Gold Hawk Resources Inc.

Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2009

(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)*

		June 30, 2009		Dec 31, 2008
ASSETS				
Current Assets				
Cash and cash equivalents	$	641,514	$	85,718
Restricted cash (Note 3)		-		57,897
Accounts receivable (Note 4)		473,634		1,190,959
Deferred financing costs (Note 9)		1,348,428		-
Inventory (Note 5)		627,603		672,901
Prepaid expenses		64,571		91,096
		3,155,750		2,098,571
Mineral properties, plant and equipment (Note 6)		39,028,507		41,631,185
	$	**42,184,257**	**$**	**43,729,756**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	3,242,345	$	4,186,422
Capital lease obligation		-		36,412
Current portion of loan payable (Note 9)		15,119,000		11,799,375
Current portion of royalty commitment (Note 9)		162,820		-
Current portion of asset retirement obligation (Note 10)		11,458,831		7,577,929
		29,982,996		23,600,138
Royalty commitment (Note 9)		1,349,080		-
Asset retirement obligation (Note 10)		17,534,644		21,497,915
		48,866,720		45,098,053
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share capital (Note 11)		58,015,924		56,766,531
Warrants		3,018,464		760,212
Contributed surplus		3,080,288		2,642,227
Accumulated other comprehensive income		(372,841)		(1,512,416)
Deficit		(70,424,298)		(60,024,851)
		(6,682,463)		(1,368,297)
	$	**42,184,257**	**$**	**43,729,756**

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”) Kevin Drover, Director

(“Signed”) Gordon Bub, Director

Gold Hawk Resources Inc.

Consolidated Statements of Loss and Comprehensive Loss *(Unaudited)*
For the Three and Six Months Ended June 30, 2009 and 2008

	Three Months Ended		Six Months Ended	
	June 30, 2009	**June 30, 2008**	**June 30, 2009**	**June 30, 2008**
Revenue				
Sales	$ -	$ 3,289,476	$ -	$ 5,993,331
Operating costs				
Cost of sales	-	5,295,076	-	9,207,399
Depreciation and depletion	-	634,728	-	1,710,257
Accretion of asset retirement obligation (Note 10)	835,895	259,926	1,727,005	518,436
Loss from mining operations	(835,895)	(2,900,254)	(1,727,005)	(5,442,761)
Care and maintenance	562,344	-	1,156,635	-
Depreciation	425,313	-	875,467	-
General and administration expenses (Note 12)	902,015	1,353,502	1,637,679	2,109,798
Allowance for value-added tax	-	3,044,229	-	3,044,229
Stock-based compensation cost (Note 11)	176,076	50,000	244,253	125,837
General exploration	-	(445)	-	28,387
Loss from operations	(2,901,643)	(7,347,540)	(5,641,039)	(10,751,012)
Other expenses (income)				
Foreign exchange loss (gain)	1,622,334	109,185	918,250	(355,764)
Interest and financing charges (Note 14)	3,738,934	710,273	3,806,838	1,195,058
Loss on derivative instruments (Note 7)	-	(324,297)	-	(16,379)
Net loss before extraordinary loss	**$ (8,262,911)**	**$ (7,842,701)**	**$ (10,366,127)**	**$ (11,573,927)**
Extraordinary loss (Note 17)	$ -	$ (13,497,786)	$ -	$ (13,497,786)
Net loss for the period	**$ (8,262,911)**	**$ (21,340,487)**	**$ (10,366,127)**	**$ (25,071,713)**
Basic and diluted loss per share:				
Before extraordinary gains and losses	$ (0.03)	$ (0.03)	$ (0.04)	$ (0.05)
For extraordinary gains and losses	$ -	$ (0.10)	$ -	$ (0.10)
For the period	$ (0.03)	$ (0.12)	$ (0.04)	$ (0.15)
Weighted average number of shares outstanding	293,154,749	171,122,144	268,824,249	170,367,858

Consolidated Statements of Comprehensive Loss	**June 30, 2009**	**June 30, 2008**	**June 30, 2009**	**June 30, 2008**
Net loss	$ (8,262,911)	$ (21,340,487)	$ (10,366,127)	$ (25,071,713)
Other comprehensive income:				
Foreign currency translation adjustment	1,946,114	(216,240)	1,139,575	92,641
Comprehensive loss	**$ (6,316,797)**	**$ (21,556,727)**	**$ (9,226,552)**	**$ (24,979,072)**

