Gold Hawk Resources Inc.

Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2008

(In Canadian Dollars, unless otherwise noted)

The attached interim consolidated financial statements have been prepared by the Management of Gold Hawk Resources Inc. and have not been reviewed by our auditor.

Gold Hawk Resources Inc.

Consolidated Balance Sheets *(Unaudited)*

		Sept 30, 2008		Dec 31, 2007
ASSETS		*Unaudited*		*Audited*
Current Assets				
Cash and cash equivalents	$	814,553	$	2,262,895
Restricted cash (Note 3)		490,507		144,796
Accounts receivable (Note 4)		1,169,727		2,865,817
Inventory (Note 5)		-		1,715,938
Derivative instruments (Note 9)		-		934,568
Prepaid expenses		99,396		180,081
		2,574,183		8,104,095
Inventory (Note 5)		588,993		-
Mineral properties, plant and equipment (Note 6)		36,436,267		37,921,278
	$	**39,599,443**	**$**	**46,025,373**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	2,428,411	$	2,824,582
Derivative instruments (Note 9)		-		579,882
Current portion capital lease obligation (Note 10)		57,232		98,582
Loan payable (Note 11)		10,309,438		4,727,999
Current portion of asset retirement obligation (Note 12)		9,806,657		201,657
		22,601,738		8,432,702
Capital lease obligation (Note 10)		-		28,134
Asset retirement obligation (Note 12)		11,830,041		11,356,495
		34,431,779		19,817,331
SHAREHOLDERS' EQUITY				
Share capital (Note 13)		56,766,531		52,509,731
Warrants		760,212		898,330
Contributed surplus		2,644,264		2,075,337
Accumulated other comprehensive income		420,040		907,882
Deficit		(55,423,383)		(30,183,238)
		5,167,664		26,208,042
	$	**39,599,443**	**$**	**46,025,373**

Going Concern (Note 1)

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

Approved on Behalf of the Board of Directors:

("Signed") Kevin Drover, Director   ("Signed") Gordon Bub, Director

Gold Hawk Resources Inc.

Consolidated Statements of Loss and Comprehensive Loss *(Unaudited)*
For the Three and Nine Months Ended September 30, 2008 and 2007

	Three Months Ended		Nine Months Ended	
	Sept 30, 2008	**Sept 30, 2007**	**Sept 30, 2008**	**Sept 30, 2007**
Revenue				
Sales	$ -	$ -	$ 5,993,331	$ -
Operating costs	-	-	-	-
Cost of Sales	-	-	9,207,399	-
Depreciation and depletion	-	-	1,710,257	-
Accretion of asset retirement obligation (Note 12)	-	-	761,033	-
Loss from mining operations	-	-	(5,685,358)	-
Site maintenance and security	382,681	-	382,681	-
Depreciation	369,561	-	369,561	-
General and administration expenses (Note 14)	824,332	596,948	2,934,130	1,787,715
Stock-based compensation cost (Note 13)	253,090	204,030	378,927	757,200
General exploration	625	2,704	29,012	77,591
Accretion of asset retirement obligation (Note 12)	242,597	257,994	-	818,661
Loss from operations	(2,072,886)	(1,061,676)	(9,779,669)	(3,441,167)
Other expenses (income)				
Foreign exchange (gain) loss	(696,701)	1,754,217	(1,052,465)	3,600,576
Interest and bank charges	419,329	(32,456)	1,614,387	(150,191)
(Gain) loss on derivative instruments (Note 9)	(3,609)	784,565	(19,988)	2,182,745
Gain on disposal of marketable securities	-	(444)	-	(11,617)
Net loss before extraordinary loss	**$ (1,791,905)**	**$ (3,567,558)**	**$ (10,321,603)**	**$ (9,062,680)**
Extraordinary gain (loss) (Note 17)	$ 2,084,263	$ -	$ (14,457,752)	$ -
Net gain (loss) for the period	**$ 292,358**	**$ (3,567,558)**	**$ (24,779,355)**	**$ (9,062,680)**
Basic and diluted gain (loss) per share:				
Before extraordinary gains and losses	$ (0.01)	$ (0.02)	$ (0.06)	$ (0.06)
For extraordinary gains and losses	$ 0.01	$ -	$ (0.08)	$ -
For the period	$ -	$ (0.02)	$ (0.13)	$ (0.06)
Weighted average number of shares outstanding	217,154,753	158,175,507	186,139,727	151,984,195

Consolidated Statements of Comprehensive Loss	Three Months Ended		Nine Months Ended	
	Sept 30, 2008	**Sept 30, 2007**	**Sept 30, 2008**	**Sept 30, 2007**
Net gain (loss)	$ 292,358	$ (3,567,558)	$ (24,779,355)	$ (9,062,680)
Other comprehensive income:				
Foreign currency translation adjustment	(580,483)	141,064	(487,842)	115,487
Comprehensive gain (loss):	**$ (288,125)**	**$ (3,426,494)**	**$ (25,267,197)**	**$ (8,947,193)**

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

Gold Hawk Resources Inc.

