



Gold Hawk Resources Inc.

Audited Annual Financial Statements

**Year Ended December 31, 2007
(and December 31, 2006 comparative)**

Gold Hawk Resources Inc.

Management's Responsibility for Financial Reporting

Management is responsible for the preparation of the consolidated financial statements and other financial information relating to the Company included in this annual report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include amounts based on estimates and judgments of management.

Deloitte & Touche LLP, our independent auditors, are engaged to express a professional opinion on the consolidated financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures which allow the auditors to report whether the consolidated financial statements prepared by management are presented fairly and in accordance with Canadian generally accepted accounting principles.

The Board of Directors must ensure that management fulfills its responsibilities for financial reporting. In furtherance of the foregoing, the Board of Directors has appointed an Audit Committee composed of three independent directors. The Audit Committee meets with the independent auditors to discuss the results of their audit and their audit report prior to submitting the consolidated financial statements to the Board of Directors for its consideration and approval for issuance to shareholders. On the recommendation of the Audit Committee, the Board of Directors has approved the Company's consolidated financial statements.

("Signed") *Colin K. Benner*

Colin K. Benner
Chairman

("Signed") *Larry Taddei*

Larry Taddei, CA
Vice President Finance and C.F.O.

Auditors' report

To the Shareholders of

Gold Hawk Resources Inc.

We have audited the consolidated balance sheets of Gold Hawk Resources Inc. as at December 31, 2007 and 2006 and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Signed "Deloitte & Touche, LLP"

April 29, 2008

Gold Hawk Resources Inc.
Consolidated Balance Sheets
For the Years Ended December 31

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,262,895	\$ 12,441,295
Restricted cash (Note 5)	144,796	48,589
Marketable securities	-	43,500
Accounts receivable (Note 6)	2,865,817	976,099
Inventory (Note 7)	1,715,938	209,958
Current portion of deferred financing costs	-	464,467
Derivative instruments (Note 9)	934,568	406,602
Prepaid expenses	180,081	108,762
	<u>8,104,095</u>	<u>14,699,272</u>
Deferred financing costs	-	265,162
Deposits	-	667,071
Mineral properties, plant and equipment (Note 8)	37,921,278	32,605,293
	<u>\$ 46,025,373</u>	<u>\$ 48,236,798</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,824,582	\$ 2,259,324
Promissory note payable	-	1,748,100
Derivative instruments (Note 9)	579,882	342,631
Current portion capital lease obligation (Note 10)	98,582	21,178
Current portion of loan payable (Note 11)	4,727,999	1,019,725
Current portion of asset retirement obligation (Note 12)	201,657	195,962
	<u>8,432,702</u>	<u>5,586,920</u>
Capital lease obligation (Note 10)	28,134	21,178
Loan payable (Note 11)	-	3,059,175
Asset retirement obligation (Note 12)	11,356,495	12,845,362
	<u>19,817,331</u>	<u>21,512,635</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	52,509,731	40,770,842
Warrants	898,330	967,000
Contributed surplus	2,075,337	983,600
Accumulated other comprehensive income	907,882	811,387
Deficit	(30,183,238)	(16,808,666)
	<u>26,208,042</u>	<u>26,724,163</u>
	<u>\$ 46,025,373</u>	<u>\$ 48,236,798</u>

Continuing Operations (Note 1)

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

Approved on Behalf of the Board of Directors:

("Signed") Richard Godfrey, Director

("Signed") Gordon Bub, Director

Gold Hawk Resources Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31

	2007	2006
Revenue		
Sales	\$ 1,665,525	\$ -
Operating costs		
Cost of Sales	3,815,803	-
Depreciation and depletion	1,007,100	-
Accretion of asset retirement obligation (Note 12)	1,061,195	-
Loss from mining operations	(4,218,573)	-
General and administration expenses (Note 14)	2,588,458	1,144,752
Stock-based compensation cost (Note 13)	1,140,666	608,380
General exploration	77,591	564,802
Loss from operations	(8,025,288)	(2,317,934)
Other expenses (income)		
Foreign exchange loss	3,716,961	46,044
Interest and bank charges	39,512	(59,501)
Loss on derivative instruments (Note 9)	491,660	573,291
Gain on disposal of marketable securities	(11,617)	(43,500)
Write down of mineral properties	-	5,583,144
Net loss for the period	\$ (12,261,804)	\$ (8,417,412)
Basic and diluted loss per share	\$ (0.08)	\$ (0.09)
Weighted average number of shares outstanding	155,841,236	98,810,668
Consolidated Statements of Comprehensive Loss	2007	2006
Net loss	\$ (12,261,804)	\$ (8,417,412)
Other comprehensive income:		
Foreign currency translation adjustment	96,495	811,387
Comprehensive loss:	\$ (12,165,309)	\$ (7,606,025)

