

# GOLD CANYON RESOURCES INC.

## FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS YEAR ENDED NOVEMBER 30, 2010

The following Management Discussion and Analysis for *Gold Canyon Resources Inc.* (“the Company”), prepared as of **March 14, 2011**, should be read together with the audited consolidated financial statements for the year ended November 30, 2010 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information related to the Company is available on its website at [www.goldcanyon.ca](http://www.goldcanyon.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Forward Looking Statements**

Certain information included in this discussion may constitute forward-looking statements. Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

### **Description of Business**

The Company was incorporated on August 20, 1985 pursuant to the *Company Act* of British Columbia. Gold Canyon Resources Inc.’s primary business is the acquisition, exploration and development of properties containing or thought to contain valuable minerals. The Company has two wholly owned subsidiaries: Gold Canyon Resources USA Inc., (“GCU USA”) incorporated on June 21, 2001 in the State of Nevada (continued to the State of Colorado on December 17, 2009); and Gold Canyon Kratz Spring, LLC., (“Kratz Spring LLC”) incorporated on January 9, 2009 in the State of Colorado.

Presently the Company’s exploration efforts are focused in Ontario, Canada, the States of Nevada and Missouri in the United States and the Scandinavia region of Western Europe. The Company is currently exploring five projects ranging from early through advanced exploration stages. These projects are; Springpole Gold Project; Cordero Gallium Project; Favourable Lake Project (Poly- metallic); Horseshoe Island Gold Project; and Kratz Spring Rare Earth Element (“REE”) Project. The Springpole, Favourable Lake and Horseshoe Island Projects are under the control of the Company, while the Cordero Gallium Project is controlled by GCU USA and the Kratz Spring REE Project is controlled by Kratz Spring LLC.

**Springpole Gold Project** - The Springpole Gold Project is located about 70 miles (115 km) northeast of the town of Red Lake, in the Red Lake Mining District, in the district of Kenora in northwestern Ontario. The Company is in the exploration stage with respect to its interests in this mineral property which consist of 30 patented and 192 staked claims and cover approximately 20,000 acres. The Company maintains 100% control of all claims through leasehold interest and direct location.

On November 7, 2006, P& E Mining Consultants provided the Company with a National Instrument 43-101 (“NI 43-101”) compliant technical report and resource estimate. The complete technical report is available on the Company’s website ([www.goldcanyon.ca](http://www.goldcanyon.ca)) and SEDAR ([www.sedar.com](http://www.sedar.com)). In April 2007, the Company released the results of the 2007 winter program which consisted of approximately 2,000 meters of diamond drilling. In May 2008, the Company also announced the results of the 2008 winter drill program that consisted of 7 drill holes totalling 2,452 meters of diamond drilling. In August 2009, the Company commenced a comprehensive review of the Springpole Gold Project. The program lasted approximately six weeks, with the aim of enhancing the understanding of the geology of the deposit, in order to build a stronger resource model. A comprehensive review of the project was completed in January 2010 which outlined plans for a staged drill program ending in winter 2011 with the goal of expanding known mineralization and preparing the project for a pre-feasibility study. As part of this plan the Company commenced a drill program as announced on February 25, 2010. Drill results from six drill holes were announced in April 2010 and May 2010. In July 2010, the Company commenced a summer 2010 drill program which was completed in October 2010. In January 2011, the Company commenced a winter 2011 drill program.

During the current year the Company renegotiated and amended an option agreement whereby legal title to certain claims passed to the Company and the net smelter royalty (“NSR”) was renegotiated down from 5% to 3%.

**Cordero Gallium Project** – The Company controls a 100% interest in the Cordero Gallium Project by leasehold interest and direct location through its 100% owned subsidiary Gold Canyon Resources USA Inc. The project, located in north-central Nevada consists of 175 claims, is the largest known primary gallium occurrence in North America. On April 20, 2006, *Réserva* International LLC provided the Company with a NI 43-101 compliant technical report and resource estimate. The complete technical report is available on the Company’s website ([www.goldcanyon.ca](http://www.goldcanyon.ca)) and SEDAR ([www.sedar.com](http://www.sedar.com)). Subsequent to the release of this report, the Company completed an additional 18,260 feet (5,566 m) of reverse circulation (RC) drilling in 81 drill holes. The NI 43-101 was then updated in January 2008 to include the results of these drill holes.

**Favourable Lake Project** - The Company acquired a 100% interest in the Favourable Lake Poly-metallic property in August 2005. The property is approximately 120 miles (200 km) north of Red Lake, Ontario and consists of 27 mineral claims (428 units) covering roughly 17,120 acres in the highly mineralised Favourable Lake Greenstone Belt. On December 22, 2005, the Company entered into a mineral property option agreement with Guyana Frontier Mining Corp. (formerly Shoreham Resources Ltd) (“Guyana”) whereas Guyana has the option to acquire up to an 80% undivided interest in the property when certain terms and milestones have been achieved as stated in the option agreement. Guyana has exercised its option to acquire a 60% undivided interest. As a result, the Company and Guyana formed a joint venture effective April 20, 2009. On March 1, 2010 Guyana announced that it had commenced a winter drill program of up to 2,500 metres of drilling. The Company elected not to participate in the funding of this program and will have its interest in the joint venture diluted accordingly.