Consolidated Statements of Cash Flows *(Unaudited)*

For the Three and Nine Months Ended September 30, 2008 and 2007

	Three Months Ended		Nine Months Ended	
	Sept 30, 2008	**Sept 30, 2007**	**Sept 30, 2008**	**Sept 30, 2007**
Operating activities				
Net loss for the period	$ 292,358	$ (3,567,558)	$ (24,779,355)	$ (9,062,680)
Items not affecting cash:				
Stock-based compensation cost	253,090	204,030	378,927	757,200
Depreciation and depletion	377,361	3,261	2,091,195	9,170
Gain on disposal of marketable securities	-	(444)	-	(11,617)
Unrealized foreign exchange (gain) loss	(627,203)	1,728,717	(1,157,492)	3,276,837
Extraordinary loss	-	-	16,542,015	-
(Gain) loss on derivative instruments	(351,822)	553,018	14,804	1,765,665
Accretion expense	242,597	257,994	761,033	818,661
	186,382	(820,982)	(6,148,873)	(2,446,764)
Net changes in non-cash components of working capital	(1,638,473)	3,636	(536,681)	(2,289,332)
Cash flows from operating activities	**(1,452,091)**	**(817,346)**	**(6,685,554)**	**(4,736,096)**
Financing activities				
Loan Proceeds	244,032	-	5,264,954	4,357,600
Promissory note from acquisition	-	-	-	(1,731,900)
Deferred financing costs	-	(6,601)	-	(43,187)
Capital lease obligation	(25,842)	-	(75,450)	161,302
Exercise of warrants and stock options	-	140,000	520,000	497,500
Issuance of share capital	3,300,000	10,056,660	3,300,000	10,056,660
Share issue expenses	(287,641)	(831,238)	(287,641)	(831,238)
Cash flows from financing activities	**3,230,550**	**9,358,821**	**8,721,863**	**12,466,737**
Investing activities				
Addition to plant and equipment	(247,761)	(509,974)	(1,763,359)	(3,120,950)
Addition to mining properties	(9,350)	1,723	1,032	(140,639)
Asset retirement expenditures	(1,355,286)	(57,668)	(1,544,558)	(99,687)
Deferred exploration and development expenditures	(3,851)	(4,091,444)	(265,946)	(8,798,776)
Deposits on Equipment	-	599,820	-	667,071
Proceeds on disposition of derivative instruments	345,135	-	345,135	-
Proceeds on disposition of marketable securities	-	444	-	55,117
Purchase of call options	-	-	-	(116,903)
Restricted cash required on investing activities	(267,920)	(356,976)	(345,711)	(1,773,825)
Cash flows from investing activities	**(1,539,033)**	**(4,414,075)**	**(3,573,407)**	**(13,328,592)**
Effect of exchange rate changes on Cash and Cash Equivalents	**220**	**-**	**88,756**	**-**
Net change in cash and cash equivalents	**239,646**	**4,127,400**	**(1,448,342)**	**(5,597,951)**
Cash and cash equivalents at beginning of period	574,907	2,715,944	2,262,895	12,441,295
Cash and cash equivalents at end of period	**$ 814,553**	**$ 6,843,344**	**$ 814,553**	**$ 6,843,344**
Additional information				
Interest paid	$ 288,794	$ 210,515	$ 545,742	$ 386,284
Broker warrants recorded as a share issue expense	173,149	-	173,149	271,530
Lender warrants recorded as financing costs	315,533	-	315,533	-
Proceeds from insurance claims	2,084,263	-	2,084,263	-

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

Gold Hawk Resources Inc.