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

Gold Hawk Resources Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31

	2007	2006
Operating activities		
Net loss for the year	\$ (12,261,804)	\$ (8,417,412)
Items not affecting cash:		
Stock-based compensation cost	1,140,666	608,380
Depreciation and depletion	1,007,100	7,842
Gain on disposal of marketable securities	(11,617)	(43,500)
Unrealized foreign exchange loss	2,846,699	(16,225)
Write-off of mining assets	-	5,583,144
Unrealized (gain) loss on derivative instruments	(198,544)	573,291
Accretion expense	1,061,195	-
	<u>(6,416,305)</u>	<u>(1,704,480)</u>
Net changes in non-cash components of working capital	(2,555,661)	26,313
Cash flows from operating activities	(8,971,966)	(1,678,167)
Financing activities		
Loan Proceeds	1,900,684	4,078,900
Promissory note from acquisition	(1,731,900)	(1,680,000)
Deferred Financing Costs	-	(639,665)
Capital lease obligation	100,128	42,356
Exercise of Broker warrants and stock options	1,293,100	-
Issuance of share capital	10,056,660	28,020,400
Share issue expenses	(841,238)	(1,686,469)
Cash flows from financing activities	10,777,434	28,135,522
Investing activities		
Acquisition of Coricancha mine, net of cash acquired	-	(9,859,246)
Addition to plant and equipment	(3,962,081)	(1,497,799)
Addition to mining properties	(85,620)	(341,615)
Asset retirement expenditures	(99,687)	-
Deferred exploration and development expenditures	(7,777,927)	(1,546,983)
Deposits on Equipment	567,416	(667,071)
Proceeds on disposition of marketable securities	55,117	-
Purchase of call options	(116,903)	(637,261)
Restricted cash required on investing activities	(96,207)	(48,589)
Cash flows from investing activities	(11,515,892)	(14,598,564)
Effect of exchange rate changes on Cash and Cash Equivalents	(467,975)	-
Net change in cash and cash equivalents	(10,178,400)	11,858,791
Cash and cash equivalents at beginning of period	12,441,295	582,504
Cash and cash equivalents at end of period	\$ 2,262,895	\$ 12,441,295
Additional information		
Interest paid	\$ 580,071	\$ 69,942
Broker warrants recorded as a share issue expense	271,530	1,092,000
Lender warrants recorded as deferred financing costs	-	190,000
Conversion of promissory note into share capital	-	413,895

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

Gold Hawk Resources Inc.
Consolidated Statements of Shareholders' Equity

	Share Capital (Number of Shares)	Share Capital (Amount)	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
At January 01, 2006	46,967,377	\$12,037,772	\$ 172,500	\$ 375,220	\$ -	\$ (5,612,785)	\$6,972,707
Private Placement	65,000,000	16,250,000	1,092,000	-	-	-	17,342,000
Share issue costs	-	-	-	-	-	(2,778,469)	(2,778,469)
Shares issued upon exercise of warrants	34,060,000	12,085,400	(315,000)	-	-	-	11,770,400
Shares issued upon conversion of debt	1,893,667	397,670	(172,500)	-	-	-	225,170
Warrants issued as a financing fee	-	-	190,000	-	-	-	190,000
Stock based compensation	-	-	-	608,380	-	-	608,380
Foreign exchange translation adjustment	-	-	-	-	811,387	-	811,387
Net loss	-	-	-	-	-	(8,417,412)	(8,417,412)
At December 31, 2006	147,921,044	40,770,842	967,000	983,600	811,387	(16,808,666)	26,724,163
Private Placement	16,761,100	10,056,660	271,530	-	-	-	10,328,190
Share issue costs	-	-	-	-	-	(1,112,768)	(1,112,768)
Shares issued upon exercise of options	400,000	141,429	-	(48,929)	-	-	92,500
Units issued upon exercise of warrants	3,960,000	1,540,800	(340,200)	-	-	-	1,200,600
Stock based compensation	-	-	-	1,140,666	-	-	1,140,666
Foreign exchange translation adjustment	-	-	-	-	96,495	-	96,495
Net loss	-	-	-	-	-	(12,261,804)	(12,261,804)
At December 31, 2007	169,042,144	\$52,509,731	\$ 898,330	\$2,075,337	\$ 907,882	\$(30,183,238)	\$ 26,208,042