**Horseshoe Island Gold Project** - The Company acquired an assignment of an option to acquire 100% of 10 contiguous mineral claims (79 units) representing the Horseshoe Island gold occurrence held by Vital Resources Corp (“Vital”), on June 21, 2007. Additional ground was also staked which now links the Horseshoe Island property to the Springpole Gold Project totalling 14 claims (129 units) covering 5,160 acres. During the current year, the Company satisfied all the terms of the mineral property option agreement and now has a 100% interest in the in the claims. The Company will focus on the Au (gold) – Pt (platinum) – Pd (palladium) – Ni (nickel) – Cu (copper) potential of the new ground. On February 10, 2009, Carl D. Huston provided the Company with a NI 43-101 compliant technical report. The complete technical report is available on the Company’s website ([www.goldcanyon.ca](http://www.goldcanyon.ca)) and SEDAR ([www.sedar.com](http://www.sedar.com)).

**Kratz Spring REE Project** – The Company entered into a Joint Exploration Agreement (“JEA”) with Japan Oil, Gas and Metals National Corporation (“JOGMEC”) on January 22, 2009. Under the terms of the agreement JOGMEC earned an 80% interest in the Kratz Spring REE Project by making an initial contribution of US\$75,000 and reimbursed the Company of all property expenses incurred before March 31, 2009. The Company and JOGMEC will contribute funds to the exploration program in accordance with their respective equity interest.

The JEA has expanded its scope of work with a budget for the 2010 – 2011 fiscal year of US\$1,084,500.

## Overall Performance

The Company incurred a net loss of \$1,688,107 (2009 - \$1,100,920) during the year ended November 30, 2010. This is higher than the prior year. The most significant difference can be attributed to an increase in stock based compensation expense from \$411,407 to \$1,460,668 resulting from the granting of 4,335,000 stock options. Other significant differences result from an unrealized loss of \$15,000 on marketable securities recognized during the current year compared to an unrealized gain of \$230,000 recognized during the prior year and a write-off of mineral property costs of \$71,067 during the current year. All of these components are non-cash items.

As at November 30, 2010, the Company had \$8,957,546 (2009 - \$890,488) in cash and working capital was \$8,583,172 (2009 - \$910,658).

## Other Events and Transactions

1. Completed a non-brokered private placement of 7,142,858 units at \$0.21 per share for gross proceeds of \$1,500,000. Each unit consists of one common share and one share purchase warrant exercisable at \$0.35 per share until January 25, 2012. The Company paid a finder’s fee of \$75,000 and issued 428,571 finder’s warrants exercisable at \$0.265 per share until January 25, 2012.
2. Completed a private placement of 1,714,285 common share units at a price of \$0.21 per unit for gross proceeds of \$360,000. Each unit is comprised of one common share and one non-transferable share purchase warrant exercisable at \$0.35 per share until February 8, 2012.

3. 6,463,600 warrants exercisable at \$0.70 per share until December 14, 2009, expired unexercised.
4. Gold Canyon Resources USA Inc., originally incorporated in the State of Nevada on June 21, 2001, continued to the State of Colorado on December 17, 2009.
5. 1,075,000 stock options exercisable at \$0.48 per share until February 12, 2010, expired unexercised.
6. On February 25, 2010, announced the commencement of a Winter 2010 drill program at the Springpole Gold Project.
7. Granted 1,945,000 stock options exercisable at \$0.24 per share until February 26, 2012.
8. Retained the services of Leo Karabelas of Frontline Communications of Toronto, Ontario, to provide various investor relations consulting services for, and on behalf of, the Company in connection with the Company's interactions with media, brokers-dealers, securities advisors, investment funds and members of the investment community. The Company has agreed to pay Mr. Karabelas an aggregate monthly fee of \$3,000 plus HST. The retainer was for a six month period effective February 1, 2010. It was renewed for another six month period effective August 1, 2010 and may be renewed for successive six month terms by the parties.
9. On March 1, 2010 Guyana announced that it had commenced a winter drill program of up to 2,500 metres of drilling. The Company has elected not to participate in the funding of this program and as a result, will have its interest in the joint venture diluted accordingly.
10. Attended and exhibited at the PDAC Conference 2010 in Toronto, Ontario from March 7 to 10, 2010.
11. Held its Annual General Meeting on April 22, 2010 in Vancouver, BC at 2:00 p.m. All proposed resolutions were passed.
12. On May 11, 2010, JOGMEC approved a property investigation budget of US\$1,084,500 for the April 2010 to March 2011 time period. JOGMEC contributes 80% of the funding and holds an 80% option to all of the JEA projects.
13. On May 31, 2010, granted 100,000 stock options exercisable at \$0.26 until May 31, 2012.
14. Entered into an agreement with Jubilee Gold Inc. ("Jubilee") to amend substantially the terms of the royalties associated with the claims under the original agreement dated June 30, 1986. The Company will also pay Jubilee an annual advanced royalty of \$70,000, which will be adjusted by the Consumer Price Index published by Stats Canada each year, payable within 90 days of each fiscal year end of the Company. The Company will issue a further 100,000 common shares to Jubilee upon each of the first to fifth anniversaries of the TSX-V approval of the agreement. In consideration of the renegotiated royalties, the Company paid to Jubilee the sum of US\$50,000, issued 100,000 common shares of the Company (valued at \$27,000) and paid \$70,000 for the 2010 annual royalty fee. The claims will be subject to a 3% NSR, 1% of such royalty redeemable by the Company at any time upon payment of \$1,000,000 to Jubilee.
15. Completed a private placement offering of 6,250,000 flow-through share units ("Units") at a price of \$0.32 per Unit for gross proceeds of \$2,000,000. Each Unit consists of one flow-through common share and one-half of one transferable common share purchase warrant, each whole warrant entitling the holder to acquire one additional common share at a price of \$0.42 per share expiring June 17, 2012. All securities issued are subject to a hold period expiring on October 18, 2010. The Company paid a finder's fee in cash of \$160,000, representing 8% of the gross proceeds.
16. On July 8, 2010 commenced the Summer 2010 drill program on the Springpole Gold Project.
17. Held a special meeting of the shareholders on August 12, 2010 where the shareholders approved a special resolution amending the authorized share capital of the Company to "Unlimited common shares without par value" and altering the Company's Notice of Articles.
18. On August 31, 2010, granted 290,000 stock options exercisable at \$0.45 until August 31, 2012.
19. Commenced an office lease effective September 1, 2010. Payments pursuant to the terms of the lease are approximately \$15,682 per year for the first two years, approximately \$16,902 per year for the next two years and approximately \$13,069 in the final year of the lease.
20. Completed a private placement offering of 8,888,889 units ("Units") at a price of \$0.45 per Unit for gross proceeds of \$4,000,000. Each Unit consists of one common share and one-half of one transferable common share purchase warrant,

