Contact Information

Suite 570-789 West Pender Street
Vancouver BC V6C 1H2
Tel.: (604) 689 9282

info@goldhawkresources.com
www.goldhawkresources.com

Mr. Colin K. Benner
Chairman

Mr. Kevin Drover,
President and CEO

Mr. Jason Mercier
Director Investor Relations

Gold Hawk Resources Inc.

Management's Discussion & Analysis
For the Year Ended December 31, 2007

CGK:TSXV

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of the operations of Gold Hawk Resources Inc. ("Gold Hawk" or "the Company") and its wholly owned subsidiaries constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2007.

This discussion dated April 29, 2008 should be read in conjunction with the Company's audited consolidated Financial Statements and associated Notes for the year ended December 31, 2007. Please also refer to the cautionary statement of forward-looking information at the end of the MD&A. The Company's audited consolidated Financial Statements are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as fully described in Note 2 of the December 31, 2007 audited consolidated financial statements and reported in Canadian dollars unless otherwise noted.

Further information regarding the Company and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) in Canada and can be obtained from www.sedar.com.

OVERVIEW

Gold Hawk is a Canadian based precious and base metals producer with reserves and resources containing gold, silver, lead, zinc and copper. Since the acquisition of the wholly owned Coricancha Mine in Peru in March 2006, the mine and concentrator have been refurbished and commercial production status was achieved on October 1, 2007. The rated capacity of the processing facility is approximately 600 tonnes of ore per day, with potential for expansion to 900 tonnes per day by the end of 2008. The Company, through its subsidiary, Compania Minera San Juan (Peru) S.A., has approximately 600 employees.

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.

2007 HIGHLIGHTS

Major highlights and developments during the year ended 2007 included the:

- Completion of an independent National Instrument 43-101 reserve report for the Coricancha Mine;
- Exploration and development results on the 3140 meter level of the Coricancha Mine, encountering what is believed to be the downward extension of the Constancia Vein;
- Completed a $10 million bought deal private placement in August 2007;
- Commencement of production at the Company's Coricancha Mine, culminating in the achievement of production milestones in late September, and the declaration of commercial production on October 1, 2007; and,
- Completion of the Company's first full quarter of commercial production, with over 35,000 tonnes of ore processed in the quarter ended December 31, 2007 and production of 647 ounces of gold, 70,676 ounces of silver, 561,076 pounds of lead and 814,828 pounds of zinc.

During the year ended December 31, 2007, the Company released its mineral reserve and mineral resource estimates as at January 31, 2007 for the Coricancha Mine. The estimates were independently reviewed and verified by Mr. John W. Rozelle, of Gustavson Associates, LLC ("Gustavson") of Boulder Colorado in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). A summary of the results are included in the following table and a copy of the full Technical Report was filed on SEDAR (www.SEDAR.com) on April 20, 2007.

Proven and Probable Reserves — **January 31, 2007**

	Tonnes	Au g/t	Ag g/t	Pb %	Zn %	Cu %
Proven	152,657	4.43	166.71	2.94	2.42	0.30
Probable	283,860	5.45	158.38	2.60	2.57	0.31
Total	**436,517**	**5.09**	**161.29**	**2.72**	**2.52**	**0.31**

Measured and Indicated Resources (*) — **January 31, 2007**

	Tonnes	Au g/t	Ag g/t	Pb %	Zn %	Cu %
Measured	112,497	6.17	231.97	4.07	3.38	0.41
Indicated	538,733	6.57	193.81	2.98	3.94	0.44
Total	**651,230**	**6.50**	**200.40**	**3.17**	**3.84**	**0.44**

(*) Includes proven and probable reserves but excludes inferred resources.

Inferred Resources (**) — **January 31, 2007**

	Tonnes	Au g/t	Ag g/t	Pb %	Zn %	Cu %
Constancia Vein	1,447,438	6.28	185.38	3.61	3.79	0.36
Wellington Vein	744,858	6.94	228.92	2.39	3.94	0.58
Escondida	193,688	4.85	282.11	2.92	3.85	0.43
San José	63,010	3.95	139.03	11.14	0.10	0.10
Colquipallana	170,253	9.49	219.28	3.59	4.10	0.00
Animas	907,405	2.36	457.53	0.30	0.48	0.11
Rocío	384,566	3.67	174.18	2.19	4.94	0.60
Total	**3,911,218**	**5.27**	**261.23**	**2.56**	**3.12**	**0.35**

(**) Mineral resources which are not mineral reserves do not demonstrate economic viability.