Consolidated Statements of Shareholders' Equity *(unaudited)*
For the Nine Months Ended September 30, 2008 and 2007

	Share Capital (Number of Shares)	Share Capital (Amount)	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
At January 01, 2007	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	1,620,000	745,200	(340,200)	-	-	-	**405,000**
Stock based compensation	-	-	-	757,200	-	-	**757,200**
Foreign exchange translation adjustment	-	-	-	-	115,487	-	**115,487**
Net loss	-	-	-	-	-	(9,062,680)	**(9,062,680)**
At September 30, 2007	166,702,144	51,714,131	898,330	1,691,871	926,874	(26,984,114)	**28,247,092**
Units issued upon exercise of warrants	2,340,000	795,600	-	-	-	-	**795,600**
Stock based compensation	-	-	-	383,466	-	-	**383,466**
Foreign exchange translation adjustment	-	-	-	-	(18,992)	-	**(18,992)**
Net loss	-	-	-	-	-	(3,199,124)	**(3,199,124)**
At December 31, 2007	169,042,144	52,509,731	898,330	2,075,337	907,882	(30,183,238)	**26,208,042**
Private Placement	55,000,000	3,300,000	173,149	-	-	-	**3,473,149**
Share issue costs	-	-	-	-	-	(460,790)	**(460,790)**
Units issued upon exercise of warrants	2,080,000	956,800	(436,800)	-	-	-	**520,000**
Warrants issued as a financing fee	-	-	315,533	-	-	-	**315,533**
Expired Warrants	-	-	(190,000)	190,000	-	-	**-**
Stock based compensation	-	-	-	378,927	-	-	**378,927**
Foreign exchange translation adjustment	-	-	-	-	(487,842)	-	**(487,842)**
Net loss for the period	-	-	-	-	-	(24,779,355)	**(24,779,355)**
At September 30, 2008	226,122,144	$56,766,531	$ 760,212	$2,644,264	$ 420,040	$ (55,423,383)	**$ 5,167,664**

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

1. NATURE OF OPERATIONS, BASIS OF PRESENTATION AND GOING CONCERN

Gold Hawk Resources Inc. ("Gold Hawk" or the "Company") is a precious and base metals producer with reserves and resources containing gold, silver, lead, zinc and copper. The Company's property is located in Peru and reached commercial production in October 2007. In early May 2008, a ground displacement detected near the processing plant and tailings area prompted management to temporarily cease production. The Company's geotechnical consultants determined that the main cause of the movement was a third-party saturation irrigation system installed on neighbouring property uphill from the tailings and processing plant. During the quarter ended September 30, 2008, an Emergency Decree was issued by the Presidential Council of Ministers of Peru that declared a State of Emergency in the Tamboraque area where our property is located. The Decree stated that due to the risk created by the saturation irrigation of the hillside, the Company must begin both the transport of tailings to new facilities and the relocation of its processing plant. The Company is currently pursuing an insurance claim associated with business interruption and on property affected by the ground displacement. During the quarter ended September 30, 2008, the Company received a US$2 million dollar advance on its insurance claim (see Note 17). Contingent on the issuance of the necessary permits and receipt of required financing (see below), Gold Hawk expects to return to production in the second quarter of 2009.

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), Compañia 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.

These unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and on a basis consistent with those followed in the most recent annual consolidated financial statements, except as described in note 2. These interim consolidated financial statements do not include all note disclosures required by Canadian GAAP for annual financial statements, and therefore should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2007.

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 net loss before extraordinary items of $10,321,603 for the nine months ended September 30, 2008, and has a working capital deficiency of $20,027,555 as at September 30, 2008.

The Company's cash flow has been adversely affected by the temporary suspension of mine operations and it is expected that cash on hand at December 1, 2008, will not be sufficient to fund the Company's needs for ongoing activities. Management is currently reviewing several funding options including equity and debt financing and is in active discussions with its primary lenders. Specifically, the Company has negotiated an amendment agreement with its primary lender that postpones all scheduled payments until December 31, 2008 (see Note 18). However, since there is no assurance the Company's financing efforts will succeed, there is substantial doubt regarding the "going concern" assumption. If the Company were unable to continue as a going concern, then significant adjustments would be required to the carrying value of assets and liabilities, and to the balance sheet classifications used.

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of asset retirement obligations, future income taxes, recoverability of mineral properties, plant and equipment and the fair values of net assets acquired in business combinations. Actual results could differ from those estimates.

2. CHANGES IN ACCOUNTING POLICIES

Accounting policies implemented effective January 1, 2008

On January 1, 2008, the Company adopted Section 1535, Capital Disclosures. This section establishes standards for disclosing information about an entity's objectives, policies, and processes for managing capital. This section has been adopted effective January 1, 2008. See Note 7 for additional details.

On January 1, 2008, the Company adopted Section 3031, Inventories, which provides more guidance on the measurement and disclosure requirements for inventories. Specifically the new pronouncement requires inventories to be measured at the lower of cost and net realizable value, and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The new section has been adopted effective January 1, 2008 and resulted in no material changes to the Company's financial position or results of operations.

