. The Arsenopyrite floatation circuit requires new heat conditioning tanks, which will not be installed and operational until December. As a result, the bulk Arsenopyrite concentrate is being produced at much lower concentrate grades and at a quantity that surpasses the BIOX capacity. The result is a lower overall gold recovery until the installation of the new tanks in December.

Although it is disappointing that these start-up problems have occurred, they are not abnormal in a start up situation. Management has identified solutions for all of the issues and is in the process of implementing them. As discussed above, the implementation process will take time and it is now expected that achieving 600 tpd on a consistent basis will be achieved in the first quarter 2008.

A potential new tailings disposal area has been identified by the Company located 37 kilometers east of the existing facility. This new facility would have sufficient capacity to store all the known reserves and resources of the Coricancha mine. Subsequent to the third quarter, this land was secured with an agreement with the Community of San Mateo which owns the land, and a preliminary cost was obtained from the rail company to transport the tailings from the mine. Work is now progressing on geotechnical evaluation of the site and initiating of the permitting process.

Subsequent to the quarter end, on November 27, 2007, the Company signed an indicative term sheet to refinance its current credit facility, with the plan to increase available funding from the facility for the Coricancha mine up to US$10 million, and extend the term of the facility through to November 2009 (see financing activities for details).

RESULTS FROM OPERATIONS

Commercial Production, for accounting purposes will be effective October 1, 2007 at which time sales and operating costs will be reported on Gold Hawk's income statement. During the quarter ended September 30, 2007, the Company was still in the pre-production stage for accounting purposes, and sales and operating costs have been capitalized for reporting purposes and not included in operating results.

Revenues, net of treatment and refining charges earned to September 30, 2007 totaled $2,490,834 and were offset against capitalized development costs of the mine. In process and finished goods inventory of $ 281,330 valued at net realizable value as at September 30, 2007, was recorded and also offset against capitalized development costs of the mine.

Summary of Quarterly Results (unaudited)

	Sept 30, 2007	June 30, 2007	Mar 31, 2007	Dec 31, 2006
Revenue	$ 64,946	$ 50,235	$ 99,073	$ 16,609
Net loss	$ (3,567,558)	$ (4,795,153)	$ (699,969)	$ (2,296,531)
Basic and diluted net loss per share	$ (0.02)	$ (0.03)	$ -	$ (0.02)

	Sept 30, 2006	Jun 30, 2006	Mar 31, 2006	Dec 31, 2005
Revenue	$ 23,704	$ 39,682	$ -	$ 632
Net loss for the period	$ (449,475)	$ (5,583,085)	$ (88,321)	$ (78,661)
Basic and diluted net loss per share	$ -	$ (0.05)	$ -	$ -

Revenue of $64,946 in the quarter ended September 30, 2007, was interest earned on cash deposited with Scotiabank Canada, in guaranteed investment accounts. Revenue in the comparable 2006 period was also interest on bank guaranteed investments. The Company has no exposure to asset backed commercial paper.

In the third quarter, the Company recorded a net loss of $3,567,558 ($0.02 basic and diluted loss per share) as compared with a net loss of $449,475 ($0.00 basic and diluted loss per share) for the same period in 2006. The loss was primarily due to a foreign exchange loss on the Company's US dollar advances to its self sustaining foreign subsidiary of $1,754,217 (Q3, 2006 ($105,709)), and to both a realized and unrealized loss on the Company's lead and zinc derivative instruments of $231,547 and $553,018 (Q3, 2006 Nil and Nil), respectively. The realized loss is on derivative settlements as they come due, and the unrealized losses is a result of a mark to market adjustment as at September 30, 2007, as the Company's derivative undertakings do not qualify for 'hedge accounting' treatment under Canadian GAAP. The Company has entered into these derivatives with the intent of minimizing price risks associated with fluctuating metal commodity prices.

Additional items contributing to the third quarter loss included stock-based compensation expense of $204,030 (Q3, 2006 $110,330); accretion expense on asset retirement obligations of $257,994 not applicable in the prior year; and, to increased general and administration expenses $544,995 (Q3, 2006 $252,871). General and administration expenses for the period have increased significantly (see below) as the Company strengthened its management team and incurred additional expenditures while actively pursuing its growth strategy.

