



# **Gold Hawk Resources Inc.**

## **Interim Consolidated Financial Statements**

**Three Months Ended March 31, 2009**

(In Canadian Dollars, unless otherwise noted)

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

**Gold Hawk Resources Inc.**  
**Consolidated Balance Sheets (Unaudited)**

	Mar 31, 2009	Dec 31, 2008
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,333,117	\$ 85,718
Restricted cash (Note 3)	2,529	57,897
Accounts receivable (Note 4)	490,015	1,190,959
Inventory (Note 5)	686,348	672,901
Prepaid expenses	74,015	91,096
	2,586,024	2,098,571
Mineral properties, plant and equipment (Note 6)	42,998,099	41,631,185
	<b>\$ 45,584,123</b>	<b>\$ 43,729,756</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 3,384,106	\$ 4,186,422
Current portion of capital lease obligation	-	36,412
Loan payable (Note 11)	14,236,924	11,799,375
Current portion of asset retirement obligation (Note 12)	10,286,753	7,577,929
	27,907,783	23,600,138
Asset retirement obligation (Note 12)	20,639,444	21,497,915
	48,547,227	45,098,053
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital (Note 13)	57,544,031	56,766,531
Warrants	1,051,404	760,212
Contributed surplus	2,904,212	2,642,227
Accumulated other comprehensive income	(2,318,955)	(1,512,416)
Deficit	(62,143,796)	(60,024,851)
	(2,963,104)	(1,368,297)
	<b>\$ 45,584,123</b>	<b>\$ 43,729,756</b>
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 Months Ended March 31, 2009 and 2008

	Three Months Ended	
	Mar 31, 2009	Mar 31, 2008
<b>Revenue</b>		
Sales	\$ -	\$ 2,703,855
<b>Operating costs</b>		
Cost of sales	-	3,912,323
Depreciation and depletion	-	1,075,529
Accretion of asset retirement obligation (Note 12)	891,110	258,510
<b>Loss from mining operations</b>	<b>(891,110)</b>	<b>(2,542,507)</b>
Care and maintenance	594,291	-
Depreciation	450,154	-
General and administration expenses (Note 14)	735,664	756,296
Stock-based compensation cost (Note 13)	68,177	75,837
General exploration	-	28,832
<b>Loss from operations</b>	<b>(2,739,396)</b>	<b>(3,403,472)</b>
<b>Other expenses (income)</b>		
Foreign exchange gain	(704,084)	(464,949)
Interest and financing charges (Note 16)	67,904	484,785
Loss on derivative instruments (Note 9)	-	307,918
<b>Net loss for the period</b>	<b>\$ (2,103,216)</b>	<b>\$ (3,731,226)</b>
<b>Basic and diluted loss per share:</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of shares outstanding</b>	<b>244,223,410</b>	<b>169,613,573</b>
<b>Consolidated Statements of Comprehensive Loss</b>	<b>Mar 31, 2009</b>	<b>Mar 31, 2008</b>
Net loss	\$ (2,103,216)	\$ (3,731,226)
Other comprehensive income:		
Foreign currency translation adjustment	(806,539)	308,881
<b>Comprehensive loss</b>	<b>\$ (2,909,755)</b>	<b>\$ (3,422,345)</b>

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 Months Ended March 31, 2009 and 2008**

	Three Months Ended	
	Mar 31, 2009	Mar 31, 2008
<b>Operating activities</b>		
Net loss before extraordinary items	\$ (2,103,216)	\$ (3,731,226)
Asset retirement expenditures	(85,412)	-
Items not affecting cash:		
Accretion expense on asset retirement obligation	891,110	258,510
Depreciation and depletion	454,493	1,079,106
Unrealized loss on derivative instruments	-	268,395
Stock-based compensation cost	68,177	75,837
Unrealized foreign exchange gain	(781,342)	(384,198)
	(1,556,190)	(2,433,576)
Net changes in non-cash components of working capital (Note 17)	168,258	57,007
<b>Cash flows from operating activities</b>	<b>(1,387,932)</b>	<b>(2,376,569)</b>
<b>Financing activities</b>		
Capital lease obligation	(37,198)	(24,441)
Deferred financing costs	(3,496)	-
Exercise of warrants and stock options	-	520,000
Issuance of share capital	1,000,000	-
Loan proceeds	1,974,560	3,826,153
Share issue expenses	(15,729)	-
<b>Cash flows from financing activities</b>	<b>2,918,137</b>	<b>4,321,712</b>
<b>Investing activities</b>		
Additions to plant and equipment	(294,479)	(970,983)
Deferred exploration and development expenditures	(66,016)	(257,841)
Restricted cash required on investing activities	55,368	(138,918)
<b>Cash flows from investing activities</b>	<b>(305,127)</b>	<b>(1,367,742)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>22,321</b>	<b>53,180</b>
<b>Net change in cash and cash equivalents</b>	<b>1,247,399</b>	<b>630,581</b>
Cash and cash equivalents at beginning of period	85,718	2,262,895
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,333,117</b>	<b>\$ 2,893,476</b>
Interest paid	\$ -	\$ 69,207
Income taxes paid	-	-