On January 1, 2008, the Company adopted Section 3862, Financial Instruments – Disclosures ("Section 3862") and Section 3863, Financial Instruments – Presentation ("Section 3863"). Section 3862 requires disclosure of detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These sections have been adopted effective January 1, 2008. See Note 8 for additional details.

3. RESTRICTED CASH

As at September 30, 2008, $442,618 (December 31, 2007 $20,883) 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.

Previous to the quarter ended September 30, 2008, the Company's subsidiary entered into a capital lease for mining equipment for its Coricancha Mine. A compensating restricted cash balance of $47,889 (December 31, 2007 $123,913) was deposited by the Company in an interest-bearing GIC as security against the lease payments.

4. ACCOUNTS RECEIVABLE

	Sept 30, 2008	Dec 31, 2007
Receivable from sales	$ 19,774	$ -
Value added tax receivable	4,303,586	2,758,458
Other receivables	53,960	107,359
Less: allowance for doubtful value added tax receivable	(3,207,593)	-
	$ 1,169,727	**$ 2,865,817**

Value added tax receivable can be offset against future sales. Due to the temporary suspension of mining operations, there is no assurance that the full balance of value added tax is recoverable. An allowance of $3,207,593 has been recorded to reflect this uncertainty (Note 17).

5. INVENTORY

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

	Sept 30, 2008	Dec 31, 2007
Consumable parts and supplies	$ 588,993	$ 544,570
In process and finished goods inventory	-	1,171,368
Less: current portion	-	(1,715,938)
	$ 588,993	**-**

Consumable parts and supplies has been reclassified as a long term asset due to the temporary suspension of mining operations.

6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

As at September 30, 2008	Cost	Accumulated depreciation and depletion	Write-down	Net book value
Land	$ 120,669	$ -	$ -	$ 120,669
Plant and equipment **(b)**	12,756,778	(2,013,959)	(2,606,892)	8,135,927
	$ 12,877,447	$ (2,013,959)	$ (2,606,892)	$ 8,256,596
Mineral properties and concessions **(c)**	$ 29,342,831	$ (952,353)	$ (10,016,907)	$ 18,373,571
Deferred exploration and development costs	10,301,977	(495,877)	-	9,806,100
	$ 39,644,808	$ (1,448,230)	$ (10,016,907)	$ 28,179,671
Total	**$ 52,522,255**	**$ (3,462,189)**	**$ (12,623,799)**	**$ 36,436,267**

As at December 31, 2007	Cost	Accumulated depreciation and depletion	Write-down	Net book value
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**

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 (%)	Dec 31, 2007	Additions	Write-down	Depletion	Translation adjustment (a)	Sept 30, 2008
Mineral properties and concessions	100	$ 8,251,248	$ (1,032)	$ -	$ (236,825)	$ 592,344	**$ 8,605,735**
Asset retirement cost **(c)**	100	10,466,443	9,598,046	(10,605,000)	(294,151)	602,498	**9,767,836**
Deferred exploration costs	100	9,188,902	265,946	-	(290,771)	642,023	**9,806,100**
		$ 27,906,593	**$ 9,862,960**	**$ (10,605,000)**	**$ (821,747)**	**$ 1,836,865**	**$ 28,179,671**

(a) The September 30, 2008 balance has been adjusted to reflect the current rate translation of the Company's self-sustaining foreign operation.

(b) The cost of plant and equipment includes a write-down due to the ground displacement in the tailings area (see Note 17).

(c) The fair value of assets acquired 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. As at September 30, 2008, the closure cost estimates have been adjusted to reflect the effects of the temporary suspension of mine operations (note 12)

For the nine months ended September 30, 2008, capitalized interest was $Nil (Q3, 2007 – $430,331).

7. CAPITAL MANAGEMENT

The capital of the Company consists of the items included in shareholders' equity, short term credit facilities, and capital lease obligations. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company's cash flow has been adversely affected by the temporary suspension of mine operations at the Coricancha Mine and as part of the initial mitigation, management has initiated a strict cost control program (Note 1) and is currently reviewing several financing options. Specifically, the Company has negotiated an amendment agreement with its primary lender that postpones all scheduled payments until December 31, 2008 (see Note 18).

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, restricted cash, receivables, accounts payable and accrued liabilities, loan facilities and capital lease obligations, and derivative instruments.

Cash and cash equivalents and restricted cash are designated as "held-for-trading" and measured at fair value. Receivables are designated as "loans and receivables". Accounts payable and accrued liabilities, loan facilities, and capital lease obligations are designated as "other financial liabilities". Derivative financial instruments are classified as "held-for-trading".