each whole warrant entitling the holder to acquire one additional common share at a price of \$0.65 per share expiring September 23, 2012. All securities issued are subject to a hold period expiring on January 24, 2010. The Company paid finder's fees in cash of \$139,125, representing 5% of the proceeds and 371,000 (6%) non-transferable share purchase warrants exercisable at a price of \$0.45 per share expiring September 23, 2012.

21. Entered into a new twenty-one year lease agreement, expiring April 14, 2031, with the owner of ten (10) patented claims forming part of the Company's Springpole Gold Project in the Red Lake Mining District of Ontario, Canada for the purposes of facilitating the further exploration, development of and, if deemed economically viable, production from such patented claims.

The new lease replaces the original 1986 lease agreement between the land owner and Gold Fields Canadian Mining Limited (a predecessor of interest by way of assignment to the Company) and series of amendments to that original agreement. The current year lease payment of US\$33,000 has been paid. Lease payments of US\$50,000 per year are payable in years 2011 to 2016, US\$60,000 per year are payable in years 2017 to 2021 and US\$80,000 per year are payable in years 2022 to 2031. The lease is subject to a 3% NSR, of which the Company has to option to acquire up to 2% of the NSR at anytime for US\$1 Million for each 1% of NSR. Within the first five years of the execution of lease, and renewable for an additional five years by payment of US\$25,000, the Company can purchase the patented claims at US\$4 Million with the vendor retaining 2% NSR or US\$5 Million with the vendor retaining 1% NSR.

22. Issued 1,650,000 common shares for gross proceeds of \$228,250 pursuant to the exercise of stock options.
23. Issued 464,286 common shares for gross proceeds of \$161,786 pursuant to the exercise of warrants.
24. Granted incentive stock options to certain directors, senior officers, employees and consultants to purchase an aggregate of 2,000,000 common shares at an exercise price of \$1.00 per share expiring October 13, 2012.
25. Completed a private placement offering of 6,000,000 flow-through units (the "FT Units") priced at \$1.00 per FT Unit with each FT Unit consisting of one flow-through common share (the "FT Share") and one-half of a share purchase warrant (a "Warrant") for gross proceeds of \$6,000,000. Each full Warrant will entitle the holder to acquire a further common share of the Company at a price of \$1.25 per common share until October 29, 2012.

***The following events occurred subsequent to November 30, 2010:***

1. Granted 180,000 stock options exercisable at \$2.28 per share until December 20, 2012.
2. Issued 1,700,000 common shares for gross proceeds of \$240,000 pursuant to the exercise of stock options.
3. Issued 751,611 common shares for gross proceeds of \$422,780 pursuant to the exercise of warrants.
4. Appointed Mr. Gilbert M. (Bud) Dickson as Senior Consultant for Sustainable Development. The Company will benefit from Mr. Dickson's immense community relations experience.
5. Granted 75,000 stock options to a consultant and an employee exercisable at \$2.45 expiring February 2, 2013.
6. The Company announced that initial leach analyses run on Portage Zone mineralization indicate gold is soluble using cyanide leach solutions. A series of nine representative samples of Portage-type mineralization from holes SP10-022 and -024 were submitted to SGS Laboratories, Toronto for bulk leachable extract of gold (BLEG) analysis. Refer to the February 3, 2011 news release for more details.
7. Commenced the Winter 2011 Diamond Drill Program in January 2011 and on February 16, 2011, announced the return of assays from the first 5 drill holes. Highlights include hole SP11-033 that intersected the first bonanza grade gold mineralization yet encountered in the Portage Zone, including 3 meters at 53.88 grams per tonne gold (10 feet at 1.573 oz per ton gold) within 302 meters at 1.39 grams per tonne gold (991 feet at 0.041 oz per ton gold). Refer to the February 16, 2011 news release for more details.
8. Announced assay results from four additional drill holes on March 1, 2011. All the drill holes encountered long intercepts of gold mineralization. The Company also announced that a fourth drill rig is being currently mobilized to the property over the ice road. This drill rig has the capacity to diamond drill HQ core to depths of 1,000 meters. Refer to the March 1, 2011 news release for more details.

9. On March 4, 2011, the Company announced that Quinton Hennigh, who has been serving as a technical advisor on the Springpole Gold Project, was appointed to the Company's board of directors. Also announced was the resignation of Doug Christopherson from the Company's board of directors. Mr. Christopherson will continue to serve the Company through its subsidiary, Gold Canyon Kratz Spring LLC, as a technical advisor.

## **Property Updates**

### ***Springpole Gold Project***

In August 2009, the Company commenced a comprehensive review of the Springpole Gold Project. The program lasted approximately six weeks, with the aim of enhancing the understanding of the geology of the deposit, in order to build a stronger resource model. The comprehensive review was completed in January 2010. The most critical finding was that the Main, Camp and Portage zones are in all likelihood part of the same 1,200 m long, 300 m wide NW-trending body of near surface, <200 m deep, mineralization.