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

# Gold Hawk Resources Inc.

## Consolidated Statements of Shareholders' Equity (Deficiency) (unaudited) For the Three Months Ended March 31, 2009 and 2008

	Share Capital (Number of Shares)	Share Capital (Amount)	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
<b>At January 01, 2008</b>	169,042,144	52,509,731	898,330	2,075,337	907,882	(30,183,238)	<b>26,208,042</b>
Units issued upon							
exercise of warrants	2,080,000	956,800	(436,800)	-	-	-	<b>520,000</b>
Warrants issued as							
a financing fee	-	-	138,201	-	-	-	<b>138,201</b>
Stock based compensation	-	-	-	75,837	-	-	<b>75,837</b>
Foreign exchange							
translation adjustment	-	-	-	-	308,881	-	<b>308,881</b>
Net loss for the period	-	-	-	-	-	(3,731,226)	<b>(3,731,226)</b>
<b>At March 31, 2008</b>	171,122,144	\$ 53,466,531	\$ 599,731	\$ 2,151,174	\$ 1,216,763	\$ (33,914,464)	<b>\$ 23,519,735</b>
Private placement	55,000,000	3,300,000	173,149	-	-	-	<b>3,473,149</b>
Share issue costs	-	-	-	-	-	(460,790)	<b>(460,790)</b>
Warrants issued as							
a financing fee	-	-	177,332	-	-	-	<b>177,332</b>
Expired warrants	-	-	(190,000)	190,000	-	-	<b>-</b>
Stock based compensation	-	-	-	301,053	-	-	<b>301,053</b>
Foreign exchange							
translation adjustment	-	-	-	-	(2,729,179)	-	<b>(2,729,179)</b>
Net loss for the period	-	-	-	-	-	(25,649,597)	<b>(25,649,597)</b>
<b>At December 31, 2008</b>	226,122,144	\$ 56,766,531	\$ 760,212	\$ 2,642,227	\$ (1,512,416)	\$ (60,024,851)	<b>\$ (1,368,297)</b>
Private placement	50,000,000	515,000	485,000	-	-	-	<b>1,000,000</b>
Share issue costs	-	-	-	-	-	(15,729)	<b>(15,729)</b>
Shares issued as payment							
to financial advisor	3,322,785	262,500	-	-	-	-	<b>262,500</b>
Expired warrants	-	-	(193,808)	193,808	-	-	<b>-</b>
Stock based compensation	-	-	-	68,177	-	-	<b>68,177</b>
Foreign exchange							
translation adjustment	-	-	-	-	(806,539)	-	<b>(806,539)</b>
Net loss for the period	-	-	-	-	-	(2,103,216)	<b>(2,103,216)</b>
<b>At March 31, 2009</b>	279,444,929	\$ 57,544,031	\$ 1,051,404	\$ 2,904,212	\$ (2,318,955)	\$ (62,143,796)	<b>\$ (2,963,104)</b>

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

# Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements *(unaudited)*  
For the Three Months Ended March 31, 2009

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## 1. GOING CONCERN

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

The Company is currently pursuing an insurance claim associated with business interruption and on property affected by the ground displacement. During the three months ended March 31, 2009 the Company received its final permit to construct a new permanent tailings facility at Chinchán, and with all other operational permits in place, the Company foresees a return to production in the latter part of 2009, contingent on obtaining relief from the requirement to move the plant and receipt of additional financing.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception including a net loss of \$2,103,216 for the three months ended March 31, 2009, and has a working capital deficiency of \$25,321,769 as at March 31, 2009.