An analysis of general and administration expenses is as follows:

	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**

Insurance expense for the quarter of $51,250 (Q3, 2006 $18,847) includes a comprehensive policy on the Coricancha mine facility, which has increased from the comparable 2006 period because of operational status of the mine and greater investment in plant and equipment. Rent $40,753 (Q3, 2006 $5,238) and salaries and benefits $255,027 (Q3, 2006 $156,995) have increased over the comparable 2006 period as the Company established a fully functioning and staffed office in both Vancouver and Peru. The Company now maintains an experienced management team hired to oversee the Coricancha project and as well to focus on additional growth opportunities. Security expense $58,731 (Q3, 2006 $53,364) relates to the mine security and surveillance in Peru. Travel expenses of $60,942 (Q3, 2006 $25,382) increased because of various site visits to Peru by management and other travels to review operations being considered for acquisitions.

The Company is reporting a comprehensive loss for the first time in 2007, having adopted the new accounting standards for financial instruments which were effective for Canadian companies on January 1, 2007. The only component of the other comprehensive income was $141,064 gain relating to the Company's currency translation adjustment of its self sustaining foreign operation (Nil Q3, 2006).

Investing activities

Peru – Coricancha Mine

During the third quarter of 2007, the Company acquired plant and equipment in the amount of $509,974 (Q3, 2006 $433,874) and incurred pre-production cost capitalized under deferred exploration and development expenses in the amount of $4,091,444 (Q3, 2006 $581,440).

Ongoing rehabilitation work continued in the areas of the mine scheduled for future production, as well as a primary exploration focus on the lower 3140 level. The installation of the DMS plant was advanced, but is still awaiting a critical component scheduled to arrive during the fourth quarter. When fully operational, the DMS plant will separate the non mineral bearing rock from the ore feed, and will result in higher grade ore reporting to the mill and lower operating costs.

As at and during the quarter ended September 30, 2007, the Company had yet to declare commercial production for accounting purposes, and accordingly was still in the pre-production stage for accounting purposes. However, mill and mine operations have commenced on a three shift per day basis, and significant related costs, such as personnel, power, and other operating costs are being incurred. These costs were capitalized under Canadian GAAP until the Company declared its commercial production, which occurred subsequent to the quarter end on October 1, 2007.

Revenues, net of treatment and refining charges earned to September 30, 2007 totaled $2,490,834 and were offset against capitalized development costs of the mine. In process and finished goods inventory of $ 281,330 valued at net realizable value as at September 30, 2007, was recorded and also offset against capitalized development costs of the mine.

Financing activities

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

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.

During the nine months ended September 30, 2007, 1,620,000 Broker's warrants were exercised for proceeds of $405,000 and $92,500 was received from the exercise of 400,000 stock options.

The Company has in place a US$7.5 million loan facility with Natixis Bank structured in two tranches: Tranche A and Tranche B.

Tranche A is for US$5 million revolving loan facility and is to fund a portion of Gold Hawk's capital requirements for the Coricancha Mine, and was fully drawn down as at September 30, 2007 for $4,974,000 (US$5,000,000) (December 31, 2006 $4,078,900 (US$3,500,000)).

Tranche B is a non-revolving term credit facility originally for US$5 million, and was available on a committed basis until June 30, 2007 for the purpose of financing additional requirements for the Coricancha Mine, and on an uncommitted basis until September 7, 2007 for the purpose of mining property acquisitions planned by the Company.

As at September 30, 2007, Tranche B was drawn $2,487,000 (US$2,500,000) (December 31, 2006 Nil) for the purpose of financing additional requirements for the Coricancha Mine, 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. Subsequent to the quarter end on both October 1 and November 1, the Company made its required principal payments.

Subsequent to the quarter end, on November 27, 2007, the Company signed an indicative term sheet to refinance its current credit facility with Natixis, 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 Gold Hawk'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 Gold Hawk at a strike price of $0.485 and expiring on November 30, 2009. The warrants to be issued by Gold Hawk pursuant to this loan transaction will be subject to a four-month restricted period pursuant to applicable securities legislation.

Liquidity and Capital Resources

As at September 30, 2007 the Company had working capital of $491,983 compared to working capital of $9,112,352 at December 31, 2006. The Company has no exposure to asset backed commercial paper. The decrease in working capital was due to the ongoing expenditures made since January 1, 2007 relating to the development of the Coricancha Mine, and the fact that its loan facility is now all due within one year.

With the proposed refinancing of the existing loan facility, repayment of all existing debt would be deferred until October of 2008, effectively increasing existing working capital. With the working capital on hand at September 30, 2007 and the proposed refinancing subsequent to the quarter end, the Company believes that it will have sufficient funds to fund working capital until rated production capacity is attained. Once this level of production is achieved, future cash flows generated will depend on volumes produced, commodity prices, exchange rates, the level of operating costs, and other factors noted throughout this MD&A, including the items identified under "*Risks Factors*" in the Company's MD&A for the year ended December 31, 2006.