The Company has prepared plans for a staged drill program with the goal of expanding known mineralization and preparing the project for a pre-feasibility study. As part of this plan the Company commenced a drill program as announced on February 25, 2010.

Two diamond core rigs completed 1,778 m (5,832 ft) of drilling in six holes in early March 2010 (see table below for assay results). Due to unseasonably warm conditions, the program was terminated early when it was determined that winter road access was quickly deteriorating. This drilling comprises the first stage of a carefully designed, three stage drill program to be undertaken over the next 12 months. Stage one drilling filled several critical gaps within the Portage and Camp zones (please refer to news release dated January 11, 2010) where historic drilling encountered broad, shallow intercepts of gold mineralization associated with an alkaline porphyritic intrusion.

On April 27, 2010, assay results were released with the first ever publicly reported silver assays from the project indicating that silver may be of economic importance at Springpole.

Table below Summarizing Assay Results from Holes SP10-001 through SP10-006:

Portage Zone:

Hole	From (m)	To (m)	Length (m)	Gold (gpt)	Silver (gpt)	Tellurium (ppm)	Length (ft)	Gold (opt)	Silver (opt)
<b>Previously reported:</b>									
<b>SP10-002</b>	113.0	115.0	2.0	1.18	1.50	3.79	6.6	0.034	0.044
	140.0	141.0	1.0	1.60	12.40	10.70	3.3	0.047	0.362
	164.0	168.0	4.0	1.70	10.38	8.40	13.1	0.050	0.303
	180.0	181.0	1.0	1.38	24.70	12.80	3.3	0.040	0.721
	217.0	218.0	1.0	5.00	10.10	20.60	3.3	0.146	0.295
	<b>247.0</b>	<b>311.0</b>	<b>64.0</b>	<b>3.30</b>	<b>14.51</b>	<b>16.59</b>	<b>209.9</b>	<b>0.096</b>	<b>0.424</b>
<i>includes</i>	<b>254.0</b>	<b>263.0</b>	<b>9.0</b>	<b>5.86</b>	<b>18.12</b>	<b>21.56</b>	<b>29.5</b>	<b>0.171</b>	<b>0.529</b>
<i>includes</i>	<b>277.0</b>	<b>284.0</b>	<b>7.0</b>	<b>7.23</b>	<b>27.26</b>	<b>27.86</b>	<b>23.0</b>	<b>0.211</b>	<b>0.796</b>
<b>New results:</b>									
<b>SP10-005</b>	135.0	142.0	7.0	1.50	*	*	23.0	0.044	*
	<b>213.0</b>	<b>268.0</b>	<b>55.0</b>	<b>2.21</b>	*	*	<b>180.4</b>	<b>0.065</b>	*
	<b>213.0</b>	<b>218.0</b>	<b>5.0</b>	<b>4.29</b>	*	*	<b>16.4</b>	<b>0.125</b>	*
	<b>222.0</b>	<b>223.0</b>	<b>1.0</b>	<b>16.28</b>	*	*	<b>3.3</b>	<b>0.475</b>	*
<i>Hole ends in mineralization</i>									
<b>SP10-006</b>	191.0	193.0	2.0	3.63	*	*	6.6	0.106	*
	225.0	226.0	1.0	3.24	*	*	3.3	0.095	*
	278.0	363.0	85.0	0.93	*	*	278.8	0.027	*
<i>includes</i>	<b>290.0</b>	<b>363.0</b>	<b>73.0</b>	<b>1.00</b>	*	*	<b>239.4</b>	<b>0.029</b>	*
<i>includes</i>	<b>306.0</b>	<b>343.0</b>	<b>37.0</b>	<b>1.56</b>	*	*	<b>121.4</b>	<b>0.046</b>	*
<i>Hole ends in mineralization</i>									

Camp Zone:

Hole	From (m)	To (m)	Length (m)	Gold (gpt)	Silver (gpt)	Tellurium (ppm)	Length (ft)	Gold (opt)	Silver (opt)
<b>Previously reported:</b>									
<b>SP10-001</b>	12.5	34.0	21.5	1.31	*	*	70.5	0.038	*
	50.0	58.0	8.0	1.90	*	*	26.2	0.055	*
<i>includes</i>	54.0	58.0	4.0	3.44	*	*	13.1	0.100	*
	89.0	91.0	2.0	1.74	*	*	6.6	0.051	*
	118.0	127.0	9.0	1.84	*	*	29.5	0.054	*
<b>SP10-003</b>	70.0	71.0	1.0	1.29	*	*	3.3	0.038	*
	77.0	78.0	1.0	1.20	*	*	3.3	0.035	*
	109.0	110.0	1.0	1.82	*	*	3.3	0.053	*
	130.0	131.0	1.0	2.09	*	*	3.3	0.061	*
	143.0	147.0	4.0	1.00	*	*	13.1	0.029	*
	217.0	219.0	2.0	3.56	*	*	6.6	0.104	*
<b>SP10-004</b>	31.0	72.0	41.0	1.08	*	*	134.5	0.032	*
<i>includes</i>	31.0	49.0	18.0	1.40	*	*	59.0	0.041	*
<i>includes</i>	36.0	38.0	2.0	2.21	*	*	6.6	0.065	*
	83.0	87.0	4.0	3.02	*	*	13.1	0.088	*
	94.0	95.0	1.0	1.04	*	*	3.3	0.030	*
	101.0	103.0	2.0	1.08	*	*	6.6	0.032	*
	107.0	109.0	2.0	1.61	*	*	6.6	0.047	*
	116.0	121.0	5.0	1.05	*	*	16.4	0.031	*
	140.0	143.0	3.0	1.22	*	*	9.8	0.036	*
	147.0	148.0	1.0	1.20	*	*	3.3	0.035	*
	152.0	154.0	2.0	1.08	*	*	6.6	0.032	*
	159.0	160.0	1.0	1.36	*	*	3.3	0.040	*
	216.0	217.0	1.0	1.06	*	*	3.3	0.031	*
	247.0	248.0	1.0	1.03	*	*	3.3	0.030	*

m = meter, gpt = grams per tonne, ppm = parts per million, ft = feet, opt = oz per ton