Financial assets and liabilities "held-for-trading" are measured at fair value with changes in those fair values recognized in net income. Financial assets and financial liabilities considered "loans and receivables" and "other financial liabilities" are measured at amortized costs.

(a) Market Risk

The significant market risk exposures to which the Company is exposed are commodity price risk, interest rate risk, and foreign exchange risk.

(b) Commodity price risk

The Company is exposed to price risk due to changes in commodity prices related to its production. Changes in commodity prices may have a significant affect on potential future cash flows thus exposing the Company to the possibility of impairment write-downs.

(c) Interest rate risk

Currently the Company's liabilities are based on fixed and/or variable interest rates. The Company is exposed to interest rate risk on its variable rate debt facilities. Variable interest rates are based on the London Inter-bank Offered Rate ("LIBOR") plus a fixed margin. The Company does not enter into derivative contracts to manage this risk. See Note 11 for details of the Company's loan facilities as at September 30, 2008.

At September 30, 2008, with other variables unchanged, a 10% change in interest rates would impact pre-tax loss by $57,043.

(d) Foreign currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Peru and a portion of its revenues and expenses are incurred in US dollars and/or Nuevo Soles. A significant change in the currency exchange rates between the Canadian dollar relative to the other currencies could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At September 30, 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Nuevo Soles:

	US Dollars	Nuevo Soles
Cash and cash equivalents	$ 339,002	$ 35,304
Restricted cash	460,917	-
Accounts receivable	37,103	3,070,057
Prepaid expenses	5,597	16,145
Accounts payable and accrued liabilities	(873,808)	(2,670,585)
Capital lease obligations	(53,779)	-
Loan payable	(9,687,500)	-
	$ (9,772,468)	**$ 450,921**

At September 30, 2008, with other variables unchanged, a 10% change in the USD/CAD exchange rate would impact pre-tax earnings by $996,499. Likewise, a 10% change in the Nuevo Soles/CAD exchange rate would impact pre-tax earnings by $15,424.

(e) Credit risk

The Company is exposed to credit risk through its cash and cash equivalents, restricted cash, and value added tax and trade receivables on concentrate sales. The Company manages this risk by requesting advances of up to 95% of the value of the concentrate shipped as per the terms of its off-take agreement. The Company deposits cash and cash equivalents and restricted cash with high credit quality financial institutions, and enters into derivative instruments with a large, well diversified multinational. Credit risk is considered to be minimal. As at September 30, 2008, the Company's maximum exposure to credit risk was the carrying value of value added tax receivables. Given the uncertainty of future sales due to the suspension of mining operations, an allowance of $3,207,593 for value added tax receivable has been recorded (see notes 4 and 17).

(f) Liquidity risk

The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient committed loan facilities to meet its short term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The Company's expected source of cash flow in 2008 will be through equity financing and future loan facilities. As the mine has limited history of operation there can be no assurance that the mine will generate positive cash flow and there can be no assurance that other sources of funding would be available. Failure to generate positive cash flow or obtain additional funding could result in the delay or indefinite postponement of the mining operations and further exploration and development of the Company's properties. The Company has negotiated an amendment agreement with its primary lender that postpones all scheduled payments until December 31, 2008 (see Note 18). It is the Company's intention to replace all of its existing loan facilities with longer term financing prior to the loan becoming due.

Cash on hand at September 30, 2008, and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. Therefore, the Company will need funding through equity or debt financing, and insurance claims, or a combination thereof.

9. DERIVATIVE INSTRUMENTS

All the Company's derivative instruments have been settled for proceeds of $345,135 (US$344,722)

10. CAPITAL LEASE OBLIGATIONS

	Sept 30, 2008	Dec 31, 2007
Total capital lease obligations	$ 57,232	$ 126,716
Less: current portion of capital lease obligations	57,232	98,582
	-	**$ 28,134**

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

11. LOAN PAYABLE

	Sept 30, 2008	Dec 31, 2007
Revolving loan facility (Tranche A and B)	$ 4,988,438	$ 4,727,999
Bridge loan facilities	5,321,000	-
Less: current portion	(10,309,438)	(4,727,999)
	-	-

As at September 30, 2008, $3,325,625 (US$3,125,000) (December 31, 2007 US$3,333,333) was drawn on the revolving loan facility (Tranche A), and $1,662,813 (US$1,562,500) (December 31, 2007 US$1,666,667) 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. The loans may be repaid at anytime without penalty.