The Company's future liquidity will depend upon its ability to generate future positive operating cash flow, or upon its ability to arrange additional debt or equity financing. While the Company has been successful in raising funds in the past, there is no assurance that it will continue to do so in the future.

Commitments

Under the Company's loan facilities with Natixis, the first principal repayment date is on October 1, 2007 with eleven equal monthly principal repayments of US$625,000 are required on the first of each month thereafter, including a final principal repayment due on September 7, 2008. 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**

Financial commitments specific to the Coricancha mine and mining in Peru include the following:

- Net smelter return taxes are paid on a sliding scale based on the size of the mine. Small mines pay a lower tax rate than large mines. The Coricancha Mine will pay a 1% tax on its gross revenue, which is the income from the smelter after deducting smelter treatment charges and freight.
- Eight percent (8%) of pre-tax operating profit must, by law, be paid into a workers participation or profit sharing plan which is to be paid out on an annual basis. The operating profit is the gross revenue (net smelter return) minus site operating costs, net smelter return tax, mine closure account funding, loan amortization, and interest charges.
- The corporate tax rate in Peru is 30% on operating profit after deduction of the 8% workers participation tax.

In March of 2007, the Company signed a ten year electricity supply agreement, effective April 1, 2007. The Company is committed to purchases a minimum monthly volume of power, which it expects to fully utilize in operating the Coricancha mine. There are provisions in the contract to request more power if necessary.

In the normal course of business the Company enters into transactions for the purchase of supplies and services denominated in Peruvian New Soles. The Company also has cash and certain liabilities denominated in Peruvian New Soles. As a result the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates.

Asset Retirement Obligations

The Company has prepared a site reclamation and closure cost estimate and has engaged an independent engineering firm to assess available alternative methods of restoration and assist in the preparation and implementation of an environmental management plan. The Company has estimated and recorded a liability for asset retirement obligations of $11,773,916 as at September 30, 2007 ($13,041,324 December 31, 2006). The estimated future cash flows have been discounted using a credit-adjusted risk-free rate of 9.0%. 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 Coricancha Mine in Peru.

The mine closure obligation has been calculated on the basis of an estimated life of mine of six years. Like most narrow vein underground mines, the proven and probable reserves are limited, not because of a lack of resources, but rather because of the cost of converting 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 33% conversion of these resources into proven and probable reserves.

Off-Balance Sheet Arrangements

The Company's only off-balance sheet arrangements, other than commitments described elsewhere in this MD&A, are the derivative instruments, including forward sales contracts and call options, both described further in the "*Financial Instruments and Other Instruments*" section of the MD&A.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, accounts receivable, deposits, accounts payable and accrued liabilities, various commitments including capital lease obligations, and debt facility. 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 advances made to its self sustaining subsidiary 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 Peruvian New Soles and in US dollars. As a result, the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates. As of September 30, 2007, the Company has not yet reached targeted operations, and accordingly, has not entered into any forward exchange contracts or other instruments to fix the rate at which future anticipated flows of US dollars are exchanged into Canadian dollars.

The Company is also exposed to price risk due to changes in commodity prices related to its production. To mitigate this risk, the Company uses derivative instruments including forward sales contracts and call options. As at September 30, 2007, the derivative instruments held by the Company cover all of the expected 4th quarter lead sales, and approximately 30% and 35% of expected 2008 lead and zinc sales, respectively. 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". As derivative instruments mature and are settled, the Company recognizes realized gains and losses in the statement of operations.

Details of the Company's derivative instruments outstanding at September 30, 2007 are included as Note 6 to the unaudited interim consolidated financial statements. During nine month periods ending September 30, 2007 the Company recognized unrealized losses on derivative instruments of $1,765,665 and realized losses on derivative instruments of $417,080 (2006 – NIL).

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, restricted cash, and accounts receivable. In order to manage this risk, the Company deposits cash and cash equivalents and restricted cash with high credit quality financial institutions.

The Company's long term debt bears interest at fluctuating rates. The Company believes it is not exposed to significant interest rate risks.

Transactions with Related Parties

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.

Outstanding Share Data

As at November 27, 2007, the Company had the following issued and outstanding common shares and unexercised stock options and warrants:

	Shares and Potential Shares
Common shares outstanding	167,085,475
Stock options (average exercise price $0.48)	8,280,000
Warrants (average exercise price $0.39)	6,645,168
Total common shares and potential common shares	182,010,643

Critical Accounting Policies and Estimates

These unaudited interim consolidated financial statements are prepared in accordance with Canadian GAAP on a basis consistent with those followed in the most recent audited annual consolidated financial statements as at and for the year ended December 31, 2006, except as described in Note 2 to our interim consolidated financial statements. Certain of our accounting policies are recognized as critical because they require management to make subjective or complex judgments about matters that are inherently uncertain. Our critical accounting policies and estimates relate to:

- Recoverability of long-lived assets including mineral properties and deferred exploration expenditures;
- Fair value of net assets acquired in a business combination;
- Environmental and post-closure obligations;
- Stock based compensation and other stock-based payments; and,
- Accrued and contingent liabilities.