\* = awaiting assays and analyses

Stage two drilling commenced on July 8, 2010. The tables below summarize the assay results from Holes SP10-007 through SP10-017, from the Summer 2010 drill program:

Hole	From (meters)	To (meters)	Length (meters)	Gold (grams per tonne)	Length (feet)	Gold (oz per ton)
<b>SP10-007</b>	<b>33.0</b>	<b>250.0</b>	<b>217.0</b>	<b>1.57</b>	<b>712</b>	<b>0.046</b>
<i>includes</i>	46.0	57.0	11.0	3.47	36	0.101
<i>includes</i>	76.0	79.0	3.0	3.83	10	0.112
<i>includes</i>	101.0	102.0	1.0	8.15	3	0.238
<i>includes</i>	124.0	143.5	19.5	2.92	64	0.085
<i>includes</i>	172.0	181.0	9.0	4.01	30	0.117
<i>includes</i>	187.0	204.0	17.0	2.22	56	0.065
<i>includes</i>	209.0	221.0	12.0	3.23	39	0.094
<b>SP10-008</b>	141.0	160.0	19.0	0.53	62	0.015
	<b>257.0</b>	<b>316.0</b>	<b>59.0</b>	<b>0.98</b>	<b>194</b>	<b>0.029</b>
<i>includes</i>	280.0	282.0	2.0	11.26	7	0.329
<i>No recovery from 316-328 meters due to broken ground</i>						
	<b>328.0</b>	<b>451.0</b>	<b>123.0</b>	<b>1.45</b>	<b>404</b>	<b>0.042</b>
<i>includes</i>	350.5	360.0	9.5	2.40	31	0.070
<i>includes</i>	376.0	391.0	15.0	3.69	49	0.108

Hole	From (meters)	To (meters)	Length (meters)	Gold (grams per tonne)	Length (feet)	Gold (oz per ton)
<b>SP10-009</b>	0-3 meters is overburden					
	<b>3.0</b>	<b>167.0</b>	<b>164.0</b>	<b>1.02</b>	<b>538</b>	<b>0.030</b>
<i>includes</i>	40.0	43.0	3.0	3.85	10	0.112
<b><i>includes</i></b>	<b>56.0</b>	<b>71.0</b>	<b>15.0</b>	<b>3.81</b>	<b>49</b>	<b>0.111</b>
<i>includes</i>	59.0	65.0	6.0	5.92	20	0.173
<i>includes</i>	121.0	124.0	3.0	2.80	10	0.082
<i>includes</i>	149.0	151.0	2.0	3.87	7	0.113
<i>includes</i>	164.5	167.0	2.5	3.17	8	0.093
	214.0	226.0	12.0	1.08	39	0.032
<i>No recovery from 238-244 meters due to broken ground</i>						
	<b>244.0</b>	<b>321.0</b>	<b>77.0</b>	<b>1.74</b>	<b>253</b>	<b>0.051</b>
<b><i>includes</i></b>	<b>254.5</b>	<b>296.5</b>	<b>42.0</b>	<b>2.49</b>	<b>138</b>	<b>0.073</b>
<b>SP10-011</b>	<b>0.0</b>	<b>36.0</b>	<b>36.0</b>	<b>1.58</b>	<b>118</b>	<b>0.046</b>
<i>includes</i>	24.0	32.5	8.5	3.16	28	0.092
	73.0	128.0	55.0	0.50	180	0.015
	140.5	155.0	14.5	0.70	48	0.020
	169.0	187.0	18.0	0.46	59	0.013
	<b>229.0</b>	<b>323.0</b>	<b>94.0</b>	<b>2.51</b>	<b>308</b>	<b>0.073</b>
<b><i>includes</i></b>	<b>242.5</b>	<b>295.0</b>	<b>52.5</b>	<b>3.83</b>	<b>172</b>	<b>0.112</b>
<b><i>includes</i></b>	<b>258.0</b>	<b>261.0</b>	<b>3.0</b>	<b>15.69</b>	<b>10</b>	<b>0.458</b>

**Portage Zone Results**

Hole	From (meters)	To (meters)	Length (meters)	Gold (grams per tonne)	Length (feet)	Gold (oz per ton)
<b>SP10-016</b>	181.0	187.0	6.0	0.94	20	0.027
	<b>206.0</b>	<b>511.0</b>	<b>305.0</b>	<b>1.03</b>	<b>1000</b>	<b>0.030</b>
<i>includes</i>	<b>289.0</b>	<b>463.0</b>	<b>174.0</b>	<b>1.35</b>	<b>571</b>	<b>0.039</b>
<i>includes</i>	289.0	292.0	3.0	7.30	10	0.213
<i>includes</i>	312.0	322.0	10.0	2.94	33	0.086
<i>includes</i>	387.0	397.0	10.0	2.08	33	0.061

Hole ends in mineralization

Short intervals of no core recovery were encountered at 247-250 m and 445-448 m

Zones of no recovery were given 0 gold grade in the weighted calculations above

<b>SP10-012</b>	275.0	408.0	133.0	0.79	436	0.023
<i>includes</i>	275.0	284.0	9.0	2.54	30	0.074
<i>includes</i>	359.0	362.0	3.0	8.76	10	0.256

This hole deviated, and as a result, did not test the full width of the targeted zone

