Gold Hawk Resources Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three and Six Months Ended June 30, 2007

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Management's Discussion & Analysis
For the Three and Six Months Ended June 30, 2007

Q2 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 six months ended June 30, 2007 and the factors affecting the Company's financial and operating performance for the periods then ended.

This MD&A is dated August 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 six months ended June 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 12 of this MD&A. The Company's unaudited interim consolidated financial statements as at and for the six months ended June 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 June 30, 2007, the Company is in the process of commissioning the facilities and, accordingly, has not commenced commercial production for accounting purposes. 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.

Q2 2007 HIGHLIGHTS & RECENT DEVELOPMENTS

Major developments during the second quarter of 2007 included:

- Ore production and concentrator operations at the Company's Coricancha Mine in Peru resulted in its first shipments of concentrate and its first gold pour;
- During and subsequent to the second quarter, exploration and development work on the 3140 meter level of its Coricancha Mine, encountered what is believed to be the downward extension of the Constancia Vein.
- Subsequent to the second quarter, on August 15, 2007, an earthquake and various after shocks hit Peru's coast, but resulted in no accidents or injuries at the Coricancha Mine, and it had no significant impact on the mine and mill operations; and,
- Corporately, a shareholder right's plan was adopted effective June 7, 2007.

During the second quarter of 2007, production of lead and zinc concentrates began at the Company's Coricancha Mine in Peru. The Biox® circuit was also in operation with Biox® product flowing to the cyanidation circuit, where gold and silver are adsorbed onto carbon. Preliminary results of the Biox® circuit operation suggest that performance is meeting designed gold recovery. The first full gold pour occurred in June, and dore bars were prepared for July shipment to a refinery.

Production ramp-up was slower than anticipated due primarily to delays in the delivery of new mining equipment; nonetheless, more than 20,000 tonnes of ore were mined and processed during the second quarter. The installation, and more specifically the commissioning of the underground ore handling system, required more time to complete than originally planned; however, the ore handling system is now operating satisfactorily.

The new mobile mining equipment fleet that had been delayed for many months was received in August and is now in operation in the mine.

Other operating challenges that have, for the most part, been overcome include the hiring of experienced operating management and equipment design modifications for the concentrator. The Company continued with its employee recruiting campaign, and increased the number of direct on-site employees to over 550; training of operating personnel continues to be a high priority. Consistent with the corporate objectives, approximately 50% of employees are from the local communities surrounding the mine with the remainder from other parts of Peru.

Regretfully, during the second quarter, a fatal accident occurred at the mine when a supervisor entered an abandoned raise and died due to a loss of oxygen. Management is working with local Peruvian authorities in the investigation of the accident.

During and subsequent to the second 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 315 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).

Assays conducted on channel samples by ALS Chemex Laboratory in Lima, Peru over the 1.26 meter vein width encountered on the 3140 level averaged 2.54% copper, 3.34% lead, 4.20% zinc, 544.74 grams per tonne silver and 4.85 grams per tonne gold. The widths and average grades encountered to date are significantly higher than those encountered on the upper working levels of this vein (3460 and 3550 levels). Due to the high copper content of this zone, the Company is planning on refurbishing the existing copper recovery circuit at the mine.

To the end of July, 2007, approximately 55 meters of the Constancia Vein has been exposed on the 3140 meter level. 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.

Mr. Rodney Lamond, P. Eng., has reviewed and approved the technical information contained above, and is the Qualified Person as defined by National Instrument 43-101 for this technical information.

A Shareholder Rights Plan (the "Rights Plan") was ratified by the Company's shareholders at the annual and special meeting of shareholders held on June 7, 2007. The Rights Plan is designed to encourage the fair and equal treatment of shareholders in connection with any take-over bid for the outstanding securities of the Company. The Rights Plan is intended to provide the Board of Directors with adequate time to assess a take-over bid, to consider alternatives to a take-over bid as a means of maximizing shareholder value, to allow competing bids to emerge, and to provide Gold Hawk's shareholders with adequate time to properly assess a take-over bid without undue pressure. Gold Hawk's Board of Directors is not currently aware of any pending or threatened take-over bid for the Company.