The Company’s cash flow has been adversely affected by the temporary suspension of mine operations and it is expected that cash on hand at June 4, 2009, 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 completed a restructuring of its existing debt and extended the repayment date of the new facility to February 13, 2010 (see Note 11 and 20). However, since there is no assurance the Company’s continuing financing efforts will succeed, there is substantial doubt regarding the “going concern” assumption. If the Company were unable to continue as a going concern, then significant adjustments would be required to the carrying value of assets and liabilities, and to the balance sheet classifications used.

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

## Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements *(unaudited)*  
For the Three Months Ended March 31, 2009

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### 2. CHANGES IN ACCOUNTING POLICIES

#### *Accounting policies implemented effective January 1, 2009*

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

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

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

#### *International Financial Reporting Standards*

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

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

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

#### *Recent Accounting Pronouncements Issued But Not Yet Implemented*

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

## Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements *(unaudited)*

For the Three Months Ended March 31, 2009

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### 3. RESTRICTED CASH

As at March 31, 2009, \$2,529 (December 31, 2008 \$2,442) 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.

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

### 4. ACCOUNTS RECEIVABLE

	<b>Mar 31, 2009</b>	<b>Dec 31, 2008</b>
Value added tax receivable	\$ 4,175,257	\$ 4,808,295
Other receivables	116,428	53,824
Less: allowance for value added tax receivable	<u>(3,801,670)</u>	<u>(3,671,160)</u>
	<b><u>\$ 490,015</u></b>	<b><u>\$ 1,190,959</u></b>

### 5. INVENTORY

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



## Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements (unaudited)  
For the Three Months Ended March 31, 2009

### 6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

As at March 31, 2009	Cost	Accumulated depreciation and depletion	Write-down	Net book value
Land	\$ 143,019	\$ -	\$ -	\$ 143,019
Plant and equipment	11,919,180	(2,749,213)	-	9,169,967
	<u>\$ 12,062,199</u>	<u>\$ (2,749,213)</u>	<u>-</u>	<u>\$ 9,312,986</u>
Mineral properties and concessions	\$ 23,206,782	\$ (1,128,739)	\$ -	\$ 22,078,043
Deferred exploration and development costs	12,187,723	(580,653)	-	11,607,070
	<u>\$ 35,394,505</u>	<u>\$ (1,709,392)</u>	<u>-</u>	<u>\$ 33,685,113</u>
<b>Total</b>	<b><u>\$ 47,456,704</u></b>	<b><u>\$ (4,458,605)</u></b>	<b><u>-</u></b>	<b><u>\$ 42,998,099</u></b>

  

As at December 31, 2008	Cost	Accumulated depreciation and depletion	Write-down	Net book value
Land	\$ 138,109	\$ -	\$ -	\$ 138,109
Plant and equipment (a)	14,734,287	(2,737,589)	(2,983,644)	9,013,054
	<u>\$ 14,872,396</u>	<u>\$ (2,737,589)</u>	<u>\$ (2,983,644)</u>	<u>\$ 9,151,163</u>
Mineral properties and concessions (b)	\$ 35,934,718	\$ (1,089,990)	\$ (13,524,616)	\$ 21,320,112
Deferred exploration and development costs	11,721,939	(562,029)	-	11,159,910
	<u>\$ 47,656,657</u>	<u>\$ (1,652,019)</u>	<u>\$ (13,524,616)</u>	<u>\$ 32,480,022</u>
<b>Total</b>	<b><u>\$ 62,529,053</u></b>	<b><u>\$ (4,389,608)</u></b>	<b><u>\$ (16,508,260)</u></b>	<b><u>\$ 41,631,185</u></b>

#### Coricancha Mine (Peru)

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

Coricancha (Peru)	Interest (%)					Translation adjustment (c)	Mar 31, 2009
		Dec 31, 2008	Additions	Write-down	Depletion		
Mineral properties and concessions (b)	100	\$21,320,112	\$ -	\$ -	\$ -	\$ 757,931	<b>\$22,078,043</b>
Deferred exploration cost	100	11,159,910	66,016	-	-	381,144	<b>11,607,070</b>
		<u>\$32,480,022</u>	<u>\$ 66,016</u>	<u>-</u>	<u>-</u>	<u>\$ 1,139,075</u>	<u>\$33,685,113</u>

(a) The cost of plant and equipment for the year ended December 31, 2008 includes a write-down due to the ground displacement in the tailings area (see Note 19).

## Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements *(unaudited)*  
For the Three Months Ended March 31, 2009

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- (b) During the year ended December 31, 2008, the Company wrote off the capitalized costs and related additional reclamation obligations due to the incremental effect of the ground displacement and resulting temporary suspension of mine operations (Note 12 and 19).
- (c) The March 31, 2009 balance has been adjusted to reflect the current rate translation of the Company's self-sustaining foreign operation.

For the three months ended March 31, 2009 and 2008, capitalized interest was \$Nil.

### 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, subsequent to March 31, 2009, the Company completed a restructuring of its existing debt and extended the repayment date of the new facility to February 2010 (see Note 11 and 20).

### 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, restricted cash and derivative instruments 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".

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 except as described below in section (f).

#### (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 effect on potential future cash flows thus exposing the Company to the possibility of impairment write-downs. Due to the suspension of operations the Company is not currently exposed to this risk.

## Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements *(unaudited)*  
For the Three Months Ended March 31, 2009

### (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 March 31, 2009.

At March 31, 2009, with other variables unchanged, a 10% change in interest rates would have no significant impact on pre-tax loss.

### (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 March 31, 2009, 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	\$ 338,594	\$ 41,517
Restricted cash	2,005	-
Accounts receivable	57,188	296,192
Derivative instruments	-	-
Prepaid expenses	6,464	39,305
Accounts payable and accrued liabilities	(1,474,955)	(587,473)
Loan and interest payable	(11,480,929)	-
	<b>\$ (12,551,633)</b>	<b>\$ (210,460)</b>

At March 31, 2009, with other variables unchanged, a 10% change in the USD/CAD exchange rate would impact pre-tax earnings by \$1,583,137. Likewise, a 10% change in the Nuevo Soles/CAD exchange rate would impact pre-tax earnings by \$8,398.

### (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. While in operation, the Company managed 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.

### (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

## Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements (unaudited)  
For the Three Months Ended March 31, 2009

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 2009 will be the Coricancha Project, 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 completed a restructuring of its existing debt and extended the repayment date of the new facility to February 13, 2010 (see Note 11 and 20). 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 March 31, 2009, 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, insurance claims, or a combination thereof.

As at March 31, 2009 the Company's liabilities have contractual maturities which are summarized below:

	<b>Total</b>	<b>Less than 1 year</b>	<b>1 - 3 years</b>	<b>4 - 5 years</b>	<b>After 5 years</b>
Accounts payable and accrued liabilities	\$ 3,384,106	\$ 3,384,106	-	-	-
Loan payable	14,236,924	14,236,924	-	-	-
Other lease commitments	128,199	89,096	39,103	-	-
<b>Total*</b>	<b>\$17,749,229</b>	<b>\$17,710,126</b>	<b>\$ 39,103</b>	-	-

\*Amounts above do not include payments related to the Company's asset retirement obligations.

As part of the terms of the new loan facility, the Company received a net advance of US\$1,600,000. The Company's balance owing of US\$9,687,500 was assumed by the new lender for a discounted value of approximately US\$8,760,000. This results in a fair value for the loan payable equal to \$11,048,988 (US\$8,760,000) as at March 31, 2009.

### 9. DERIVATIVE INSTRUMENTS

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

### 10. CAPITAL LEASE OBLIGATIONS

	<b>Mar 31, 2009</b>	<b>Dec 31, 2008</b>
Total capital lease obligations	\$ -	\$ 36,412
Less: current portion of capital lease obligations	-	36,412
	-	<b>\$ 28,134</b>

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

## Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements (unaudited)  
For the Three Months Ended March 31, 2009

### 11. LOAN PAYABLE

	Mar 31, 2009	Dec 31, 2008
Revolving loan facility (Tranche A and B)	\$ 5,912,344	\$ 5,709,375
Bridge loan facilities	6,306,500	6,090,000
Advances from lenders	2,018,080	-
Less: current portion	(14,236,924)	(11,799,375)
	-	-

As at March 31, 2009, \$3,941,563 (US\$3,125,000) was drawn on the revolving loan facility (Tranche A), and \$1,970,781 (US\$1,562,500) was drawn on the non-revolving loan facility (Tranche B). The facilities bear interest at LIBOR + 5.5% and 6.5% for Tranche A and B, respectively. The loans may be repaid at anytime without penalty.