Short intervals of no core recovery were encountered at 314-317 m, 329-332 m and 362-365 m

Zones of no recovery were given 0 gold grade in the weighted calculations above

**SP10-010** Hole was lost in bad ground before reaching target

**East Extension Zone Results**

Hole	From (meters)	To (meters)	Length (meters)	Gold (grams per tonne)	Length (feet)	Gold (oz per ton)
<b>SP10-013</b>	9.0	26.0	17.0	0.50	56	0.015
	39.0	41.0	2.0	1.28	7	0.037
	54.0	60.0	6.0	0.45	20	0.013
	74.0	78.0	4.0	1.65	13	0.048
	101.0	109.0	8.0	0.72	26	0.021
	122.0	124.0	2.0	3.45	7	0.101
<b>SP10-014</b>	0.0	27.0	27.0	0.35	89	0.010
	43.0	52.0	9.0	0.61	30	0.018
	66.0	120.0	54.0	0.64	177	0.019
<i>includes</i>	66.0	69.0	3.0	1.72	10	0.050
<i>includes</i>	208.0	222.0	14.0	0.99	46	0.029
<i>includes</i>	219.0	221.0	2.0	4.47	7	0.131
<b>SP10-015</b>	77.0	97.0	20.0	0.60	66	0.018
<i>includes</i>	90.0	91.0	1.0	4.44	3	0.130
<b>SP10-017</b>	90.0	107.0	17.0	0.78	56	0.023
<i>includes</i>	92.0	94.0	2.0	3.39	7	0.099

Gold and Silver Assays from holes SP10-007, -008, -009 and -011									
Hole	From (meters)	To (meters)	Length (meters)	Previously Announced Gold (grams per tonne)	Silver (grams per tonne)	Length (feet)	Previously Announced Gold (oz per ton)	Silver (oz per ton)	Silver to gold ratio
<b>SP10-007</b>	<b>33.0</b>	<b>250.0</b>	<b>217.0</b>	<b>1.57</b>	<b>7.44</b>	<b>712</b>	<b>0.046</b>	<b>0.217</b>	4.74
<i>includes</i>	46.0	57.0	11.0	3.47	5.12	36	0.101	0.150	1.48
<i>includes</i>	76.0	79.0	3.0	3.83	2.93	10	0.112	0.086	0.77
<i>includes</i>	101.0	102.0	1.0	8.15	4.20	3	0.238	0.123	0.52
<i>includes</i>	124.0	143.5	19.5	2.92	12.16	64	0.085	0.355	4.16
<i>includes</i>	172.0	181.0	9.0	4.01	9.98	30	0.117	0.291	2.49
<i>includes</i>	187.0	204.0	17.0	2.22	22.71	56	0.065	0.663	10.23
<i>includes</i>	209.0	221.0	12.0	3.23	26.00	39	0.094	0.759	8.05
<b>SP10-008</b>	141.0	160.0	19.0	0.53	0.58	62	0.015	0.017	1.09
	<b>257.0</b>	<b>316.0</b>	<b>59.0</b>	<b>0.98</b>	<b>4.86</b>	<b>194</b>	<b>0.029</b>	<b>0.142</b>	4.96
<i>includes</i>	280.0	282.0	2.0	11.26	4.20	7	0.329	0.123	0.37
No recovery from 316-328 meters due to broken ground									
	<b>328.0</b>	<b>451.0</b>	<b>123.0</b>	<b>1.45</b>	<b>9.71</b>	<b>403</b>	<b>0.042</b>	<b>0.284</b>	6.70
<i>includes</i>	350.5	360.0	9.5	2.40	10.81	31	0.070	0.316	4.50
<i>includes</i>	376.0	391.0	15.0	3.69	40.94	49	0.108	1.195	11.09
<b>SP10-009</b>	0-3 meters is overburden								
	<b>3.0</b>	<b>167.0</b>	<b>164.0</b>	<b>1.02</b>	<b>2.68</b>	<b>538</b>	<b>0.030</b>	<b>0.078</b>	2.63
<i>includes</i>	40.0	43.0	3.0	3.85	2.20	10	0.112	0.064	0.57
<i>includes</i>	<b>56.0</b>	<b>71.0</b>	<b>15.0</b>	<b>3.81</b>	<b>6.37</b>	<b>49</b>	<b>0.111</b>	<b>0.186</b>	1.67
<i>includes</i>	59.0	65.0	6.0	5.92	6.55	20	0.173	0.191	1.11
<i>includes</i>	121.0	124.0	3.0	2.80	1.57	10	0.082	0.046	0.56
<i>includes</i>	149.0	151.0	2.0	3.87	7.30	7	0.113	0.213	1.89
<i>includes</i>	164.5	167.0	2.5	3.17	36.72	8	0.093	1.072	11.58
	214.0	226.0	12.0	1.08	29.35	39	0.032	0.857	27.18
No recovery from 238-244 meters due to broken ground									
	<b>244.0</b>	<b>321.0</b>	<b>77.0</b>	<b>1.74</b>	<b>6.53</b>	<b>253</b>	<b>0.051</b>	<b>0.191</b>	3.75
<i>includes</i>	<b>254.5</b>	<b>296.5</b>	<b>42.0</b>	<b>2.49</b>	<b>10.30</b>	<b>138</b>	<b>0.073</b>	<b>0.301</b>	4.14
<b>SP10-011</b>	<b>0.0</b>	<b>36.0</b>	<b>36.0</b>	<b>1.58</b>	<b>6.26</b>	<b>118</b>	<b>0.046</b>	<b>0.183</b>	3.96
<i>includes</i>	24.0	32.5	8.5	3.16	17.21	28	0.092	0.503	5.45
	73.0	128.0	55.0	0.50	4.44	180	0.015	0.130	8.88
	140.5	155.0	14.5	0.70	0.43	48	0.020	0.013	0.61
	169.0	187.0	18.0	0.46	0.75	59	0.013	0.022	1.63
	<b>229.0</b>	<b>323.0</b>	<b>94.0</b>	<b>2.51</b>	<b>10.69</b>	<b>308</b>	<b>0.073</b>	<b>0.312</b>	4.26
<i>includes</i>	<b>242.5</b>	<b>295.0</b>	<b>52.5</b>	<b>3.83</b>	<b>17.22</b>	<b>172</b>	<b>0.112</b>	<b>0.503</b>	4.50
<i>includes</i>	<b>258.0</b>	<b>261.0</b>	<b>3.0</b>	<b>15.69</b>	<b>42.43</b>	<b>10</b>	<b>0.458</b>	<b>1.239</b>	2.70