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 Six Months Ended June 30, 2009 and 2008

	Three Months Ended		Six Months Ended	
	June 30, 2009	**June 30, 2008**	**June 30, 2009**	**June30, 2008**
Operating activities				
Net loss before extraordinary items	$ (8,262,911)	$ (7,842,701)	$ (10,366,127)	$ (11,573,927)
Asset retirement expenditures	(19,840)	(189,272)	(105,252)	(189,272)
Items not affecting cash:				
Accretion expense on asset retirement obligation	835,895	259,926	1,727,005	518,436
Depreciation and depletion	429,653	634,728	884,146	1,713,834
Net financing costs	3,509,492	-	3,509,492	-
Unrealized loss on derivative instruments	-	98,231		366,626
Stock-based compensation cost	176,076	50,000	244,253	125,837
Allowance for value-added tax	-	3,044,229		3,044,229
Unrealized foreign exchange gain	1,778,440	(146,093)	993,602	(530,291)
	(1,553,195)	(4,090,952)	(3,112,881)	(6,524,528)
Net changes in non-cash working capital (Note 15)	(182,412)	1,044,785	(14,154)	1,101,792
Cash flows from operating activities	**(1,735,607)**	**(3,046,167)**	**(3,127,035)**	**(5,422,736)**
Financing activities				
Capital lease obligation	-	(25,167)	(37,198)	(49,608)
Exercise of warrants and stock options	-	-		520,000
Issuance of share capital	1,252,500	-	2,252,500	-
Loan proceeds net financing fees	(49,280)	1,194,769	1,925,280	5,020,922
Share issue expenses	(17,591)	-	(33,320)	-
Cash flows from financing activities	**1,185,629**	**1,169,602**	**4,107,262**	**5,491,314**
Investing activities				
Additions to plant and equipment	(47,925)	(544,615)	(342,404)	(1,515,598)
Additions to mining properties	-	10,976	-	10,382
Deferred exploration and development expenditures	(55,475)	(4,848)	(121,491)	(262,095)
Restricted cash required on investing activities	2,529	61,127	57,897	(77,791)
Cash flows from investing activities	**(100,871)**	**(477,360)**	**(405,998)**	**(1,845,102)**
Effect of exchange rate changes on cash and cash equivale	**(40,754)**	**35,356**	**(18,433)**	**88,536**
Net change in cash and cash equivalents	**(691,603)**	**(2,318,569)**	**555,796**	**(1,687,988)**
Cash and cash equivalents at beginning of period	1,333,117	2,893,476	85,718	2,262,895
Cash and cash equivalents at end of period	**$ 641,514**	**$ 574,907**	**$ 641,514**	**$ 574,907**
Interest paid	$ 1,925,196	$ 187,741	$ 1,925,196	$ 256,948
Income taxes paid	-	-	-	-
Non-cash investing and financing activities				
Lender warrants recorded as financing costs	$ 178,050	$ -	$ 178,050	$ -

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

Gold Hawk Resources Inc.

Consolidated Statements of Shareholders' Equity (Deficiency) *(unaudited)*
For the Three and Six Months Ended June 30, 2009 and 2008