During the year ended December 31, 2007, exploration and development work by the Company on the 3140 meter level of the 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 have been included in the Company's above noted 43-101 Technical Report.

Since this discovery in July of 2007, 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 December 31, 2007, approximately 190 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 appear to correlate both geologically and physically and thus there is a 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 a 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 an additional 2,000 meters of potential strike length to be developed. With a vertical extent of 320 meters and the 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. is the Qualified Person as defined by National Instrument 43-101 for technical information contained in this MD&A, and Mr. Lamond has reviewed and approved all technical information contained in the MD&A.

In August 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 related to ongoing development of the Coricancha Mine, general working capital purposes, and to repay a bridge loan from one of the Company's lenders.

During the year ended December 31, 2007 the Company successfully undertook an employee recruiting and training campaign, and increased the number of direct on-site employees to more than 550. Consistent with the corporate objectives, approximately 50% of the Company's employees are from local communities surrounding the mine while the remainder from other parts of Peru. Regretfully, during the second quarter of 2007, a fatal accident occurred at the mine when a supervisor entered an abandoned raise and died due to a loss of oxygen. An extensive program to limit access into abandoned areas of the mine was immediately implemented along with safety awareness training for all underground personnel.

Production of lead and zinc concentrates began at the Coricancha Mine during the second quarter of 2007, and the first full gold pour occurred in June with dore bars prepared for July shipment to a refinery. Full production ramp-up was slower than anticipated due primarily to delays in the delivery of new mobile mining equipment originally expected to arrive in March 2007, but not received until late August. As a consequence of the late equipment arrival, development of sufficient production stopes to allow for achieving the rated capacity of 600 tonnes per day ("tpd") was also delayed. With the equipment fully operational by September, daily mined tonnage continually improved towards 600 tpd, and Commercial Production (based on attaining 66% of the 600 tpd rated mill capacity in any 18 consecutive days within a 30 day period) was achieved during the 30 day period ending September 25th, 2007. Commercial Production, for accounting purposes, became effective October 1, 2007. Attaining commercial production was a major milestone for the Company as the sales and operating costs were then to be reported on Gold Hawk's income statement. Prior to October 1, 2007, sales and operating costs had been capitalized for financial reporting purposes.

The results for the three months ended December 31, 2007, which is the first full quarter of operation of the Coricancha mine (see "Results of Operations" below) were affected by the equipment delivery delays, as well as by temporary tailings handling limitations encountered in the fourth quarter of 2007.

The impact on the mine plan of the 2007 equipment delivery delays prior to attaining commercial production, resulted in less than planned mine ore grades due to limited access to the higher grade areas of the mine. Rehabilitation work to allow access to higher grade production stopes is presently in process and planned for completion during the second quarter of 2008. Coupled with the expected commissioning of the Dense Media Separation ("DMS") plant, which removes waste rock (dilution) from the mine ore before processing, result in an increase in the mill feed grade.

After achieving commercial production and as the plant throughput increased, it was determined that the existing vacuum filtering equipment used to remove water from the tailings before disposal, was unable to handle the moisture content associated with higher tonnage. The Company immediately constructed a dyke in the tailings pond for short-term use and ordered two refurbished press filters for a permanent solution. The press filters were inspected and ordered, and are scheduled for delivery and installation in the second quarter of 2008. As a result of the present dyke and vacuum filter capacity, as well as the Company's commitment to long-term stewardship of the environment, mill throughput has been temporarily limited to approximately 450 tpd until the press filters are placed into service.

Recent Developments subsequent to December 31, 2007

The Company has just recently completed its second full quarter of commercial production on March 31, 2008. Significant progress was made in mine operations since the year end, and results have improved in the plant and in all the mill circuits.

Concentrate production for the first quarter of 2008 were 781 tonnes and 666 tonnes of zinc and lead concentrate, respectively. Concentrate grades for lead and zinc have been improving as well as compared to fourth quarter 2007 results, with an average zinc concentrate grade of 51.4% and lead concentrate of 54.8% in the first quarter. Average mill head grades for gold and silver also improved quarter-over-quarter, with gold improving from 2.66 grams per tonne in the fourth quarter to 3.13 grams per tonne in the first quarter and silver improving from 81.0 grams per tonne to 94.5 grams per tonne.