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

Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements

At December 31, 2007 and 2006

1. CONTINUING OPERATIONS

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 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. 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. Subsequent to December 31, 2007 the Company renegotiated its loan facility as part of a refinancing to increase the facility's availability and to suspend and reschedule future principal repayments as described in note 18. The Company's ability to continue as a going concern is dependent upon its ability to successfully achieve profitable operations in the future, and/or to obtain additional debt or equity financing to meet its obligations as they come due. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated financial statements include the accounts of Gold Hawk Resources Inc. ("Gold Hawk" or the "Company") and its direct and indirect wholly-owned subsidiaries Minas San Juan Ltd. (incorporated in the Commonwealth of the Bahamas), Compañía Minera San Juan (Peru) S.A. (incorporated in Peru) and Larizbeascoa & Zapata S.A.C. (incorporated in Peru). All significant inter-company transactions and balances have been eliminated.

b) Measurement uncertainty

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, stock based compensation, 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.

c) Cash and cash equivalents

The Company considers cash and cash equivalents to be cash on deposit and highly liquid short term interest bearing securities with maturities at the date of purchase of three months or less.

d) Inventory

Inventory consists of materials, supplies and spare parts, valued at cost and estimated net realizable value, and in-process and finished goods, including ore concentrate and gold on carbon and in dore, which are valued at the lower of average production cost or net realizable value. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses and depreciation and depletion of mining interests.

e) Mineral properties, plant and equipment

Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements

At December 31, 2007 and 2006

Plant and equipment are recorded at cost and depreciated over the estimated life of the related assets calculated on a straight-line basis once they are put into use. Any gains or losses on disposition of plant and equipment are reflected in the statements of operations. Assets acquired under capital leases are recorded using the financial method where the cost of the leased asset is recorded as plant and equipment and the corresponding lease obligation is recorded as a loan.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets. Estimated undiscounted future net cash flows for properties in which a mineral resource has been identified are calculated using estimated future production, commodity prices, operating and capital costs and reclamation and closure costs. If it is determined that the future net cash flows from a property are less than the carrying value, then an impairment loss is recorded to write down the property to fair value.

The mining assets of the Company are comprised of wholly owned mining properties, claims and options to acquire undivided interests in mining properties, a mineral lease agreement, and deferred exploration expenses and are recorded at cost. Mineral property, plant and equipment include interest and financing costs relating to the construction of plant and equipment and operating costs net of revenues prior to the commencement of commercial production of new mines. Interest and financing costs are capitalized only for those projects for which funds have been borrowed.

These costs will be amortized over the estimated useful life of mining properties following commencement of production or written off when they are abandoned or if a project proves to be uneconomical. Proceeds from the sale of a mining asset are applied to reduce the related carrying costs; any excess is reflected as a gain in the consolidated statements of operations and deficit. Losses on partial sales are recognized and reflected in the consolidated statements of operations and deficit.

Management also reviews the carrying value of mineral properties and deferred exploration costs whenever events or changes in circumstances indicate the carrying value may not be recoverable. This review is generally made with reference to the timing of exploration work, work programs proposed, exploration results achieved by the Company and by others in the related area of interest, and an assessment of the likely results to be achieved from performance of further exploration and development. When the results of this review indicate that a condition of impairment exists, the Company estimates the net recoverable amount of the deferred exploration costs and related mining rights by reference to the potential for success of further exploration activity and/or the likely proceeds to be received from sale or assignment of the rights. When the carrying values of mining rights or deferred exploration costs are estimated to exceed their net recoverable amounts, a provision is made for the decline in value.

General exploration expenses not related to specific properties are accounted for in the consolidated statements of operations and deficit.

f) **Foreign currency translation**

The accounts of the Company's self-sustaining foreign subsidiary, Compania Minera San Juan (Peru) S.A., are translated using the current rate method using year-end exchange rates, with revenues and expenses translated at the average exchange rate. Gain and losses arising from these translations are recorded in

Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements

At December 31, 2007 and 2006

accumulated other comprehensive income as a foreign currency translation adjustment until they are realized by a reduction in the investment.

Prior to October 1, 2006, the accounts of the Company's integrated subsidiary were translated using the temporal method. This method translates foreign currency monetary assets and liabilities into Canadian dollars at the rate of exchange at the consolidated balance sheet dates, non-monetary balances at historical exchange rates and revenue and expense items at transaction dates. The resulting gains and losses were included in the consolidated statements of operations and deficit.

g) **Income taxes**

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

The Company establishes a valuation allowance against future tax assets if it is more likely than not that some or all of the future tax assets will not be realized.

h) **Financial instruments**

(i) Fair value

The Company has determined the estimated fair value of its financial instruments based on estimates and assumptions. The actual results may differ from those estimates and the use of different assumptions or methodologies may have material effects on the estimated fair value amounts.

Cash and cash equivalents, restricted cash, accounts receivable, accounts payable and convertible promissory note are financial instruments, which are valued at their carrying amounts, which are reasonable estimates of fair value, due to the relatively short period to maturity of the instruments.

The carrying value of loan payable and capital lease obligation are estimated to approximate their fair values on the basis that the terms and conditions for these instruments would be similar if they were entered into on December 31, 2007.