	Share Capital (Number of Shares)	Share Capital (Amount)	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	**Total**
At January 01, 2008	169,042,144	52,509,731	898,330	2,075,337	907,882	(30,183,238)	**26,208,042**
Share issue costs	-	-	-	-	-	(7,049)	**(7,049)**
Units issued upon exercise of warrants	2,080,000	956,800	(436,800)	-	-	-	**520,000**
Warrants issued as a financing fee	-	-	315,533	-	-	-	**315,533**
Stock based compensation	-	-	-	125,837	-	-	**125,837**
Foreign exchange translation adjustment	-	-	-	-	92,641	-	**92,641**
Net loss for the period	-	-	-	-	-	(25,071,713)	**(25,071,713)**
At June 30, 2008	171,122,144	$ 53,466,531	$ 777,063	$ 2,201,174	$ 1,000,523	$ (55,262,000)	**$ 2,183,291**
Private placement	55,000,000	3,300,000	173,149	-	-	-	**3,473,149**
Share issue costs	-	-	-	-	-	(453,741)	**(453,741)**
Expired warrants	-	-	(190,000)	190,000	-	-	**-**
Stock based compensation	-	-	-	251,053	-	-	**251,053**
Foreign exchange translation adjustment	-	-	-	-	(2,512,939)	(4,601,468)	**(7,114,407)**
Net loss for the period	-	-	-	-	-	292,358	**292,358**
At December 31, 2008	226,122,144	$ 56,766,531	$ 760,212	$ 2,642,227	$ (1,512,416)	$ (60,024,851)	**$ (1,368,297)**
Private placements	75,050,000	622,715	1,629,785	-	-	-	**2,252,500**
Share issue costs	-	-	-	-	-	(33,320)	**(33,320)**
Shares issued as payment to financial advisor	3,322,785	262,500	-	-	-	-	**262,500**
Shares issued upon conversion of debt	7,985,067	364,178	-	-	-	-	**364,178**
Warrants issued as a financing fee	-	-	944,000	-	-	-	**944,000**
Expired warrants	-	-	(315,533)	193,808	-	-	**(121,725)**
Stock based compensation	-	-	-	244,253	-	-	**244,253**
Foreign exchange translation adjustment	-	-	-	-	1,139,575	-	**1,139,575**
Net loss for the period	-	-	-	-	-	(10,366,127)	**(10,366,127)**
At June 30, 2009	312,479,996	$ 58,015,924	$ 3,018,464	$ 3,080,288	$ (372,841)	$ (70,424,298)	**$ (6,682,463)**

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

1. GOING CONCERN

Gold Hawk Resources Inc. ("Gold Hawk" or the "Company") is a precious and base metals producer with reserves and resources containing gold, silver, lead, zinc and copper. The Company's property is located in Peru and reached commercial production in October 2007. In early May 2008, a ground displacement detected near the processing plant and tailings area prompted management to temporarily cease production. The Company's geotechnical consultants determined that the main cause of the movement was a third-party saturation irrigation system installed on neighbouring property uphill from the tailings and processing plant. The Presidential Council of Ministers of Peru (the "Government") have declared a State of Emergency in the Tamboraque area where our property is located, which states that due to the risk created by the saturation irrigation of the hillside, the Company must begin the transport of tailings to new facilities, the stabilization of the hillside and relocation of the processing plant. The Company is complying with all required remediation as recommended by a third party consultant appointed by the Government and is in discussions with the Government for relief from the requirement to relocate the processing plant.

The Company is currently pursuing an insurance claim associated with business interruption and on property affected by the ground displacement. Early in 2009 the Company received its final permit to construct a new permanent tailings facility at Chinchan, and with all other operational permits in place, the Company foresees a return to production in the first half of 2010, contingent on obtaining relief from the requirement to move the plant and receipt of additional financing.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("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 including a net loss of $10,366,127 for the six months ended June 30, 2009, and has a working capital deficiency of $26,827,246 as at June 30, 2009.

The Company's cash flow has been adversely affected by the temporary suspension of mine operations and it is expected that cash on hand at August 31, 2009 will not be sufficient to fund the Company's needs for ongoing activities. The Company completed a restructuring of its existing debt and extended the repayment date of the new facility to February 13, 2010 (see Note 9) and subsequent to the quarter end, the Company entered into a non-binding heads of agreement with a major company to sell an 85% interest its wholly owned Peruvian subsidiary and successfully negotiated a US$250,000 bridge loan (see Note 18). However, since there is no assurance the Company's continuing financing efforts will succeed, there is substantial doubt regarding the "going concern" assumption. 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.

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, 2009

The Company adopted Section 3064, Goodwill and Intangible Assets, which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Upon adoption of this standard there were no resulting material changes to the Company's financial position or results of operations.

The Company adopted EIC-173, Credit Risk and the Fair Value of Financial Assets and Liabilities, which provides guidance on how to take into account an entity's own credit risk and that of the counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. Upon adoption of this EIC there were no resulting material changes to the Company's financial position or results of operations.

The Company adopted EIC-174, Mining Exploration Costs, which provides guidance on how to account for mineral exploration costs as well as when and how to assess for impairment when such exploration costs are capitalized. Upon adoption of this EIC there were no resulting material changes to the Company's financial position or results of operations.