Stage three drilling commenced on January 11, 2011, with assay results on the first five holes drilled announced on February 16, 2011. Some highlights include hole SP11-033 that intersected the first bonanza grade gold mineralization yet encountered in the Portage Zone, including 3 meters at 53.88 grams per tonne gold (10 feet at 1.573 oz per ton gold) within 302 meters at 1.39 grams per tonne gold (991 feet at 0.041 oz per ton gold). See new release dated February 16, 2011 for more information.

### ***Cordero Gallium Project***

On October 10, 2008, the Company announced, due to the turmoil in the global financial markets, the uncertainty of near term gallium prices, and the recent sharp rise in the prices of the key chemicals needed to produce gallium, that it has elected to suspend the preparation of a preliminary feasibility study at the Cordero Gallium Project. The Company continues to monitor gallium prices and the situation at Cordero. During the current year, the Company did not renew 45 claims within the project and as a result, wrote-off \$71,067 in staking costs.

### ***Favourable Lake Project***

During the year ended November 30, 2009, the Company was notified by Guyana that it plans to exercise its option to acquire a 60% undivided interest in the Favourable Lake property. As a result, the Company and Guyana formed a joint venture on terms set out in the joint venture agreement dated April 20, 2009, with respect to joint venture interests equal to the initial interest of each party in the Favourable Lake property, subject to adjustment in accordance with the terms of the joint venture. On March 1, 2010 Guyana announced that it had commenced a winter drill program of up to 2,500 metres of drilling. The Company elected not to participate in the funding of this program and will have its interest in the joint venture diluted accordingly.

### ***Horseshoe Island Gold Project***

On February 10, 2009, Carl D. Huston provided the Company with a NI 43-101 compliant technical report. The complete technical report is available on the Company's website ([www.goldcanyon.ca](http://www.goldcanyon.ca)) and SEDAR ([www.sedar.com](http://www.sedar.com)). Mr. Huston recommends, "to delve deeper into private sources of the historic drill data in order to retrieve additional valuable data. Contacting the companies that performed work there may yield fruit. From additional information, a better compilation of the drilling could be achieved to avoid costly repeated efforts and to focus exploration dollars." The Company intends to follow Mr. Huston's recommendation.

During the year ended November 30, 2009, the Company earned its 100% interest pursuant to satisfying all the terms of the mineral property option agreement with regards to the Horseshoe Island claims.

### ***Kratz Spring Rare Earth Elements (“REE”) Project***

During the year ended November 30, 2009, Kratz Spring LLC entered into an 18 month option agreement to evaluate and lease tailings and mine dumps originating from the Iron Mountain IOCG+/-REE deposit in the State of Missouri. The work on this evaluation continues and is being conducted as part of the JEA between Kratz Spring LLC and its joint venture partner JOGMEC.

### ***Joint Exploration Agreement***

On May 11, 2010, the Company and JOGMEC renewed its JEA arrangement and agreed to a US\$1,084,500 property evaluation budget for the April 2010 to March 2011 time period. JOGMEC contributes 80% of the funding and holds an 80% option to all of the JEA projects. One of the projects that the Company was evaluating under the JEA arrangement was the Benson Mines IOCG +/- REE deposit in the State of New York. During the year ended November 30, 2010, the Company decided not to pursue this deposit any further.

## **Selected Annual Information**

The following table provides a brief summary of the Company’s financial operations. For more detailed information, refer to the Financial Statements.

	Year Ended November 30, 2010	Year Ended November 30, 2009	Year Ended November 30, 2008
Total interest income	\$ 32,284	\$ 11,456	\$ 85,254
Net loss before extraordinary items	(1,688,107)	(1,100,920)	(1,134,302)
Net income (loss)	(1,688,107)	(1,100,920)	(1,134,302)
Basic and diluted earnings (loss) per share	(0.02)	(0.02)	(0.02)
Total assets	32,613,833	19,666,954	19,469,650
Total long-term liabilities	554,000	1,192,000	973,000

## **Summary of Quarterly Results**

	<b>Three Months Ended</b>			
	November 30, 2010	August 31, 2010	May 31, 2010	February 28, 2010
Total assets	\$ 32,613,833	\$ 23,376,023	\$ 20,868,284	\$ 21,391,452
Mineral property costs	23,152,082	21,421,986	19,635,068	19,141,326
Working capital	8,583,172	1,057,503	982,264	1,778,150
Shareholders’ equity	31,222,744	21,324,444	19,460,069	19,762,421
Interest revenues	22,940	2,286	6,387	671
Net income (loss)	(740,358)	(145,328)	(336,985)	(465,436)
Earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)