As at March 31, 2009, \$6,306,500 (US\$5.0 million) was outstanding on two bridge loan tranches that were created within the original US\$10 million. Both bridge loans bear interest at a rate of 13% per annum. Certain loan covenants including the payments of the loan and accrued interest and approval of an environmental impact assessment at the Chinchán tailings facility were not met by the Company.

During the three months ended March 31, 2009, the Company signed an indicative term sheet with one of its lenders to restructure the existing debt into a new facility. The Company received a net advance on the new facility of \$2,018,080 (US\$1.6 million). Subsequent to the quarter ended March 31, 2009, the Company signed the final loan agreement, restructuring all existing loan facilities into a new loan facility with full payment due February 13, 2010 (see Note 20).

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

	Amount
Balance, December 31, 2008	\$ 29,075,844
Accretion expense	891,110
Cash payments	(85,412)
Effect of translation of foreign currencies	1,044,655
<b>Balance, March 31, 2009</b>	<b>\$ 30,926,197</b>
Less: current portion	10,286,753
	<b>\$ 20,639,444</b>

The estimated future cash flows have been discounted using a credit-adjusted risk-free rate of 12.0%. As the liability is initially recorded on a discounted basis, it is increased each period until the estimated date of settlement. The resulting expense is referred to as accretion expense and is included in the results from operations.

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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>Period</u>	<u>Undiscounted cash flows for mine closure</u>
2009 – 2014	\$31,304,720 (US\$25,701,740)
2015 – 2016	\$8,835,241 (US\$7,253,893)
2017 – 2032	\$14,053,055 (US\$11,537,812)

The mine closure obligation, on an undiscounted basis, has been calculated on the basis of an estimated remaining life of mine of six years. Like most underground mines, the proven and probable reserves are limited, not because of a lack of resources, but due to the cost of proving up large quantities of resources to reserves. There are considerable measured, indicated, and inferred resources available at the Coricancha Mine at this time, and it is Managements' opinion that a significant portion of these resources will be converted into the proven and probable categories as the mine's development progresses. The six year life of mine used for estimating the asset retirement obligations is based on an estimated conversion of 33% of these resources into proven and probable reserves.

### 13. SHARE CAPITAL

#### (a) Authorized

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

#### (b) Share Issuances

During the three months ended March 31, 2009, the Company completed a non-brokered private placement of 50,000,000 Units at a price of \$0.02 per Unit for aggregate proceeds of \$1,000,000. Each Unit is comprised of one common share and one 12-month share purchase warrant at \$0.05 (see Note 13e). Fees associated with the closing of the private placement include \$5,250 in Finder's Fees and \$10,479 in other legal and regulatory expenses. Net proceeds of the private placement were used to finance expenditures related to its Coricancha Mine, including moving old tailings to the long-term Chinchán facility, and for general corporate purposes.

During the three months ended March 31, 2009, the Company issued 3,322,785 shares as compensation for an amount outstanding to a third party. As a result of this issuance, \$262,500 was transferred from current liabilities to share capital.

#### (c) Stock option plan

Pursuant to the terms of the Company's stock option plan the board of directors may, from time to time, grant options to directors, officers, employees or consultants. The maximum number of common shares issuable under the plan is 12,000,000 common shares. Options may be exercisable over periods of up to five years as determined by the board of directors of the Company and the exercise price shall not be less than the closing price of the shares on the day preceding the award date. Stock options granted to employees, officers and consultants vest one-third immediately, one-third after 12 months from the date of grant and one-third after 24 months from the date of grant, while stock options granted to directors vest immediately.

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Notes to Consolidated Financial Statements *(unaudited)*  
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Subsequent to the quarter ended March 31, 2009, the Board of Directors approved an amendment to the Company's Stock Option Plan increasing the number of shares reserved for issuance under the plan (See Note 20).