International Financial Reporting Standards

The Canadian Accounting Standards Board recently confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian standards and interpretations on January 1, 2011. The process of changing from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect reported financial position and results of operations, and also affect certain business functions.

The Company has not yet completed a full evaluation of the adoption of IFRS and its impact on its financial position and results of operations. The full evaluation and an implementation plan will be completed during 2009. The evaluation and implementation plan will address the impact of IFRS on:

- Accounting policies, including choices among policies permitted under IFRS and implementation decisions such as whether changes will be applied on a retrospective or a prospective basis;
- Information technology and data systems;
- Internal control over financial reporting;
- Disclosure controls and procedures, including investor relations and external communications plans;
- Financial reporting expertise, training requirements and the need for assistance from outside expertise;
- Post implementation monitoring to access any future developments of IFRS.

Recent Accounting Pronouncements Issued But Not Yet Implemented

The CICA issued the new Handbook Section 1582, "Business Combinations", Section 1601 "Consolidations" and Section 1602 "Non-controlling Interests" to harmonize with International Financial Reporting Standards ("IFRS"). Section 1582 specifies a number of changes including: an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. These new standards become effective beginning on or after January 1, 2011, but early adoption is permitted.

3. RESTRICTED CASH

The Company's subsidiary entered into a capital lease for mining equipment for its Coricancha Mine. The outstanding balance of restricted cash relating to this transaction (December 31, 2008 $55,455) was released in full during the six months ended June 30, 2009.

4. ACCOUNTS RECEIVABLE

	June 30, 2009	Dec 31, 2008
Value added tax receivable	$ 3,917,633	$ 4,808,295
Other receivables	61,385	53,824
Less: allowance for value added tax receivable	(3,505,384)	(3,671,160)
	$ 473,634	**$ 1,190,959**

5. INVENTORY

Inventory consists of consumable parts and supplies and is valued at the lower of cost and net realizable value.

6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

As at June 30, 2009	Cost	Accumulated depreciation, depletion and write-downs	Net book value
Land	$ 131,872	$ -	$ 131,872
Plant and equipment	13,691,443	(5,949,460)	7,741,983
	$ 13,823,315	$ (5,949,460)	$ 7,873,855
Mineral properties and concessions	$ 34,922,769	$ (14,565,386)	$ 20,357,383
Deferred exploration and development costs	11,335,641	(538,372)	10,797,269
	$ 46,258,410	$ (15,103,758)	$ 31,154,652
Total	**$ 60,081,725**	**$ (21,053,218)**	**$ 39,028,507**

As at December 31, 2008		**Cost**		**Accumulated depreciation, depletion and write-downs**		**Net book value**
Land	$	138,109	$	-	$	138,109
Plant and equipment **(a)**		14,734,287		(5,721,233)		9,013,054
	$	14,872,396	$	(5,721,233)	$	9,151,163
Mineral properties and concessions **(b)**	$	35,934,718	$	(14,614,606)	$	21,320,112
Deferred exploration and development costs		11,721,939		(562,029)		11,159,910
	$	47,656,657	$	(15,176,635)	$	32,480,022
Total	**$**	**62,529,053**	**$**	**(20,897,868)**	**$**	**41,631,185**

Coricancha Mine (Peru)

The Company's wholly owned Coricancha Mine is located on a paved highway approximately 90 kilometres 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, refurbished it and declared commercial production on October 1, 2007.

Coricancha (Peru)	**Interest (%)**	**Dec 31, 2008**	**Additions**	**Write-down**	**Depletion**	**Translation adjustment (c)**	**June 30, 2009**
Mineral properties and concessions **(b)**	100	$21,320,112	$ -	$ -	$ -	$ (962,729)	**$20,357,383**
Deferred exploration cost	100	11,159,910	121,491	-	-	(484,132)	**10,797,269**
		$32,480,022	**$ 121,491**	**-**	**-**	**$ (1,446,861)**	**$31,154,652**

(a) The cost of plant and equipment for the year ended December 31, 2008 includes a write-down due to the ground displacement in the tailings area (see Note 17).