Subsequent to year end, mill throughput remained temporarily below capacity of 600 tpd due to the tailings handling limitations and will remain so until the arrival and commissioning of at least one of two filter presses. The mine achieved an average of 405 tpd in the first quarter of 2008 with 36,908 tonnes processed in total. Tonnes of ore milled improved throughout the period, from an average of 387 tpd in January, to 402 tpd in February and 427 tpd in March of 2008. The first of the two filter presses has just arrived at the Lima port, and after customs clearance will be transported to the mine site. The Company has prepared the installation site, and will be installi and commission the new filters upon their arrival. Once the first filter is in operation, it is expected that production of 600 tpd will be reached. The second filter, to be used as a maintenance backup unit is on schedule to arrive in June.

The construction of the DMS plant is well advanced with all component parts on site. Commissioning is scheduled for June of 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.

The DMS plant construction time line parallels the press filter installation schedule, with the filters scheduled to be commissioned first to increase capacity before the DMS plant commissioning. The goal of both capital expenditures is to allow maximum mill throughput, further improve the mill feed grade, increase production of metals contained, and reduce costs.

Subsequent to the year end, the Company's off-take customer terminated, without cause, its agreement with the Company to purchase lead and zinc concentrates at predefined rates under the terms of a five year contract. The Company is currently evaluating its recourse alternatives, as replacement off-take terms have proven to be less commercially favourable. In addition, subsequent to year end, an accounts receivable balance of approximately US$266,000 remains to be collected from this customer. The balance originates from both final settlement of 2007 invoices (US$82,800) and from new sales subsequent to year end (US$ $183,200). An allowance at year end has not been booked pending further evaluation of the circumstances.

RESULTS FROM OPERATIONS

Commercial production, for accounting purposes commenced October 1, 2007 at which time sales and operating costs were reported on Gold Hawk's income statement. Prior to October 1, 2007, the Company was in the pre-production stage for accounting purposes, and sales and operating costs were 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.

For the three-month period ended December 31, 2007, the results from operations reflect the first full quarter of commercial production at the Coricancha mine. For this three-month period ended December 31, 2007, the mine production is summarized as follows:

	Quarter and Year Ended December 31, 2007
Ore processed/tonnes milled	35,207
Average tonnes milled per day	382
Average gold grade (grams/tonne)	2.66
Gold recovery (%)	21
Gold ounces produced	647
Average silver grade (grams/tonne)	81
Silver recovery (%)	77
Silver ounces produced	70,676
Pounds of lead produced	561,076
Pounds of zinc produced	814,828

For the three-month period ended December 31, 2007, revenues from the sale of gold and silver dore, and from lead and zinc concentrates, totaled $1,665,525 (2006 $Nil) for the period, and direct operating costs totaled $4,218,573

(2006 $Nil). Direct operating costs include non cash expenses of depreciation and depletion of $1,007,100 (2006 $Nil) and accretion of asset retirement obligation of $1,061,195 (2006 $Nil).

Production cost per tonne of ore processed was higher than anticipated primarily due to the costs associated with higher than anticipated tailings management costs. The dyke construction and maintenance costs for the tailings pond added US$701,070 of direct costs to three-month period ended December 31, 2007.

Summary of Quarterly Results

	Dec 31, 2007	Sept 30, 2007	June 30, 2007	Mar 31, 2007
Sales revenue	$ 1,665,525	$ -	$ -	$ -
Interest income	$ 57,695	$ 64,946	$ 50,235	$ 99,073
Net loss	$ (3,199,124)	$ (3,567,558)	$ (4,795,153)	$ (699,969)
Basic and diluted net loss per share	$ (0.02)	$ (0.02)	$ (0.03)	$ -

	Dec 31, 2006	Sept 30, 2006	Jun 30, 2006	Mar 31, 2006
Sales revenue	$ -	$ -	$ -	$ -
Interest income	$ 16,609	$ 23,704	$ 39,682	$ -
Net loss for the period	$ (2,296,531)	$ (449,475)	$ (5,583,085)	$ (88,321)
Basic and diluted net loss per share	$ (0.02)	$ -	$ (0.05)	$ -

Interest revenue of $271,949 for the year ended December 31, 2007, was interest earned on cash deposited with Scotiabank Canada, in guaranteed investment accounts. Interest revenue of $79,995 in the comparable 2006 period was also interest on bank guaranteed investments. The Company has no exposure to asset backed commercial paper.