On February 28, 2008, a 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. 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. The exercise price of these warrants was adjusted to $0.2098 per share as part of a US$2 million bridge loan agreement further described below.

On March 12, 2008, US$3 million was drawn on the bridge loan tranche and is due no later than October 1, 2008.

On June 6, 2008, a new bridge loan subordinated tranche was created to allow the Company to draw US$2 million for working capital and expenditures related to its Coricancha Mine. As a pre-condition of closing the bridge loan, the Company negotiated a "standstill" agreement with its primary lender that postponed all scheduled payments until October 1, 2008. The Company paid a cash fee upon closing of the bridge loan tranche equal to 4% of the proceeds, and the loan bears interest at a rate of 13% per annum. The funds are available for draw-down with a fee of 2% payable at the time of such draw-down. In connection with the bridge loan, the Company issued the Lender warrants to purchase 2,000,000 shares at an exercise price of $0.2042 per share, with the warrants expiring on July 6, 2009.

On June 6, 2008, US$2 million was drawn on the bridge loan tranche and is due no later than October 1, 2008.

Subsequent to the quarter ended September 30, 2008, the Company negotiated an amendment to the above loan facilities allowing for the postponement of all scheduled payments until December 31, 2008. See note 18 for further details.

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, 2007	$	11,558,152
Accretion expense		761,033
Cash payments		1,544,558
Changes in estimates **(a)**		9,598,046
Effect of translation of foreign currencies		(1,825,091)
Balance, September 30, 2008	**$**	**21,636,698**
Less: current portion		9,806,657
	$	**11,830,041**

(a) Due to the ground displacement at the current tailings area, the Company is undertaking mitigation, safety and planning measures to stabilize the area and reduce the risk of a landslide. Management has estimated an approximate cost of $10,706,850 (US$10,500,000) to enact these measures. A value of $1,108,804 (US$1,087,383) previously included in the closure costs for the asset retirement calculation are included in the above estimated mitigation costs of stabilizing the hillside and have been netted against the total figure.

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:

Assumed Mine or Closure Year	Undiscounted cash flows for mine closure
2008 – 2013	$13,376,216 (US$12,569,269)
2014 – 2016	$7,372,946 (US$6,928,158)
2017 – 2021	$6,584,945 (US$6,187,695)
Post 2021	$1,153,718 (US$1,084,118) per year

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 nine months ended September 30, 2008 were as follows:

	Number of shares		Amount
Balance, January 01, 2007	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 warrants	-		389,129
Balance, December 31, 2007	169,042,144	$	52,509,731
For cash received from the exercise of warrants	2,080,000		520,000
For cash received from private placements	55,000,000		3,300,000
Transferred to share capital upon exercise of options and warrants	-		436,800
Balance, September 30, 2008	**226,122,144**	**$**	**56,766,531**

During the nine months ended September 30, 2008, the Company closed a non-brokered private placement for 55,000,000 common shares at a price of $0.06 per share for gross proceeds of $3,300,000. Fees associated with the closing of the private placement include $250,000 equal to 8% of the gross proceeds and the issuance of 2,473,562 warrants equal to 4.5% of the number of common shares sold pursuant to the private placement. Each warrant entitles the holder to purchase one common share of the Company at $0.06 per share until July 16, 2009. Net proceeds of the private placement were used to finance expenditures related to its Coricancha mine, including moving tailings to the long-term Chinchan facility, and for general corporate purposes.

(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 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 2007 Plan, stock options granted have a maximum term of five years.

A summary of the Company's stock options outstanding as at September 30, 2008 and the changes for the nine months then ended are as follows:

	Directors and officers	Employees and a consultant	Total Number of options		Weighted average exercise price per share
Balance, January 01, 2007	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
Granted	2,975,000	770,000	3,745,000		0.12
Expired	(1,600,000)	(630,000)	(2,230,000)		0.48
Balance, September 30, 2008	**9,285,000**	**510,000**	**9,795,000**	**$**	**0.34**

The following table summarizes information about common share purchase options outstanding, granted to officers, directors, employees and a consultant of the Company as at September 30, 2008:

Number of stock options outstanding	Number of stock options exercisable	Option Exercise price ($)	Expiry date (Month-Yr)
1,055,000	1,055,000	0.40	November-08
175,000	175,000	0.30	May-09
100,000	100,000	0.15	August-10
775,000	775,000	0.48	April-11
500,000	500,000	0.43	April-11
250,000	250,000	0.38	June-11
1,000,000	1,000,000	0.35	July-11
135,000	123,333	0.43	November-11
160,000	140,000	0.52	December-11
200,000	133,333	0.54	March-12
955,000	955,000	0.69	June-12
530,000	353,333	0.64	July-12
215,000	71,667	0.52	October-12
500,000	166,666	0.49	February-13
3,085,000	1,378,333	0.07	August-13
160,000	120,000	0.08	August-13
9,795,000	**7,296,665**		
0.34	**0.39**	**Weighted average exercise price**	