(b) During the year ended December 31, 2008, the Company wrote off the capitalized costs and related additional reclamation obligations due to the incremental effect of the ground displacement and resulting temporary suspension of mine operations (Notes 10 and 17).

(c) The June 30, 2009 balance has been adjusted to reflect the current rate translation of the Company's self-sustaining foreign operation.

For the six months ended June 30, 2009, capitalized interest was $Nil (2008, $Nil).

7. DERIVATIVE INSTRUMENTS

During the year ended December 31, 2008, the Company settled all of its outstanding derivative instruments for proceeds of $361,315.

8. CAPITAL LEASE OBLIGATIONS

	June 30, 2009	Dec 31, 2008
Total capital lease obligations	$ -	$ 36,412
Less: current portion of capital lease obligations	-	36,412
	-	**$ 28,134**

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

9. LOAN PAYABLE AND ROYALTY COMMITMENT

Loan Facilities and Royalty Commitment	June 30, 2009	Dec 31, 2008
Non-revolving loan facility (US$13,000,000)	$ 15,119,000	$ -
Net smelter return royalty	$ 1,511,900	
Revolving loan facility (Tranche A and B)	-	5,709,375
Bridge loan facilities	-	6,090,000
Less: current portion	(15,281,820)	(11,799,375)
	$ 1,349,080	**-**

Deferred Financing Costs	June 30, 2009	Dec 31, 2008
Deferred costs of non-revolving loan facility	2,137,552	-
Amortization of deferred financing costs	(789,124)	
	$ 1,348,428	**-**

During the period ended June 30, 2009, the Company completed the documentation on a new loan facility to repay the previous bank debt and restructure all of the loans under one new US$13.0 million loan facility. The loan was subject to US$980,000 in upfront fees and US$1,560,000 in prepaid interest calculated at a rate of 12.0% per annum. All fees and interest associated with the new loan agreement are capitalized as part of the new loan. Full repayment of the loan facility is due February 13, 2010.

In addition to the above financing costs, the Company issued the lenders 7,985,067 shares, 20,000,000 share purchase warrants and granted a 2.5% Net Smelter Return Royalty for the Coricancha Mine production. The Company has the option to reduce the royalty rate to 1.5% in consideration for a payment of US$1.0 million. The present value of the royalty commitment was calculated using estimated future cash flows discounted at a rate of 25.5%. All warrants were valued using the Black-Scholes model (see Note 13e). Deferred financing costs consisting of prepaid interest, legal fees and withholding taxes, will be amortized evenly throughout the life of the loan.

As at June 30, 2009, $1,348,428 in deferred financing fees and interest remains to be amortized over the life of the loan.

10. 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 Company's Coricancha Mine in Peru. The Company has recorded the following asset retirement obligations:

	Amount
Balance, December 31, 2008	$ 29,075,844
Accretion expense	1,727,005
Cash payments	(442,058)
Effect of translation of foreign currencies	(1,367,316)
Balance, June 30, 2009	**$ 28,993,475**
Less: current portion	11,458,831
	$ 17,534,644

The estimated future cash flows have been discounted using a credit-adjusted risk-free rate of 12.0%. 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:

Period	Undiscounted cash flows for mine closure
2009 – 2014	$27,334,409 (US$23,503,361)
2015 – 2016	$8,607,305 (US$7,400,950)
2017 – 2032	$13,418,475 (US$11,537,812)

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.

11. SHARE CAPITAL

(a) Authorized

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

(b) Share Issuances

On January 07, 2009, the Company issued 3,322,785 shares as compensation for an amount outstanding to a third party. As a result of this issuance, $262,500 was transferred from current liabilities to share capital.

On March 05, 2009, the Company completed a non-brokered private placement of 50,000,000 Units at a price of $0.02 per Unit for aggregate proceeds of $1,000,000. Each Unit is comprised of one common share and one 12-month share purchase warrant at $0.05 (see section (e) of this note). Fees associated with the closing of the private placement include $5,250 in Finder's Fees and $10,479 in other legal and regulatory expenses. Net proceeds of the private placement were used to finance expenditures related to its Coricancha Mine, including moving old tailings to the long-term Chinchan facility, and for general corporate purposes.

On May 08, 2009, the Company issued 7,985,067 shares in connection with the restructured loan facility as described in Note 9.