During the year, the Company recorded a net loss of $12,261,804 ($0.08 basic and diluted loss per share) as compared with a net loss of $8,417,412 ($0.09 basic and diluted loss per share) in 2006. The loss for the current year includes a loss from mining operations for the quarter ended December 31, 2007 of $4,218,573 (2006 $Nil), incurred in the Company's first full quarter of commercial production at its Coricancha mine in Peru. There were no property write downs in the current year (2006 $5,583,144) and associated exploration expenses on that property were not applicable in this year's loss.

Additional items contributing to the current year's loss included stock-based compensation expense of $1,140,666 (2006 $608,380), and a foreign exchange loss of $3,716,961 (2006 $46,044), which resulted primarily from the strengthening of the $Canadian/$US exchange rate on the Company's US dollar loan advances to its foreign subsidiary.

During the year, a loss on the Company's lead and zinc derivative instruments of $491,660 (2006 $573,291) was also incurred, consisting of both losses incurred on derivative settlements as they came due and a mark to market adjustment on the Company's existing derivative instruments as at December 31, 2007. Although the Company has entered into these derivatives with the intent of minimizing price risks associated with fluctuating metal commodity prices, the Company's derivative undertakings do not qualify for 'hedge accounting' treatment under Canadian GAAP.

Also contributing to the current year's loss was increased general and administration expenses $2,588,458 (2006 $1,144,752), which 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:

	2007	2006
Capital tax	$ 88,349	$ -
Filing costs and shareholders' information	117,744	68,171
Insurance	190,377	62,599
Meals and entertainment	14,285	8,797
Miscellaneous	74,256	2,322
Office expenses	71,870	43,352
Professional and consulting fees	317,555	282,099
Rent	122,689	37,258
Salaries and benefits	1,108,067	392,654
Security	183,545	137,774
Telecommunications	23,050	20,313
Travel	276,671	89,413
	$ 2,588,458	**$ 1,144,752**

Insurance expense of $190,377 (2006 $62,599) 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 $122,689 (2006 $37,258) and salaries and benefits $1,108,067 (2006 $392,654) have increased over the comparable 2006 period as the Company established a fully functioning and staffed office in both Vancouver and Peru in 2006, and maintained the offices the entire year in 2007. Professional and consulting fees of $317,555 (2006 $282,099) consist primarily of legal, accounting and audit costs. The Company now maintains an experienced team to manage the Coricancha project and as well to focus on additional growth opportunities. Security expense $183,545 (2006 $137,774) relates to the mine site security in Peru up to the period of October 1, 2007, after which mine security has been charged to operations. Travel expenses of $276,671 (2006 $89,413) 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 a gain of $96,495 (2006 $811,387) relating to the Company's foreign currency translation adjustment of its foreign operation.

OUTLOOK

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

Management's three priorities remain increasing the head grades and production rate and improving the recovery rates in order to ultimately maximize shareholder value by increasing the efficiency of our operations. With improving head grades from the mine and with the DMS plant to be commissioned late in the second quarter, metal production and recovery will approach design specifications. With the DMS plant operational management will strive to increase the mining rate from the planned 600 tpd to 900 tpd by the end of 2008.

In 2008, its first full year of operation, the Company expects to mill 172,000 tonnes of ore and to produce (previous guidance in brackets) approximately 15,000 ounces (20,000 ounces) of payable gold, 600,000 ounces (800,000 ounces) of payable silver, 6.1 million pounds (8.0 million pounds) of payable zinc, and 6.0 million pounds (7.8 million pounds) of payable lead in 2008. The reduction in plan from previous guidance is due primarily to the ore processing restrictions resulting from the tailings handling situation.

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 and allow access over the 315 vertical meters for additional exploration and development as well as improve mine efficiencies. In addition, it is planned to conduct exploration drilling 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.

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 Chairman of the Board. Mr. Benner brings to the Company proven leadership and ability to manage corporate growth.

RISKS AND UNCERTAINTIES

The following is an overview of the risk factors to be considered in relation to our business. Specific risk factors to be considered are as follows:

Going Concern

The Company has a lack of cash flow, which may affect its ability to continue as a going concern. Values attributed to the Company's assets may not be realizable, the Company has no proven profitability history and its ability to continue as a going concern depends upon a number of significant variables. The Company's ability to continue as a going concern is dependent upon its ability to successfully achieve profitable operations in the near future, and/or to obtain additional debt or equity financing to meet its obligations as they come due.