(ii) Interest rates risks

The Company's cash, accounts receivable, and accounts payable and accrued liabilities are non-interest bearing. The Company manages its portfolio investment based on its cash flow needs and with a view to optimizing its interest income.

i) **Revenue recognition**

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

Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements

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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.

j) **Loss per share**

Loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is calculated using the weighted average number of shares outstanding during the year based on the application of the treasury stock method for the calculation of the dilutive effect of stock options and other dilutive securities.

The diluted loss per share is equal to the basic loss per share due to the anti-dilutive effect of stock options and other dilutive securities.

k) **Stock-based compensation plan**

The Company accounts for stock-based compensation in accordance with the fair value based method. The fair value of stock options is determined on their grant date and recorded as compensation expense over the period that the stock options vest, with a corresponding increase to contributed surplus. When stock options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded in share capital.

l) **Deferred financing fees**

Costs incurred to obtain revolving lines of credit are deferred and amortized over the term of the related credit facility, and netted against amounts drawn on the facility.

m) **Derivatives**

The Company has determined that its derivative instruments do not qualify for hedge accounting and therefore records the derivatives at their fair value with gains or losses arising from changes in their fair value being recorded in operations.

n) **Asset retirement obligations**

The Company records the fair value of its asset retirement obligation as a long-term liability as incurred and records an increase in the carrying value of the related asset by a corresponding amount. In subsequent periods, the carrying amount of the liability is accreted by a charge to operations to reflect the passage of time and the liability is adjusted to reflect any changes in the timing of the underlying future cash flows. Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the asset retirement obligation, and a corresponding change in the carrying amount of the related long-lived asset. Upward revisions in the amounts of estimated cash flows are discounted using the credit adjusted risk free rate applicable at the time of the revision. Downward revisions in the amount of estimated cash flows are discounted using the historical credit-adjusted risk free rate when the original liability was recognized.

o) **Accounting Changes**

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

Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements
At December 31, 2007 and 2006

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.

p) **Comprehensive income**

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

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

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

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

- a change in terminology with reference to foreign currency gains and losses relating to self-sustaining foreign operations. Prior to the adoption of these standards, these unrealized gains and losses were classified and reported in the equity section of the balance sheet as a foreign currency

Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements
At December 31, 2007 and 2006

translation adjustment. Prior year unrealized gains and losses are now classified and reported in the equity section of the balance sheet as accumulated other comprehensive gain (loss).

These standards have been adopted beginning January 1, 2007.

3. NEW ACCOUNTING STANDARDS

a) **Financial Instrument Disclosure**

In March 2007, the CICA issued Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation*, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements for financial instruments. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The Company will implement these disclosures in the first quarter of 2008.

b) **Capital Disclosures**

In December 2006, the CICA issued Section 1535 of the CICA Handbook, “Capital Disclosures” which applies to fiscal years beginning on or after October 1, 2007. This Section establishes standards for disclosing information about an entity’s capital and how it is managed. The Company will implement these disclosures in the first quarter of 2008.

c) **Inventories**

In June 2007, the CICA issued Section 3031 *Inventories* which provides more guidance on the measurement and disclosure requirements for inventories. Specifically the new pronouncement requires inventories to be measure at the lower of cost or net realizable value, and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The new pronouncement is effective in the first quarter of 2008, and the new standard is not expected to have a material impact on the Company’s results of operations.

d) **Goodwill and Intangible Assets**

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This Section is effective in the first quarter of 2009, and the Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

e) **Convergence with International Financial Reporting Standards**

In January 2006, the CICA Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada and the expected convergence with International Financial Reporting Standards (“IFRS”) by the end of 2011. On February 13, 2008 the Canadian Accounting Standards Board confirmed 2011 as the official changeover date for publicly listed Canadian companies to start using International Financial Reporting Standards (IFRS). The transition will affect interim and annual

Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements

At December 31, 2007 and 2006

financial statements relating to years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

4. CORICANCHA ACQUISITION

On March 28, 2006, the Company completed the acquisition of the Coricancha Mine from Gestiones Y Recuperaciones de Activos S.A. (formerly known as Weise Sudameris Leasing S.A.) as well as the acquisition of all of the shares of Larizbeascoa & Zapata (collectively the "Coricancha mine"). These transactions give Gold Hawk 100% ownership of the Coricancha Mine located 90 kilometres east from Lima, Peru near the town of San Mateo.

The purchase price for the Coricancha Mine was US\$12.0 million (\$14,083,125) in addition to an amount of \$170,346 incurred as direct acquisition costs. The Coricancha Mine has been accounted for using the purchase method and consolidated from the effective date.