On June 03, 2009, the Company completed a non-brokered private placement of 25,050,000 Units at a price of $0.05 per Unit for aggregate proceeds of $1,252,500. Each Unit is comprised of one common share and one 12-month share purchase warrant at $0.07 (see section (e) of this note). Fees associated with the closing of the private placement include $12,000 in Finder's Fees and $6,591 in other legal and regulatory expenses. Net proceeds of the private placement were used to finance expenditures related to its Coricancha Mine and for general corporate purposes.

(c) Stock option plan

During the six months ended June 30, 2009, the Board of Directors approved an amendment to the Company's Stock Option Plan increasing the number of shares reserved for issuance under the plan. The amendment includes an increase in the maximum number of shares reserved for issuance under the plan to 20,000,000 (7.0% of the issued and outstanding common shares of the Company), including a transfer of 7,460,000 unexercised options previously granted.

Pursuant to the terms of the Company's stock option plan the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options may be exercisable over periods of up to five years as determined by the board of directors of the Company and the exercise price shall not be less than the closing price of the shares on the day preceding the award date. Stock options granted to employees, officers and consultants vest one-third immediately, one-third after 12 months from the date of grant and one-third after 24 months from the date of grant, while stock options granted to directors vest immediately.

A summary of the Company's stock options outstanding as at June 30, 2009 and the changes for the six months then ended are as follows:

	Directors and officers	Employees and consultants	Total Number of options		Weighted average exercise price per share
Balance, January 01, 2008	7,910,000	370,000	8,280,000	$	0.48
Granted	2,975,000	770,000	3,745,000		0.12
Forfeited	-	(303,334)	(303,334)		0.50
Expired	(3,571,666)	(10,000)	(3,581,666)		0.45
Balance, December 31, 2008	7,313,334	826,666	8,140,000	$	0.32
Granted	5,200,000	1,240,000	6,440,000		0.10
Forfeited	-	(143,334)	(143,334)		0.31
Expired	(675,000)	(91,666)	(766,666)		0.35
Balance, June 30, 2009	**11,838,334**	**1,831,666**	**13,670,000**	**$**	**0.22**

The following table summarizes information about common share purchase options outstanding, granted to officers, directors, employees and a consultant of the Company as at June 30, 2009:

Number of stock options outstanding	Number of stock options exercisable	Option Exercise price ($)	Expiry date (Month-Yr)
100,000	100,000	0.15	August-10
675,000	675,000	0.48	April-11
500,000	500,000	0.43	April-11
1,000,000	1,000,000	0.35	July-11
10,000	10,000	0.43	November-11
200,000	200,000	0.54	March-12
630,000	630,000	0.69	June-12
530,000	520,000	0.64	July-12
165,000	110,000	0.52	October-12
500,000	333,333	0.49	February-13
2,790,000	930,000	0.07	August-13
130,000	110,000	0.08	August-13
6,440,000	4,846,667	0.10	April-14
13,670,000	**5,118,333**		
0.22	**0.41**	**Weighted average exercise price**	

(d) Stock Based Compensation

During the six months ended June 30, 2009, the Company granted 6,440,000 stock options to directors, officers and employees. An amount of $244,253 was charged as an expense in recognition of stock-based compensation, based on the vesting schedule for options previously 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:

Number of Options Granted	**6,440,000**
Weighted average:	
Risk-free interest rate (%)	1.20%
Expected life (years)	2.9
Expected volatility (%)	236%
Expected dividend (%)	- %
Results:	
Weighted average fair value (per option)	$ 0.037

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

(e) Share Purchase Warrants

The Company's warrants outstanding at June 30, 2009 and the changes for the six months then ended are as follows:

	Number of warrants		Average price of warrants
Balance, January 01, 2008	4,688,499	$	0.42
Issued to agents on non-brokered financing	2,473,562		0.06
Issued to lender on debt financing	3,400,000		0.21
Exercised and converted to Common shares	(2,080,000)		0.25
Expired	(1,100,000)		0.48
Balance, December 31, 2008	7,382,061	$	0.24
Issued to private placement placees	75,050,000		0.06
Issued to lenders	20,000,000		0.05
Expired and converted to debt	(3,400,000)		0.21
Balance, June 30, 2009	**99,032,061**	**$**	**0.06**

On March 05, 2009, the Company issued 50,000,000 warrants exercisable at a price of $0.05 per share exercisable for a period of one year. The warrants were issued in connection with the private placement described in section (b) of this note and had a fair value at the date of grant of $0.01 per warrant. The Company determined the fair value of the warrants based upon a Black-Scholes model using the following assumptions: expected life of 8 months, expected volatility 229.38%, risk free interest rate 1.0%, dividend yield of 0%.