Industry and economic factors affecting the Company's performance

a) Exploration and mining risks

The business of exploration and development for minerals and mining involves a high degree of risk. Few exploration properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, cave-ins, landslides, and the inability to obtain suitable or adequate machinery, equipment, or labor are other risks involved in the conduct of exploration programs. The Company from time to time augments its internal exploration and operating expertise with advice from consultants and others as required. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined, and fluctuations in the price of any minerals produced.

b) Titles to property

While the Company has diligently investigated title to the various properties in which it has an interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer or native or government land claims, and title may be affected by undetected defects.

c) Permits and licenses

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations at its projects.

d) Metal prices

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities, and worldwide production levels. The effect of these factors cannot be accurately predicted.

e) Competition

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

f) Environmental regulations

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving toward stricter standards in which enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

g) Conflicts of interest

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

h) Stage of development

The Company does not have a history of earnings or the provision of return on investment, and in the future there is no assurance that it will produce revenue, operate profitably, or provide a return on investment.

i) Industry conditions

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls, or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

j) Uninsured hazards

Hazards, such as unusual geological conditions, are involved in exploring for and developing mineral deposits. The Company may become subject to liability for pollution or other hazards, which cannot be insured against, or against which the Company may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Company assets or the insolvency of the Company.

k) Future financing

Completion of future programs may require additional financing, which may dilute the interests of existing shareholders.

l) Key employees

Management of the Company rests on a few key officers, the loss of any of whom could have a detrimental effect on its operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company's future liquidity will depend upon its ability to generate future positive operating cash flow, and/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. Although the Company achieved commercial production at the Coricancha mine in Peru on October 1, 2007, it has not yet generated a profit from mining operations. The Company has incurred losses from inception including a loss of $12,261,804 for the year ended December 31, 2007, and has a working capital deficiency of $328,607 as at December 31, 2007, as compared to working capital of $9,112,352 at December 31, 2006. The decrease in working capital is due to the ongoing expenditures made since January 1, 2007 relating to the development of the Coricancha Mine, the delays incurred in reaching full rated operating capacity, and the fact that the Company's loan facility is now all current.

Subsequent to year end, the Company made its required principal repayment of US$625,000 on February 1, 2008. In accordance with the refinancing plan initiated in November 2007, a Loan Supplemental Agreement was signed and US$1,250,000 was redrawn on Tranches A and B (US$833,333 and US$416,667 respectively) on February 20, 2008. Further principal repayments were suspended and rescheduled for combined equal monthly principal repayments of US$937,500 due on May 1, 2008 and monthly thereafter, with the final principal repayment due on October 1, 2008. The lender has since waived and deferred the May 1, 2008 principal repayment until June 2, 2008 to allow sufficient time to close the refinancing. Under the terms of the refinancing plan, principal repayments will be further suspended and rescheduled to 15 equal monthly instalments beginning September 2008 through to the facility's maturity in November 2009.

In addition, subsequent to the year end, a new bridge loan tranche was created within the original US$10 million facility to allow the Company to draw US$3 million for working capital and expenditures related to its Coricancha mine, while the refinancing was in progress. Subsequent to the year end, on March 12, 2008, US$3 million was drawn on the bridge loan tranche and repayment is due no later than October 1, 2008, but is expected to be repaid prior to that time from the final stage drawing of the refinanced US$10 million term facility, subject to the further consent of the Company's lender.

The Company is in the process of refinancing its current credit facility to increase the total available funding for expenditures related to the Coricancha mine to US$10 million, available for further draw down in operating stages through August 31, 2008 and with an extended term of the facility through to November 2009. The refinancing will have an upfront flat fee of 2.0% of the facility amount, bear interest at LIBOR + 3.75% per annum, and will include 900,000 Gold Hawk warrants, with each warrant being exercisable for one common share of the Company at an exercise price of $0.485 and expiring on November 1, 2009. The Company expects to close the refinancing in May

2008, subject to final documentation, consent of the lender, and regulatory approval.