The assets acquired and liabilities assumed were as follows:

	<u>Amount</u>
Cash	\$ 125
Accounts receivable	13,409
Plant and equipment	5,698,122
Mining property	21,977,558
	<u>27,689,214</u>
Accounts payable and accrued liabilities	394,419
Asset retirement obligation (note 12)	13,041,324
Total purchase price	<u>\$ 14,253,471</u>

The purchase price of \$14,253,471 was allocated to the fair value of assets acquired and liabilities assumed (\$32,832,606), with the excess amount (\$18,579,135 - "Negative goodwill") allocated as a pro rata reduction of fixed assets and the mining property. The March 28, 2006 determination of the fair value of assets and liabilities acquired was based on independent appraisals as at the date of acquisition, which did not specifically address reclamation and closure costs as they were not determinable at the time. The Company has since obtained an external assessment of the estimated fair value of the reclamation and closure costs (see note 12), and the original determination of the fair value of assets acquired has been adjusted to reflect this assessment as at the date of acquisition. The amount of the liability has been added to the fair value of the mining property acquired.

5. RESTRICTED CASH

As at December 31, 2007, \$20,883 (December 31, 2006 \$48,589) was on deposit in an interest bearing account with the Company's lender as cash collateral under the terms of the Company's credit facility. It is to be used to fund future interest and principal payments under the Company's credit facility, as well as to provide security on certain derivative contracts (note 9) undertaken with the lender.

The Company's subsidiary entered into a capital lease for mining equipment for its Coricancha mine. A compensating restricted cash balance of \$123,913 (December 31, 2006 - \$Nil) was deposited by the Company in an interest bearing GIC as security against the lease payments.

Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements
At December 31, 2007 and 2006

6. ACCOUNTS RECEIVABLE

	Dec 31, 2007	Dec 31, 2006
Value Added Tax Receivable	\$ 2,758,458	\$ 832,258
Other Receivables	107,359	143,841
	\$ 2,865,817	\$ 976,099

7. INVENTORY

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

	Dec 31, 2007	Dec 31, 2006
Consumable parts and supplies	\$ 544,570	\$ 209,958
In process and finished goods inventory	1,171,368	-
	\$ 1,715,938	\$ 209,958

As at December 31, 2007, in process and finished goods inventory of \$1,171,368 is valued at net realizable value, which is lower than the cost of production.

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	Cost	Accumulated depreciation and depletion	Net book value
As at December 31, 2007			
Land	\$ 112,403	\$ -	\$ 112,403
Plant and equipment	10,540,833	(638,551)	9,902,282
	\$ 10,653,236	\$ (638,551)	\$ 10,014,685
Mineral properties and concessions	\$ 19,080,991	\$ (363,300)	\$ 18,717,691
Deferred exploration and development costs	9,366,586	(177,684)	9,188,902
	\$ 28,447,577	\$ (540,984)	\$ 27,906,593
Total	\$ 39,100,813	\$ (1,179,535)	\$ 37,921,278
As at December 31, 2006			
Land	\$ 132,144	\$ -	\$ 132,144
Plant and equipment	7,734,165	(20,556)	7,713,609
	\$ 7,866,309	\$ (20,556)	\$ 7,845,753
Mineral properties and concessions	\$ 22,824,277	\$ -	\$ 22,824,277
Deferred exploration costs	1,935,263	-	1,935,263
	\$ 24,759,540	-	\$ 24,759,540
Total	\$ 32,625,849	\$ (20,556)	\$ 32,605,293

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Coricancha Mine (Peru)

The Company's wholly-owned Coricancha mine, is located on a paved highway approximately 90 km due east of Lima, the capital city of Peru. The mine includes a 600 tonne per day concentrator and a BioX® circuit for the recovery of gold and silver from the refractory ore. The Company purchased 100% of the Coricancha mine in March 2006 and has since refurbished it and the Company declared commercial production on October 1, 2007.

Coricancha (Peru)	Interest				Translation	Dec 31, 2007
	(%)	Dec 31, 2006	Additions	Depletion	adjustment (a)	
Mineral properties and concessions	100	\$ 9,782,953	\$ 85,620	\$ (155,842)	\$ (1,461,483)	\$ 8,251,248
Asset retirement cost (b)	100	13,041,324	(419,170)	(207,458)	(1,948,253)	10,466,443
Deferred exploration costs	100	1,935,263	7,720,433	(177,684)	(289,110)	9,188,902
		\$ 24,759,540	\$ 7,386,884	\$ (540,984)	\$ (3,698,847)	\$ 27,906,593

(a) The December 31, 2007 balance has been adjusted to reflect the current rate translation of the Company's self sustaining foreign operation.

(b) The fair value of assets acquired (note 4) has been adjusted to reflect the fair value assessment of the mine closure costs, known as the Asset Retirement Obligation (note 12). The amount of the liability has been added to the fair value of the mining property acquired, and is adjusted to reflect changes in closure cost estimates.