RESULTS FROM OPERATIONS

Summary of Quarterly Results (unaudited)

	June 30, 2007	Mar 31, 2007	Dec 31, 2006	Sep 30, 2006
Revenue	$ 50,235	$ 99,073	$ 16,609	$ 23,704
Net loss	$ (4,795,153)	$ (699,969)	$ (2,296,531)	$ (449,475)
Basic and diluted net loss per share	$ (0.03)	$ -	$ (0.02)	$ -

	Jun 30, 2006	Mar 31, 2006	Dec 31, 2005	Sep 30, 2005
Revenue	$ 39,682	$ -	$ 632	$ 1,262
Net loss for the period	$ (5,583,085)	$ (88,321)	$ (78,661)	$ (131,345)
Basic and diluted net loss per share	$ (0.05)	$ -	$ -	$ -

Revenue of $50,235 in the quarter ended June 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 second quarter, the Company recorded a net loss of $4,795,153 ($0.03 basic and diluted loss per share) as compared with a net loss of $5,583,085 ($0.05 basic and diluted loss per share) for the same period in 2006. The loss was primarily due to an unrealized foreign exchange loss on the Company's US dollar advances to its self sustaining foreign subsidiary of $1,658,095 (Q2, 2006 $37,982), and to an unrealized loss on the Company's lead and zinc derivative instruments of $1,540,008 (Q2, 2006 Nil). This loss is a result of a mark to market adjustment as at June 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.

The comparable loss in 2006 was primarily the result of a write down of the Company's Machacala exploration property, not applicable in the current quarter.

Other contributing factors to the current quarter's loss were stock-based compensation expense of $529,000 (Q2, 2006 $420,250); accretion expense on asset retirement obligations of $271,282 not applicable in the prior year; and, to increased general and administration expenses $466,648 (Q2, 2006 $193,182). 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		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Filing fees and mailings	$ 13,781	$ 1,027	$ 19,165	$ 5,027
Insurance	37,395	18,838	75,219	23,471
Meals and entertainment	4,535	4,320	6,785	4,320
Miscellaneous	8,914	308	15,596	308
Office expenses	8,261	39,118	34,118	48,564
Rent	30,619	10,310	49,173	12,875
Salaries and benefits	233,313	55,922	453,431	55,922
Security	67,226	36,431	124,814	36,431
Telecommunications	5,798	2,046	10,984	2,046
Travel	56,806	24,862	152,004	24,862
	$ 466,648	**$ 193,182**	**$ 941,289**	**$ 213,826**

Insurance expense for the quarter of $37,395 (Q2, 2006 $18,838) includes a comprehensive policy on the Coricancha mine facility, which was only applicable for a portion of the comparable 2006 period. Rent $30,619 (Q2, 2006 $10,310) and salaries and benefits $233,313 (Q2, 2006 $55,922) 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 $67,226 (Q2, 2006 $36,431) relates to the mine security and surveillance in Peru, and were only applicable for a portion of the comparable 2006 period. Travel expenses of $56,806 (Q2, 2006 $24,862) increased because of various site visits to Peru by management.

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 loss was $7,630 relating to the Company's currency translation adjustment of its self sustaining foreign operation (Nil Q1, 2006).

Investing activities

Peru – Coricancha Mine

During the second quarter of 2007, the Company acquired plant and equipment in the amount of $1,220,916 (Q2, 2006 $573,307) and incurred pre-production cost capitalized under deferred exploration and development expenses in the amount of $3,628,378 (Q2, 2006 $263,985).

Rehabilitation within the mine has been completed in the scheduled production areas. Ongoing rehabilitation work continues in the areas of the mine scheduled for future production. During the second quarter a total of 976 meters of development was achieved. Exploration development within the mine totaled 319 meters during the second quarter. This development was distributed with 212 meters on the Constancia Vein, 72 meters on the Wellington Vein and 35 meters on the lower 3140 level of the mine. At the end of the quarter a vein was encounter on the 3140 level which is believed to be the downward extension of the Constancia vein.

The installation of the dense media separator ("DMS") plant has advanced with the completion of the concrete foundation installation. Critical components for the DMS are scheduled to arrive during the third 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 June 30, 2007, the Company is still in the process of commissioning the facilities and accordingly, has not commenced commercial production for accounting purposes. However, mill and mine operations have commenced, and significant related costs, such as personnel, power, and other operating costs are being incurred. These costs are capitalized under Canadian GAAP until the Company achieves its predefined production criteria, at which time commercial production status will be applied. The Company expects to achieve this status in the fourth quarter of 2007.

Financing activities

The Company has in place a US$10 million loan facility with Natixis Bank. The loan facility is structured in two tranches: Tranche A and Tranche B.

Tranche A is for US$5 million and is to fund a portion of Gold Hawk's capital requirements for the Coricancha Mine, and was fully drawn down as at June 30, 2007.

Tranche B is a non-revolving term credit facility of US$5 million, and was available on a committed basis until June 30, 2007 for the purpose of financing additional requirements for the Coricancha Mine ($US2 million of which was only available after the Company achieved certain levels of commercial production). On June 14, 2007, $2,663,500 (US$2.5 million) of Tranche B was drawn by the Company. The Company incurred a draw down fee of US$28,125.