With the expected refinancing of the facility and with the principal repayments deferred until October 2008, existing working capital will be increased. With the working capital on hand and with the proposed refinancing, the Company believes that it will have sufficient funds for working capital based on the Company's current mine plan and budget. If the mine plan is not achieved, additional funding may be required. 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.

Investing activities

Peru – Coricancha Mine

The 2006 purchase price for the Coricancha Mine was US$12.0 million ($14,083,125) and an additional $170,346 direct acquisition costs. The final purchase price payment of US$1,500,000 ($1,731,900) was paid on March 29, 2007, giving the Company 100% ownership of the Coricancha Mine.

During the year ended December 31, 2007, the Company acquired plant and equipment in the amount of $3,962,081 (2006 $1,497,799) and incurred pre-production cost capitalized under deferred exploration and development expenses in the amount of $7,777,927 (2006 $1,546,983).

Mobile equipment, consisting of three scoops valued at approximately $150,000 each, arrived in August 2007 after being scheduled to arrive in March 2007. Rehabilitation within the mine was completed during the year within several scheduled production areas, but was also delayed in others as a result of equipment delivery delays. Ongoing rehabilitation work was continued in the areas of the mine scheduled for future production, as well as on the lower 3140 level. The construction of the DMS plant was advanced with the completion of the concrete foundation installation.

As at and during the nine months ended September 30, 2007, the Company had yet to declare commercial production, and accordingly was still in the pre-production stage for accounting purposes. However, mill and mine operations had commenced on a three shift per day basis, and significant related costs, such as personnel, power, and other operating costs were incurred. These costs were recorded as capitalized development until the Company declared its commercial production, which occurred on October 1, 2007. Revenues, net of treatment and refining charges earned to September 30, 2007 totaling $2,490,834 were offset against capitalized development costs of the mine.

Commitments

The two refurbished press filters ordered by the Company as the permanent solution to remove the moisture content in the tailings, require the following supplier payments, all of which have been made subsequent to the year end except for the April payment (to be paid April 30, 2008):

January 2008	US$ 63,000
February 2008	US$ 100,000
March 2008	US$ 100,000
April 2008	US$ 113,500

In order to complete construction of the DMS plant, the Company estimates spending approximately US$347,000 subsequent to December 31, 2007.

The Company's loan payable, which totals US$8,625,000 as at April 29, 2008, is all current and due by October 1, 2008, subject to closing the refinancing in May 2008 to extend the availability and term of the facility through November 2009 (see subsequent event note 18 in the consolidated audited financial statements for the year ended December 31, 2007).

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

	Amount
2008	$ 182,441
2009	97,223
2010	19,005
2011	-
Total	**$ 298,669**

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 purchase 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 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 $11,558,152 as at December 31, 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 December 31, 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 December 31, 2007, the derivative instruments held by the Company cover approximately 50% of both 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 "loss (gain) on derivative instruments". As derivative instruments mature and are settled, the Company recognizes gains and losses in the statement of operations.

Details of the Company's derivative instruments outstanding at December 31, 2007 are included as Note 9 to the audited consolidated financial statements.

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.

OUTSTANDING SHARE DATA

As at April 29, 2008, the Company had the following issued and outstanding common shares and unexercised stock options and warrants:

	Shares and Potential Shares
Common shares outstanding	171,122,144
Stock options (average exercise price $0.48)	8,780,000
Warrants (average exercise price $0.52)	4,008,499
Total common shares and potential common shares	183,910,643

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

These audited 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, 2007, except as described in Note 2 to our 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;
- Depreciation and depletion of mineral properties, plant and equipment;
- Stock based compensation and other stock-based payments
- Future income taxes; 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.

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.

Effective October 1, 2007 with the attainment of commercial production, the Company adopted a revenue recognition policy. Revenue from the sale of metals is recognized in the accounts when persuasive evidence of an arrangement exists, title and risk passes to the buyer, collection is reasonably assured and the price is reasonably determinable. Revenue from the sale of metals in concentrate are provisionally priced at the time of sale based on the prevailing market price as specified in the sales contracts, and may be subject to adjustment upon final settlement of estimated metal prices, weights and assays. Variations between the price recorded at the time of sale and the actual final price received from the customer are caused by changes in market prices for the metals sold and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as a component of sales. Adjustments to revenue for adjustments in weights and assays are recorded on final settlement. Refining and treatment charges are netted against revenue for sales of metal concentrate.

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.