For the year ended December 31, 2007 capitalized interest was \$453,188 (2006 – Nil).

9. FINANCIAL INSTRUMENTS, DERIVATIVES AND RISK MANAGEMENT

The Company is exposed to price risk due to changes in commodity prices related to its production. To mitigate this anticipated risk, the Company uses derivative instruments including forward sales contracts and call options. The Company has not designated these derivative instruments as hedges and, accordingly, changes in fair value are recognized in the statement of operations under the caption "loss (gain) on derivative instruments."

Information regarding the Company's derivative instruments and estimated fair values as at December 31, 2007 are as follows:

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	Maturity	Nominal Volume		Average Price		Fair value at Dec 31, 2007
		(tonnes)	(lbs)	US\$/tonne	US\$/lb	
Forward Sales Contracts						
Zinc	2008	1,350.0	2,976,240	\$ 3,056	\$ 1.39	916,941
Offsetting Forward Contracts						
Zinc Sale / Purchase	2008	500.0	1,102,312	\$ 3,175 / \$ 3,140	\$ 1.44 / \$ 1.42	17,174
Call Options						
Zinc	2008	450.0	992,080	\$ 4,300	\$ 1.95	453
Derivative instruments receivable and call premiums						\$ 934,568
Forward Sales Contracts						
Lead	2008	1,125.0	2,480,201	\$ 2,013	\$ 0.91	(579,882)
Derivative instruments payable						\$ (579,882)

The fair value of the derivative instruments has been estimated using market values as at December 31, 2007. The fair value represents the amount that the Company would either (pay) or receive to settle the contracts at December 31, 2007.

As at December 31, 2007, there is an unrealized mark-to-market gain of \$304,541 (December 31, 2006 – loss of \$573,291) on the above outstanding derivative contracts.

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

10. CAPITAL LEASE OBLIGATIONS

	Dec 31, 2007	Dec 31, 2006
Total capital lease obligations	\$ 126,716	\$ 42,356
Less: current portion of capital lease obligations	98,582	21,178
	\$ 28,134	\$ 21,178

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

11. LOAN PAYABLE

	Dec 31, 2007	Dec 31, 2006
Revolving loan facility (Tranche A and B)	\$ 4,727,999	\$ 4,078,900
Less: current portion	4,727,999	1,019,725
	-	\$ 3,059,175

As at December 31, 2007, \$3,304,333 (US\$3,333,333) (December 31, 2006 US\$3,500,000) was drawn on the revolving loan facility (Tranche A), and \$1,652,167 (US\$1,666,667) (December 31, 2006 Nil) was drawn on the non revolving loan facility (Tranche B). The facilities bear interest at LIBOR + 3.5% and 4.5% for Tranche A and B, respectively, and mature on September 7, 2008. Financing costs of \$228,501 previously deferred have been offset against the loan payable and are being amortized on a straight line basis over the term to maturity. The availability draw down period of the facilities expired on September 7, 2007, and combined equal monthly principal repayments of US\$625,000 commenced on October 1, 2007 with the final principal repayment due on

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September 7, 2008. The January 1, 2008 US\$625,000 principal repayment was made on December 31, 2007. The loans may be repaid at anytime without penalty.

Subsequent to the year end, the Company signed loan amendment agreements, and is in the process of refinancing the credit facility (see Note 18).

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

On July 31, 2007, the Company entered into an agreement with one of its lenders whereby the lender agreed to provide a \$2,984,400 (US\$3 million) unsecured loan facility to the Company as a bridge loan. The funds were advanced against a promissory note from the Company in favour of the lender. The Company paid a cash fee upon funding of equal to 2% of the loan proceeds. Interest on the bridge Loan, during the period that it was outstanding, was at a rate of 12.5% per annum. Net proceeds of the bridge Loan were used for expenditures relating to ongoing development of the Coricancha Mine and general working capital purposes. The bridge loan was repaid on August 17, 2007, upon completion of the brokered private placement (see Note 13).

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

	Amount
Balance, December 31, 2006	\$ 13,041,324
Accretion expense	1,061,195
Cash payments	(99,687)
Changes in estimates	(419,170)
Effect of translation of foreign currencies	(2,025,510)
Balance, December 31, 2007	\$ 11,558,152
Less: current portion	201,657
	\$ 11,356,495

The estimated future cash flows have been discounted using a credit-adjusted risk-free rate of 9.0%. As the liability is initially recorded on a discounted basis, it is increased each period until the estimated date of settlement. The resulting expense is referred to as accretion expense and is included in the results from operations.