Both facilities bear interest at LIBOR + 3.5% and mature on September 7, 2008. The first principal repayment date is on October 1, 2007, at which time, equal monthly principal repayments are required with a final principal repayment due on September 7, 2008. The loans may be repaid at anytime without penalty.

The remaining US$2.5 million non-revolving credit facility (Tranche B) is available to the Company on an uncommitted basis until September 7, 2007 for the purpose of mining property acquisitions planned by the Company (subject to lender approval). A standby fee of 1% is charged on any undrawn portion of the available revolving loan facility, and any draw downs are subject to a 1.125% drawdown fee.

During the six months ended June 30, 2007, 1,060,000 Broker's warrants were exercised for proceeds of $265,000 and $92,500 was received from the exercise of 400,000 stock options.

Subsequent to June 30, 2007, the Company entered into an agreement with Auramet Trading, LLC ("Auramet"). whereby Auramet agreed to provide a US$3 million unsecured loan facility to the Company (the "Auramet Bridge Loan"). The funds were advanced against a US$3 million promissory note from the Company in favour of Auramet. The Company paid a cash fee upon funding of the Auramet Bridge Loan equal to 2% of the loan proceeds. Interest on the Auramet Bridge Loan was at a rate of 12.5% per annum. Net proceeds of the Auramet Bridge Loan were used for expenditures relating to ongoing development of the Coricancha Mine and general working capital purposes. The loan was repaid on August 17, 2007 from proceeds of a brokered private placement.

Subsequent to the quarter end, on August 16, 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 used for expenditures relating to ongoing development of the Coricancha Mine, general working capital purposes, and to repay the outstanding Auramet Bridge Loan.

Liquidity and Capital Resources

As at June 30, 2007 the Company had working capital deficiency of $1,740,950 compared to working capital of $9,112,352 at December 31, 2006. The decrease in working capital was due to the ongoing expenditures made since January 1, 2007 relating to the development of the Coricancha Mine. In addition, on March 29, 2007 the Company paid the final purchase price payment of US$1.5 million dollars related to the 2006 mine acquisition.

With the financings arranged subsequent to the quarter end, the Company believes that it has sufficient funds to complete the development of the Coricancha mine required to achieve commercial production. Once commercial 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 on 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 and Contingencies

Under the Company's loan facilities with Natixis, the first principal repayment date is on October 1, 2007, at which time, equal monthly principal repayments of US$625,000 are required on the first of each month, with 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	$ 93,234
2008	190,941
2009	99,357
2010	19,005
2011	-
Total	**$ 402,537**

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 Corporation has estimated and recorded a liability for asset retirement obligations of $12,406,526 as at June 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 June 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 June 30, 2007, the derivative instruments cover approximately 80% and 25% of expected 2007 and 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 June 30, 2007 are included as Note 6 to the unaudited interim consolidated financial statements. During six month periods ending June 30, 2007 the Company recognized unrealized losses on derivative instruments of $1,212,647 and realized losses on derivative instruments of $185,533 (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 bear 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 $146,600 (2006 - $109,955) were charged by directors during the six months ended June 30, 2007. 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 August 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	166,702,144
Stock options (average exercise price $0.45)	6,290,000
Warrants (average exercise price $0.33)	6,080,000
Total common shares and potential common shares	179,072,144

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 six months ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

New Accounting Standards

On 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.

On 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 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 June 30, 2007, the Company has not designated any derivative instruments as hedging instruments.

These standards have been adopted beginning January 1, 2007.

Outlook

Effective July 1, 2007, Mr. Kevin Drover, formerly the Company's President and Chief Operating Officer was appointed to President and Chief Executive Officer. Mr. Gordon Bub stepped down as Chief Executive Officer, but remains as Executive Chairman of the Board.

Although attaining the rated capacity of 600 tonnes per day ("tpd") at the Coricancha Mine has been slower than anticipated, steady progress is being made and management is confident that with the arrival of the new mining equipment in August 2007 and the hiring of additional site management, the Company will achieve commercial production status and its production targets by the fourth quarter of 2007.

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. In 2008, the Company will benefit by a full year of production as compared to a partial year in 2007. In addition, with minimal modifications to the concentrator and with the DMS plant operational, management plans to increase the mining rate from 600 tpd in fourth quarter 2007 to 900 tpd by 2009. In view of the large resource base and excellent exploration potential, management has undertaken a scoping study to evaluate the feasibility of further increasing the mining rate to 1500 tpd. In addition to organic growth, it is managements' objective to grow the Company and build value for shareholders by aggressively pursuing external growth opportunities.

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 necessarily 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.