(d) Stock Based Compensation

During the nine months ended September 30, 2008, the Company granted 3,745,000 stock options to directors, officers and employees. An amount of $378,927 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:

Number of Options Granted	**500,000**	**3,085,000**	**160,000**
Risk-free interest rate (%)	3.42%	3.10%	2.96%
Expected life (years)	5	5	5
Expected volatility (%)	75%	166%	172%
Expected dividend (%)	- %	- %	- %
Results:			
Weighted average fair value (per option)	$ 0.31	$ 0.07	$ 0.07

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

(e) Share Purchase Warrants

The Company's warrants outstanding at September 30, 2008 and the change for the nine months then ended are as follows:

	Number of warrants		Average price of warrants
Balance, January 01, 2007	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
Issued to agents on non-brokered financing	2,473,562		0.06
Issued to lender on debt financing	3,400,000		0.21
Exercised and converted to Common shares	(2,080,000)		0.25
Expired	(1,100,000)		0.48
Balance, September 30, 2008	**7,382,061**	**$**	**0.24**

On March 12, 2008, the Company issued 1,400,000 warrants exercisable at a price of $0.468 per share exercisable for a period of one year. The warrants were issued in connection with the bridge loan (Note 11) and had a fair value at the date of grant of $0.10 per warrant. As part of the terms of a second bridge loan tranche (Note 11), the exercise price of the warrants was adjusted to $0.2098, resulting in an adjusted fair value of $0.06 per warrant. The fair value of the warrants is recorded as a finance expense. The Company determined the fair value of the warrants based upon a Black-Scholes model using the following assumptions: expected life of 12 months, expected volatility 85.81%, risk free interest rate 3.70%, dividend yield of 0%.

On June 6, 2008, the Company issued 2,000,000 warrants exercisable at a price of $0.2042 per share exercisable for a period of one year. The warrants were issued in connection with a second bridge loan tranche (Note 11) and had a fair value at the date of grant of $0.06 per warrant. The fair value of the warrants is recorded as a finance expense. The Company determined the fair value of the warrants based upon a Black-Scholes model using the following assumptions: expected life of 12 months, expected volatility 85.81%, risk free interest rate 3.70%, dividend yield of 0%.

On July 16, 2008, the Company issued 2,473,562 warrants exercisable at a price of $0.06 per share exercisable for a period of one year. The warrants were issued in connection with a private placement (Note 13b) and had a fair value at the date of grant of $0.07 per warrant. The fair value of the warrants is recorded as a share issue cost. The Company determined the fair value of the warrants based upon a Black-Scholes model using the following assumptions: expected life of 12 months, expected volatility 165.13%, risk free interest rate 3.12%, dividend yield of 0%.

Upon the exercise of 2,080,000 Broker warrants, $436,800 previously recorded as warrants in shareholder’s equity was transferred to share capital.

Details of outstanding warrants as at September 30, 2008 are as follows:

Number of warrants	Exercise price	Expiry date
1,400,000	$ 0.21	Mar 12, 2009
2,000,000	0.20	Jun 6, 2009
2,473,562	0.06	Jul 16, 2009
1,508,499	0.60	Aug 15, 2009
7,382,061	**$ 0.24**	

14. GENERAL AND ADMINISTRATION EXPENSES

	Three Months Ended		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Capital tax	$ 5,843	$ 28,550	$ 267,630	$ 60,261
Filing costs and shareholders' information	33,373	14,266	125,430	97,975
Insurance	12,188	51,250	32,181	126,469
Meals and entertainment	8,376	2,448	20,541	9,233
Miscellaneous	6,510	26,103	73,082	41,699
Office expenses	37,070	13,839	86,927	53,866
Professional and consulting fees	110,758	38,798	550,740	186,112
Rent	23,406	40,753	70,893	89,926
Salaries and benefits	480,928	255,027	1,392,198	708,458
Security	-	58,731	-	183,545
Telecommunications	25,364	6,241	67,998	17,225
Travel	80,516	60,942	246,510	212,946
	$ 824,332	**$ 596,948**	**$ 2,934,130**	**$ 1,787,715**

Security expenses primarily consist of contracted non-employee security workers at the Coricancha Mine and processing plant sites. At commencement of commercial operations (October 1, 2007), these costs, which had previously been considered general and administrative expenses, were classified as costs of sales.