On March 12, 2009, 1,400,000 warrants previously issued in connection with the Company's previous bridge loan expired. The fair value of $193,808 calculated on these warrants was transferred to contributed surplus.

On May 09, 2009, the Company issued 20,000,000 warrants exercisable at a price of $0.05 per share exercisable for a period of two years. After the first year, the exercise price of the warrants increases to $0.10 per share. The warrants were issued in connection with the restructured loan facility described in Note 9 and had a fair value at the date of grant of $0.047 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 237.36%, risk free interest rate 1.1%, dividend yield of 0%.

On June 03, 2009, the Company issued 25,050,000 warrants exercisable at a price of $0.07 per share exercisable for a period of one year. The warrants were issued in connection with the private placement described in section (b) of this note and had a fair value at the date of grant of $0.046 per warrant. The Company determined the fair value of the warrants based upon a Black-Scholes model using the following assumptions: expected life of 8 months, expected volatility 228.75%, risk free interest rate 1.15%, dividend yield of 0%.

On June 06, 2009, a put option was exercised on 2,000,000 warrants previously issued in connection with the Company's previous bridge loan. The exercise value of the put option totals $425,000 and is payable to the lender.

Details of outstanding warrants as at June 30, 2009 are as follows:

Number of warrants	Exercise price	Expiry date
2,473,562	0.06	Jul 16, 2009
1,508,499	0.60	Aug 15, 2009
50,000,000	0.05	Mar 5, 2010
25,050,000	0.07	Jun 3, 2010
20,000,000	0.05	May 8, 2011
99,032,061	**$ 0.06**	

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

12. GENERAL AND ADMINISTRATION EXPENSES

	Three Months Ended		Six Months Ended	
	June 30, 2009	**June 30, 2008**	**June 30, 2009**	**June 30, 2008**
Capital tax	$ 81,704	$ 237,073	$ 81,704	$ 261,787
Filing costs and shareholders' information	48,164	60,694	69,608	92,057
Insurance	10,171	10,102	19,785	19,993
Meals and entertainment	3,419	6,963	4,584	12,165
Miscellaneous	8,408	20,390	14,906	66,572
Office expenses	13,299	31,669	43,346	49,857
Professional and consulting fees	160,668	341,828	226,346	439,982
Rent	28,258	24,411	57,530	47,487
Salaries and benefits	488,363	501,328	1,023,666	911,270
Telecommunications	16,348	24,305	34,039	42,634
Travel	43,213	94,739	62,165	165,994
	$ 902,015	**$ 1,353,502**	**$ 1,637,679**	**$ 2,109,798**

The difference in Capital tax is due to the value being expensed when incurred in the six months ended June 30, 2008. The current estimated tax payable is being evenly expensed throughout 2009.

13. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2009 the Company repaid a balance of $75,000 related to a short-term loan due to a director of the Company.

14. INTEREST AND FINANCING CHARGES

	Three Months Ended		Six Months Ended	
	June 30, 2009	**June 30, 2008**	**June 30, 2009**	**June 30, 2008**
Interest and bank charges	$ 12,570	$ 7,846	$ 29,782	$ 15,117
Financing fees on outstanding debt	3,072,627	133,678	3,072,627	490,964
Interest expense on outstanding debt	689,116	568,749	689,116	688,977
Fees for advisory services	(35,379)	-	15,313	-
Total interest and financing charges	**$ 3,738,934**	**$ 710,273**	**$ 3,806,838**	**$ 1,195,058**

Financing fees and interest expense on outstanding debt relate to the new loan facility described in Note 9.