A summary of the Company's stock options outstanding as at March 31, 2009 and the changes for the three 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, 2008	7,910,000	370,000	8,280,000	\$ 0.48
Granted	2,975,000	770,000	3,745,000	0.12
Forfeited	-	(303,334)	(303,334)	0.50
Expired	(3,571,666)	(10,000)	(3,581,666)	0.45
Balance, December 31, 2008	7,313,334	826,666	8,140,000	\$ 0.32
Forfeited	-	(123,334)	(123,334)	0.50
Expired	(500,000)	(56,666)	(556,666)	0.45
<b>Balance, March 31, 2009</b>	<b>6,813,334</b>	<b>646,666</b>	<b>7,460,000</b>	<b>\$ 0.31</b>

The following table summarizes information about common share purchase options outstanding, granted to officers, directors, employees and a consultant of the Company as at March 31, 2009:

Number of stock options outstanding	Number of stock options exercisable	Option Exercise price (\$)	Expiry date (Month-Yr)
175,000	175,000	0.30	May-09
100,000	100,000	0.15	August-10
675,000	675,000	0.48	April-11
500,000	500,000	0.43	April-11
1,000,000	1,000,000	0.35	July-11
35,000	35,000	0.43	November-11
200,000	200,000	0.54	March-12
630,000	630,000	0.69	June-12
530,000	520,000	0.64	July-12
165,000	110,000	0.52	October-12
500,000	333,333	0.49	February-13
2,820,000	1,140,000	0.07	August-13
130,000	110,000	0.08	August-13
<b>7,460,000</b>	<b>5,528,333</b>		
<b>0.32</b>	<b>0.39</b>	<b>Weighted average exercise price</b>	

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Notes to Consolidated Financial Statements *(unaudited)*  
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### (d) Stock Based Compensation

During the three months ended March 31, 2009, the Company did not grant any options. An amount of \$68,177 was charged as an expense in recognition of stock-based compensation, based on the vesting schedule for options previously granted. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model.

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

### (e) Share Purchase Warrants

The Company's warrants outstanding at March 31, 2009 and the change for the three months then ended are as follows:

	Number of warrants	Average price of warrants
Balance, January 01, 2008	4,688,499	\$ 0.42
Issued to agents on non-brokered financing	2,473,562	0.06
Issued to lender on debt financing	3,400,000	0.21
Exercised and converted to Common shares	(2,080,000)	0.25
Expired	(1,100,000)	0.48
Balance, December 31, 2008	7,382,061	\$ 0.24
Issued to private placement placees	50,000,000	0.05
Expired	(1,400,000)	0.21
<b>Balance, March 31, 2009</b>	<b>55,982,061</b>	<b>\$ 0.07</b>

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

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

Details of outstanding warrants as at March 31, 2009 are as follows:



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<b>Number of warrants</b>	<b>Exercise price</b>	<b>Expiry date</b>
2,000,000	\$ 0.20	Jun 6, 2009
2,473,562	0.06	Jul 16, 2009
1,508,499	0.60	Aug 15, 2009
50,000,000	0.05	Mar 5, 2010
<b>55,982,061</b>	<b>\$ 0.07</b>	

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

### 14. GENERAL AND ADMINISTRATION EXPENSES

	<b>Three Months Ended</b>	
	<b>Mar 31, 2009</b>	<b>Mar 31, 2008</b>
Capital tax	\$ -	\$ 24,714
Filing costs and shareholders' information	21,444	31,363
Insurance	9,614	9,891
Meals and entertainment	1,165	5,202
Miscellaneous	6,498	46,182
Office expenses	30,047	18,188
Professional and consulting fees	65,678	98,154
Rent	29,272	23,076
Salaries and benefits	535,303	409,942
Telecommunications	17,691	18,329
Travel	18,952	71,255
	<b>\$ 735,664</b>	<b>\$ 756,296</b>

### 15. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2009 the Company paid \$75,000 to a director of the Company as a partial repayment of a short-term loan. As at March 31, 2009, a balance of \$75,000 bearing interest at 13% per annum remains outstanding. Management anticipates that the amount will be repaid within one year and has accordingly classified it as a current liability.

## Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements *(unaudited)*  
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### 16. INTEREST AND FINANCING CHARGES

	<b>Mar 31, 2009</b>	<b>Mar 31, 2008</b>
Interest and bank charges	\$ 17,212	\$ 7,271
Financing fees related to bridge loans	-	271,297
Interest expense on outstanding debt	-	120,228
Amortization of previously capitalized financing fees	-	85,989
Fees for advisory services	50,692	-
<b>Total interest and financing charges</b>	<b>\$ 67,904</b>	<b>\$ 484,785</b>

### 17. CHANGES IN NON-CASH WORKING CAPITAL

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

	<b>Mar 31, 2009</b>	<b>Mar 31, 2008</b>
Accounts receivable	\$ 700,944	\$ (861,096)
Inventory	(13,447)	(1,069,745)
Prepays	20,577	(44,655)
Accounts payable and accrued liabilities	(539,816)	2,032,503
<b>Net change in non-cash working capital</b>	<b>\$ 168,258</b>	<b>\$ 57,007</b>

### 18. COMMITMENTS

The Company has signed a ten year electricity contract for power supply to its Coricancha Mine. Due to the temporary suspension of mining operations, the Company negotiated a temporary reduction in the monthly compensation of maximum committed demand. This temporary reduction will be effective for the first six months of 2009.

## Gold Hawk Resources Inc.

Notes to Consolidated Financial Statements *(unaudited)*  
For the Three Months Ended March 31, 2009

### 19. EXTRAORDINARY LOSS IN THE YEAR ENDED DECEMBER 31, 2008

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

Details are summarized as follows:

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

- (a)** The planned southern extension to the current tailings facility became unusable due to the risks related to the ground displacement in the area. All related capitalized construction costs incurred to date relating to the extension have been written off.
- (b)** Due to the ground displacement of the tailings area and the related risks it poses to the processing plant located downhill, mitigation efforts were initially believed to require the dismantling of all or part of the processing plant resulting in a write-down of its value (Note 6). The write-down represents the cost of those parts of the processing plant which were determined to have no future use.
- (c)** The Company recorded a current liability to account for the estimated mitigation costs related to ground displacement in the tailings area and also recorded an extraordinary loss of an equivalent amount.
- (d)** The Company intends to claim all expenses incurred due to the ground displacement. All funds received from insurance claims will be offset against the losses resulting from these write-downs. During the year ended December 31, 2008, the Company received a US\$2.0 million advance on its insurance claims. Further insurance proceeds will be recorded when the amounts and ultimate collectability are more readily determinable.

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

## **Gold Hawk Resources Inc.**

Notes to Consolidated Financial Statements *(unaudited)*  
For the Three Months Ended March 31, 2009

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### **20. SUBSEQUENT EVENTS**

#### **(a) Stock Option Plan and Granting**

Subsequent to the quarter end, the Board of Directors approved an amendment to the Company's Stock Option Plan increasing the number of shares reserved for issuance under the plan. The amendment has received acceptance from the TSX Venture Exchange and includes an increase in the maximum number of shares reserved for issuance under the plan to 20,000,000 (7.0% of the issued and outstanding common shares of the Company), including a transfer of 7,460,000 unexercised options previously granted.

Subject to regulatory approval, the Board of Directors has granted stock options to directors, officers and employees of the Company as well as to employees of its wholly owned subsidiary, Compañía Minera San Juan (Peru) S.A.

Options were granted to purchase 6,440,000 common shares in the capital of the Company, exercisable for a period of five years at a price of \$0.10 per share. The employee share options vest one-third immediately upon the date of grant, one-third will vest 12 months from the date of grant and the final one-third of the options will vest 24 months from the date of grant. Share options granted to Directors vest immediately. The Company has 6,100,000 remaining options available for grant under the Stock Option Plan.

#### **(b) Share Capital**

Subsequent to the quarter end, the Company completed a non-brokered private placement for 25,050,000 units at a price of \$0.05 per unit for proceeds of \$1,252,500. Each unit is comprised of one common share and one 12-month share purchase warrant at \$0.07. The Company will use the net proceeds of the private placement to finance expenditures related to its property and for general corporate purposes.

#### **(c) New Loan Facility**

Subsequent to the quarter end, the Company signed a new loan agreement with its lender in connection with the Company's US\$13.0 million restructured loan facility. The funds were advanced to the Company on February 13, 2009 and are being used to support ongoing activities at the Coricancha Mine and for general corporate purposes. The loan repayment date will be February 13, 2010, which follows the Company's planned restart of production later this year once re-start financing is in place.