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:

<u>Assumed Mine or Closure Year</u>	<u>Undiscounted cash flows for mine closure</u>
2008 – 2013	\$2,643,920 (US\$2,667,124)
2014 – 2016	\$8,102,832 (US\$8,173,945)
2017 – 2021	\$6,133,862 (US\$6,187,695)
Post 2021	\$1,074,687 (US\$1,084,118) per year

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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.

13. SHARE CAPITAL

(a) Authorized:

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

(b) Issued:

Changes in the Company's share capital during the year ended December 31, 2007 were as follows:

	Number of shares	Amount
Balance, January 01, 2006	46,967,377	\$ 12,037,772
For cash received from a private placement of shares	65,000,000	16,250,000
Conversion of promissory note	1,893,667	397,670
For cash received from the exercise of warrants	34,060,000	11,770,400
Transferred to share capital upon exercise of broker warrants	-	315,000
Balance, December 31, 2006	147,921,044	\$ 40,770,842
For cash received from the exercise of stock options	400,000	92,500
For cash received from the exercise of warrants	3,960,000	1,200,600
For cash received from private placements	16,761,100	10,056,660
Transferred to share capital upon exercise of options and broker warrants	-	389,129
Balance, December 31, 2007	169,042,144	\$ 52,509,731

During the year ended December 31, 2007, the Company closed a brokered private placement for 16,761,100 common shares at a price of \$0.60 per share, for gross proceeds of \$10,056,660. The Company paid the underwriter a cash fee on closing of \$703,966 equal to 7% of the gross proceeds and issued them 1,508,499 broker warrants, equal to 9% of the number of common shares sold pursuant to the private placement. Each broker warrant entitles the underwriter to purchase one common share of the Company at \$0.60 per share until August 16, 2009. Net proceeds of the private placement were also used for expenditures relating to ongoing development of the Coricancha Mine, general working capital purposes, and to repay the outstanding bridge loan from one of the Company's lenders (see Note 11).

(c) Stock option plan

On October 26, 2007, the Company's Board of Directors approved a new stock option plan (The "2007 Plan") and cancelled the previous plan (The "2006 Plan"). With the cancellation of the 2006 Plan, 285,000 unexercised options were transferred to the 2007 Plan. The maximum number of common shares issuable under the 2007 Plan, including the preceding options, is 12,000,000 common shares. Stock options granted

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to employees and consultants vest one-third immediately, one-third after 12 months from the date of grant and one-third after 24 months from the date of grant. Under the 2006 Plan stock options granted have a maximum term of five years.

A summary of the Company's stock options outstanding as at December 31, 2007 and the changes for the year then ended are as follows:

	Directors and officers	Employees and a consultant	Total Number of options	Weighted average exercise price per share
Balance, December 31, 2006	5,080,000	355,000	5,435,000	\$ 0.38
Granted	3,005,000	275,000	3,280,000	0.60
Exercised	(175,000)	(225,000)	(400,000)	0.23
Expired	-	(35,000)	(35,000)	0.43
Balance, December 31, 2007	7,910,000	370,000	8,280,000	\$ 0.48

The following table summarizes information about common share purchase options outstanding, granted to officers, directors, employees and a consultant of the Company as at December 31, 2007:

Number of stock options outstanding	Number of stock options exercisable	Option Exercise price (\$)	Expiry date (Month-Yr)
75,000	75,000	0.25	July-08
1,230,000	1,230,000	0.40	November-08
175,000	175,000	0.30	May-09
200,000	200,000	0.15	August-10
925,000	925,000	0.48	April-11
500,000	333,334	0.43	April-11
250,000	250,000	0.38	June-11
1,000,000	666,667	0.35	July-11
350,000	233,334	0.39	August-11
135,000	111,667	0.43	November-11
160,000	120,000	0.52	December-11
200,000	66,666	0.54	March-12
1,055,000	1,055,000	0.69	June-12
530,000	176,667	0.64	July-12
150,000	50,000	0.60	August-12
345,000	115,000	0.52	October-12
1,000,000	1,000,000	0.53	October-12
8,280,000	6,783,335		
0.48	0.47	Weighted average exercise price	

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(d) Stock Based Compensation

During the year ended December 31, 2007, the Company granted 3,280,000 (2006 – 3,355,000) stock options to directors, officers and employees. An amount of \$1,140,666 (2006 - \$608,380) was charged as an expense in recognition of stock-based compensation, based on the vesting schedule for the options 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:

	2007	2006
Assumptions:		
Risk-free interest rate (%)	4.42	4.15
Expected life (years)	5.0	5.0
Expected volatility (%)	77	85
Expected dividend	Nil	Nil
Results:		
Weighted average fair value of options granted (<i>per option</i>)	\$0.45	\$0.29

(e) Share Purchase Warrants

The Company's warrants outstanding at December 31, 2007 and the change for the year then ended are as follows:

	Number of warrants	Average price of warrants
Balance , January 01, 2006	2,400,000	\$ 0.34
Issued to private placement placees	32,500,000	0.35
Issued to agents on brokered financing	5,200,000	0.25
Issued to lenders	1,100,000	0.48
Exercised and converted to Common shares	(34,060,000)	0.34
Balance, December 31, 2006	7,140,000	\$ 0.31
Issued to agents on brokered financing	1,508,499	0.60
Exercised and converted to Common shares	(3,960,000)	0.30
Balance, December 31, 2007	4,688,499	\$ 0.42

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

Details of outstanding warrants as at December 31, 2007 are as follows:

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Number of warrants	Exercise price	Expiry date
2,080,000	\$ 0.25	Mar 6, 2008
500,000	0.45	Sep 8, 2008
600,000	0.50	Sep 14, 2008
1,508,499	0.60	Aug 15, 2009
4,688,499	\$ 0.42	

14. GENERAL AND ADMINISTRATION EXPENSES

	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

15. INCOME TAXES

The provision for income taxes differs from the amounts computed by applying the Canadian statutory income tax rates due to the following:

	Year ended December 31	
	2007	2006
Consolidated loss for the period	(12,261,804)	(8,417,412)
Canadian statutory tax rate	34%	34%
Recovery of income taxes at statutory rate	(4,169,013)	(2,861,920)
Lower effective tax rate on loss in foreign jurisdiction	260,987	100,443
Non deductible stock option compensation	387,826	206,849
Other Permanent Differences	1,334,214	343,041
Other non deductible expenses	27,612	13,335
Net increase in valuation allowance	2,158,374	2,198,252
Balance at end of year	-	-

The differences that give rise to the Company's future tax assets are summarized as follows:

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	<u>2007</u>	<u>2006</u>
Future income tax assets		
Mining assets and deferred exploration expenses	581,090	552,000
Non-capital losses	2,468,713	1,195,000
Capital losses	447,241	-
Share issue costs	472,812	457,000
Derivative instruments	<u>(70,916)</u>	<u>153,000</u>
	3,898,940	2,357,000
Valuation allowance	<u>(3,898,940)</u>	<u>(2,357,000)</u>
Future income tax assets	<u>-</u>	<u>-</u>

As at December 31, 2007, the Company had non-capital loss carry forwards in Peru amounting to approximately \$4,804,000 (2006 - \$1,828,000), and in Canada amounting to approximately \$3,805,000 (2006 - \$2,086,051) which can be applied to reduce future income taxes payable. The Peruvian non-capital losses expire on various dates to 2011, and the Canadian non-capital losses expire on various dates to 2027.

16. RELATED PARTY TRANSACTIONS

There were no related party transactions in the years ended December 31, 2007 and 2006.

17. COMMITMENTS

Lease Commitments

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

	<u>Amount</u>
2008	\$ 182,441
2009	97,223
2010	19,005
2011	-
Total	\$ 298,669

Other

The Company has signed a ten year electricity contract for power supply to its Coricancha mine and a two year term gold stripping contract.

The Company is obligated to pay a royalty of US\$1 per ounce of gold processed by its Biox® plant.

18. SUBSEQUENT EVENTS

(a) Share Capital

Subsequent to the year end, 2,080,000 warrants were exercised for proceeds of \$520,000.

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(b) Stock Options

Subsequent to the year end, options to purchase 500,000 common shares of the Company at a price of \$0.49 were granted to an officer of the Company, respectively. These options expire five years from the date of the grant, and vest one third immediately upon the date of grant, one third 12 months from the date of grant and one third 24 months from the date of grant.

(c) Concentrate Off-take Customer

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

(d) Derivative Instruments

Subsequent to the year end, the Company's derivative instruments for January, February and March 2008 were settled at a realized gain (loss) of \$33,091, \$(40,581), and \$(42,668) respectively.

(e) Loan Payable and Warrants

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. 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. The lender has provided the Company with a waiver letter to defer the May 1, 2008 principal repayment until June 2, 2008, allowing the parties sufficient time to finalize the refinancing.

In addition, subsequent to the year end, a new bridge loan tranche was created within the original US\$10 million facility (note 11) 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. The Company paid a cash fee upon closing of the bridge loan tranche equal to 2.917% of the proceeds, and the loan will bear interest at a rate of 13% per annum. The funds are available for draw down in minimum increments of US\$1,000,000 with each draw-down bearing a fee of 1% payable at the time of such draw-down. In connection with the bridge loan, the Company issued the lender warrants to purchase 1,400,000 shares at an exercise price of \$0.468 per share, with the warrants expiring on March 12, 2009.

On March 12, 2008, US\$3 million was drawn on the bridge loan tranche and 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

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stages through August 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.