15. CHANGES IN NON-CASH WORKING CAPITAL

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

	Three Months Ended		Six Months Ended	
	June 30, 2009	**June 30, 2008**	**June 30, 2009**	**June 30, 2008**
Accounts receivable	$ 16,381	$ 2,770,257	$ 717,325	$ 1,909,161
Inventory	58,745	2,144,490	45,298	1,074,745
Prepaids	5,948	104,798	26,525	60,143
Accounts payable and accrued liabilities	(263,486)	(3,974,760)	(803,302)	(1,942,257)
Net change in non-cash working capital	**$ (182,412)**	**$ 1,044,785**	**$ (14,154)**	**$ 1,101,792**

16. COMMITMENTS

The Company has signed a ten year electricity contract for power supply to its Coricancha Mine. Due to the temporary suspension of mining operations, the Company negotiated a temporary reduction in the monthly charge for maximum committed demand. This temporary reduction was effective for the first six months of 2009. The Company is currently negotiating an extension of this contract amendment.

17. EXTRAORDINARY LOSS IN THE YEAR ENDED DECEMBER 31, 2008

In May 9, 2008 the Company suspended operations at its Coricancha Mine in Peru due to an unexpected ground displacement in and around its tailings area caused by the saturation irrigation of the Tamboraque hillside by a third-party irrigation system. Ongoing mitigation work has stabilized the hillside and significantly reduced the risk of a landslide occurring. To account for these measures the Company has written-down some of its related assets and recognized a current liability related to the mitigation efforts at December 31, 2008. The future income tax recovery in the amount of approximately $4,871,000 resulting from these losses has been fully offset by a valuation allowance.

Details are summarized as follows:

	Amount
Property, plant and equipment	
Tailings extension **(a)**	$ 394,901
Plant **(b)**	2,497,884
Asset retirement obligation	
Relocation of tailings and remediation of plant, tailings and surrounding area **(c)**	14,607,487
Proceeds from insurance claim **(d)**	(2,084,263)
Income tax recovery	-
Extraordinary loss	**$ 15,416,010**

(a) The planned southern extension to the current tailings facility became unusable due to the risks related to the ground displacement in the area. All related capitalized construction costs incurred to date relating to the extension have been written off.

(b) Due to the ground displacement of the tailings area and the related risks it poses to the processing plant located downhill, mitigation efforts were initially believed to require the dismantling of all or part of the processing plant resulting in a write-down of its value (Note 6). The write-down represents the cost of those parts of the processing plant which were determined to have no future use.

(c) The Company recorded a current liability to account for the estimated mitigation costs related to ground displacement in the tailings area and also recorded an extraordinary loss of an equivalent amount.

(d) The Company intends to claim all expenses incurred due to the ground displacement. All funds received from insurance claims will be offset against the losses resulting from these write-downs. During the year ended December 31, 2008, the Company received a US$2.0 million advance on its insurance claims. Further insurance proceeds will be recorded when the amounts and ultimate collectability are more readily determinable.

The third-party irrigation system responsible for the ground displacement, declaration of a state of emergency by the Government in the affected area and temporary suspension of mining operations has been classified as an extraordinary event during the year ended December 31, 2008, as it is not expected to occur frequently, it does not typify the Company's normal business activities, and it does not depend primarily on decisions made by management.

18. SUBSEQUENT EVENTS

(a) Non-Binding Heads of Agreement

Subsequent to the quarter end, the Company entered into a non-binding heads of agreement with a major company to sell an 85% interest in its wholly owned Peruvia Subsidiary. Pursuant to the terms set out in the heads of agreement, Gold Hawk would receive US$15 million in cash in return for an 85% interest in its principal Peruvian operating subsidiary, Compania Minera San Juan (Peru) S.A. ("CMSJ"). Gold Hawk's partner would also agree to assume Gold Hawk's guarantee in respect of CMSJ's existing US$13 million senior debt facility and would agree to loan up to an additional US$20 million to fund infrastructure and start-up costs for the Coricancha Mine, including the new Chinchan tailings facility.

As part of the heads of agreement, the Company agreed to grant a 60-day exclusivity period to permit the proposed partner to complete its due diligence review and to negotiate and execute definitive documentation in connection with this transaction. This exclusivity period along with certain confidentiality provisions constitute binding obligations of the parties under the heads of agreement. The Company also successfully negotiated a US$250,000 bridge loan to fund care and maintenance costs for CMSJ.

Given the preliminary and non-binding nature of the heads of agreement, we note that there is no certainty that the current proposal will proceed to completion.