15. RELATED PARTY TRANSACTIONS

There were no related party transactions in the nine months ended September 30, 2008 and 2007.

16. COMMITMENTS

(a) Lease Commitments

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

		Amount
2008	$	44,988
2009		99,322
2010		19,005
2011		-
Total	**$**	**163,316**

(b) 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 electricity contract calls for a minimum payment obligation of US$35,000 per year.

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

17. EXTRAORDINARY LOSS

On May 9, the Company suspended operations at its Coricancha Mine in Peru due to an unexpected ground displacement in and around its tailings area caused by the saturation irrigation of the Tamboraque hillside by a third-party irrigation system. Ongoing mitigation work has stabilized the hillside and significantly reduced the risk of a landslide occurring. To account for these measures the Company has written-down some of its related assets and recognized a current liability related to the mitigation efforts. Details are summarized as follows:

		Amount
Value added tax receivable **(a)**	$	3,207,593
Property, plant and equipment		
Tailings extension **(b)**		416,093
Plant **(c)**		2,606,892
Asset retirement obligation (Coricancha processing plant and tailings)		
Tailings area mitigation **(d)**		7,449,400
Processing plant mitigation **(d)**		3,724,700
Proceeds from insurance claim **(e)**		(2,129,281)
Effect of translation of foreign currencies		(817,645)
Extraordinary loss	**$**	**14,457,752**

(a) Value added tax receivable can be offset against future sales. Due to the suspension of mining operations and the resulting uncertainty of future sales, there is no assurance that the full value can be recovered (Note 4).

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

(c) Due to the ground displacement of the tailings area and the related risks it poses to the processing plant located downhill, mitigation efforts may require the dismantling of all or part of the processing plant thus reducing its current value (Note 6).

(d) The Company recorded a current liability to account for the estimated mitigation costs related to ground displacement in the tailings area (Note 12(a)). The Company expects to offset these costs using future insurance funds received from the Company's current insurance claims.

(e) The company intends to claim all expenses incurred due to the ground displacement. All funds received from insurance claims will be offset against the losses resulting from these write-downs. During the quarter ended September 30, 2008, the Company received a US$2.0 million advance on its insurance claims.

The third-party irrigation system responsible for the ground displacement and temporary suspension of mining operations has been classified as an extraordinary event as it is not expected to occur frequently, it does not typify the Company's normal business activities, and it does not depend primarily on decisions made by management.

18. SUBSEQUENT EVENTS

Amendment to Loan Agreement

On October 2, 2008, the Company's lenders agreed to an amendment of the terms on the Company's debt and have extended the repayment date to December 31, 2008. This is contingent on the Company receiving Environmental Impact Assessment approval on the new Chinchan permanent tailings handling area on or before November 30, 2008. The Company is currently in the process of acquiring, and expects to receive, a waiver from its Lenders regarding this requirement, however, if the Company is unable to obtain a waiver, a payment of USD$750,000 would become due December 1, 2008. The US$9.7 million total debt was scheduled for repayment on October 1, 2008. It is expected this extension will give the Company the necessary time to obtain the permit required for the new Chinchan permanent tailings handling area and other approvals necessary to resume production at the Coricancha mine.

In consideration for amending the repayment date, the Company has agreed to pay the lenders an extension fee of US$100,000 on the Maturity Date and 3,000,000 Gold Hawk Common shares payable one month after the date of execution of the amendment to the loan agreement. In addition, the Company has agreed to issue to the lenders 15,000,000 purchase warrants exercisable for common shares of Gold Hawk at an exercise price equal to $0.06 per share. The warrants have an expiration date of March 31, 2011 and are subject to applicable Canadian securities laws. The amended agreement and associated fees and purchase warrants are subject to certain conditions, including receipt of final approval of the TSX Venture Exchange.

19. NEW ACCOUNTING PRONOUCEMENTS

(a) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period.

In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(b) Goodwill and Intangible Assets

The Accounting Standards Board has also issued a new Section 3064, "Goodwill and Intangible Assets", to replace current Section 3062, "Goodwill and Other Intangible Assets". The new section establishes revised standards for recognizing, measuring, presenting and disclosing goodwill and intangible assets. CICA 3064 is effective for fiscal years beginning on or after October 1, 2008, and will be adopted by the Company for the year ending December 31, 2009. Concurrent with the adoption of this standard, EIC-27, "Revenues and Expenditures in the Pre-operating Period", will be withdrawn.