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

Internal Controls over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes in the Company's internal control over financial reporting during the three and nine months ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

New Accounting Standards and Changes in Accounting Policies

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.

Effective January 1, 2007, the Company adopted the CICA 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 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 cash flow hedges. As at September 30, 2007, the Company has not designated any derivative instruments as hedging instruments.

These standards have been adopted beginning January 1, 2007.

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.

Recent accounting pronouncements

Financial Instrument Disclosures

In March 2007, the CICA issued section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. The standard 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 are effective January 1, 2008. The Company is currently evaluating the impact on its financial statement disclosure and presentation.

Capital Disclosures

In December 2006, the CICA issued Section 1535 Capital Disclosures. This section establishes standards for disclosing information about an entity's objectives, policies, and processes for managing capital. This section is effective January 1, 2008, and the Company is currently evaluating the impact on the Company's disclosure and presentation.

Inventories

In June 2007, the CICA issued 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 pronouncement is effective January 1, 2008, and the Company is currently evaluating the impact on its accounting and disclosure for inventories.

Outlook

With its declaration of Commercial Production at the Coricancha Mine on October 1, 2007, the Company has achieved a significant milestone and in a relatively short time frame since the acquisition of the mine in March of 2006. Although attaining the full rated capacity of 600 tpd has been slower than anticipated, management is confident the Company will achieve its production targets in 2008, and optimize output from the mine, while developing on its excellent exploration potential.

The anticipated installation of a dense media separator ("DMS") plant has advanced significantly and completion is awaiting arrival of the last critical component, expected to arrive in December. The installation originally expected in July of 2007, has been uncontrollably delayed due to late deliveries of key components from the suppliers. Commissioning is realistically scheduled for January 2008, and when fully operational, the DMS plant will separate the non mineral bearing rock from the ore feed. This will result in lower operating costs and higher grade ore reporting to the mill, effectively exceeding the overall reserve head grade.

Plant metallurgy has steadily improved over the past several months and with improved head grades delivered from the mine, the expected recoveries and concentrate grades will be achieved. In 2008, its first full year of operation, the Company expects to produce approximately 20,000 ounces of payable gold, 800,000 ounces of payable silver, 8 million pounds of payable zinc, and 7.8 million pounds of payable lead in 2008.

Development on the 3140 meter level is expected to continue to expose more of the vein in the near term and is scheduled as a priority project. It is planned to develop and install an internal shaft between the 3140 meter level and the upper mine levels. This shaft will allow access over the 315 meters of vertical extent for additional exploration and development as well as improve mine efficiencies. In addition, it is planned to drill exploration holes to test the down dip extension of the Constancia Vein below the 3140 meter level. This development plan has the potential to significantly increase the total resources in the Constancia Vein.

Looking beyond 2007, Gold Hawk has significant organic growth opportunities. With minimal modifications to the concentrator and with the DMS plant operational, management expects to increase the mining rate from the planned 600 tpd in 2008 to 900 tpd by 2009.

In addition to organic growth, it is management's objective to grow the Company and build value for shareholders by aggressively pursuing external opportunities. Mr. Gordon Bub stepped down as Executive Chairman in October 2007 and was appointed Vice Chairman, and Mr. Colin K. Benner was appointed Executive Chairman of the Board. Mr. Benner brings to the Company proven leadership and ability to manage corporate growth.

Risks and Uncertainties

The exploration and development of natural resources are highly speculative in nature and are subject to significant risks. The risk factors which should be taken into account in assessing the Company's activities include, but are not limited to, those set out in the Annual MD&A for the year ended December 31, 2006. As a result, any one or more of the risks disclosed in the Company's Annual MD&A could have a material effect on the Company and should be taken into account in assessing the Company's activities.

Forward-looking information

Information contained herein may constitute forward-looking statements within the meaning of applicable securities laws. Certain material factors or assumptions were applied in drawing the conclusions or making the forecasts or projections that are included in these forward-looking statements. The Company believes that it has a reasonable basis for making such forward-looking statements, which may include estimates, plans, expectations, opinions, forecasts, projections, guidance, or other statements. However, forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. Undue reliance should not be placed on forward-looking statements. They are not a substitute for the exercise of one's own due diligence and judgment. The outcomes anticipated in forward-looking statements may not occur and we do not undertake to update forward-looking statements. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.