	<b>Three Months Ended</b>			
	November 30, 2009	August 31, 2009	May 31, 2009	February 28, 2009
Total assets	\$ 19,666,954	\$ 19,701,579	\$ 19,353,868	\$ 19,410,153
Mineral property costs	18,433,984	18,114,464	17,879,023	17,741,576
Working capital	910,658	1,345,019	1,384,113	1,491,456
Shareholders’ equity	18,187,794	18,521,920	18,325,858	18,296,039
Interest revenues	639	1,669	423	8,725
Net loss	(792,091)	(119,894)	23,319	(212,254)
Earnings (loss) per share	(0.01)	(0.01)	0.01	(0.01)

Significant changes in key financial data from 2008 to 2010 can be attributed to the Company increasing its mineral property costs each year by incurring exploration related expenditures on its Springpole Gold, Horseshoe Island, Cordero Gallium and Kratz Spring REE properties. Funding for the properties has been accomplished through the completion of several equity financings and the exercise of stock options and warrants. The Kratz Spring property specifically is being financed jointly by the Company and JOGMEC pursuant to the terms of the JEA. During the year ended November 30, 2010, the Company raised gross proceeds of \$13,860,000 from the completion of private placements and \$390,036 in gross proceeds from the exercise of stock options and warrants.

The Company earns interest revenue from cash held in banks and financial institutions. During the year ended November 30, 2010, the Company earned management income of \$63,715 by charging a management fee, through its wholly owned subsidiary, Kratz Spring LLC to JOGMEC, to manage the Kratz Spring Project and the identification and evaluation of REE projects pursuant to the terms of the JEA. The Company also recovered \$546,593 from JOGMEC for these REE projects. The Company incurred property investigation costs of \$160,855 on the Kratz Spring Project pursuant to the terms of the JEA. The Company continued its exploration work on its mineral properties by incurring the following expenditures during the current year: \$4,630,722 on the Springpole Gold Project, \$38 on the Favourable Lake Project, \$1,673 on the Horseshoe Island Gold Project and \$55,157 on the Cordero Gallium Project. The Company also wrote-off \$71,067 in staking costs related to a group of claims on the Cordero Gallium Project that were not renewed.

The Company has no present intention of paying dividends on its common shares as it anticipates that all available funds will be invested to finance the growth of its business.

## **Results of Operations**

### ***Fourth quarter ended November 30, 2010***

The Company incurred a loss of \$740,358 during the three month period ended November 30, 2010 compared to a loss of \$792,091 for the three month period ended November 30, 2009. Some of the significant expenses incurred are as follows:

Consulting fees of \$17,000 (2009 - \$2,119) have increased over the comparative period because the Company utilized various advisory services provided by a consultant with regards to the private placement completed on October 29, 2010.

Investor relation costs of \$37,428 (2009 - \$31,364) have increased marginally over the comparative period.

Management fees of \$26,510 (2009 - \$30,040) are paid or accrued to three directors. One director is paid \$7,000 per month. The second director is paid US\$800 per month and a third director is paid US\$1,000 per month.

Professional fees of \$130,928 (2009 - \$62,502) are comprised of \$34,146 (2009 - \$4,007) for legal, \$47,750 (2009 - \$34,000) for audit related costs and \$49,032 (2009 - \$24,495) for accounting and administration fees to a company, which a director is president.

Property investigation costs of \$53,630 (2009 - \$70,784) were incurred as the Company reviewed potential property acquisitions which were not been pursued for economic and other reasons.

Stock-based compensation expense of \$1,064,873 (2009 - \$215,048) was recognized during the period. This is a non-cash expense which records the fair value of stock options that have vested during the period. The Black-Scholes option pricing model is used to calculate the fair value.

Travel and promotion expenses of \$14,519 (2009 - \$21,986) have decreased over the comparative period because of fewer property visits made by the Company's directors and others to its various mineral properties.

During the current quarter the Company recognized an unrealized appreciation in marketable securities of \$55,000. This relates to 1,000,000 shares of Guyana that it holds for trading. This is a direct result of an appreciation in the trading price of Guyana's shares.

During the course of the year-end audit, the Company wrote-off \$71,067 (2009 - \$Nil) in mineral property costs related to various Cordeo Gallium claims that were not renewed during the current year.

### *Year ended November 30, 2010*

The Company incurred a net loss of \$1,688,107 (2009 - \$1,100,920) for the year ended November 30, 2010. Some of the significant expenses incurred are as follows:

Consulting fees of \$28,049 (2009 - \$17,045) have increased over the comparative period because of various advisory services provided by consultants at various stages during the course of the Company completing the private placements during the year.

Insurance expense of \$12,234 (2009 - \$21,674) relates to directors' and officers' liability insurance and general and commercial liability insurance. The current year expense is lower than the prior year because of a timing issue with regards to renewal and payment of premiums.

Investor relations costs of \$114,986 (2009 - \$60,965) were for the attendance at investment conferences, advertising, promotional packages, e-mail and fax dissemination of news releases to investors and the maintenance of a Company website. Effective February 1, 2010, the Company retained the services of Leo Karabelas of Frontline Communications of Toronto, Ontario, to provide various investor relations consulting services to the Company for a monthly fee of \$3,000 plus HST. The services are to be provided for a period of six months. The contract was renewed for another six month term effective August 1, 2010 and may be renewed for successive six month terms.

Management fees of \$109,872 (2009 - \$125,041) are paid or accrued to three directors. One director is paid \$7,000 per month. In addition to this the Company pays federal payroll taxes on these management fees. A second director is paid US \$800 per month and a third director is paid US \$1,000 per month. The figure was higher in the prior year because the Company paid outstanding federal payroll taxes from prior years.

Professional fees of \$336,931 (2009 - \$183,531) are comprised of \$121,793 (2009 - \$48,635) for legal, \$59,060 (2009 - \$42,250) for audit related fees and \$156,078 (2009 - \$92,646) for accounting and administration fees to a company, of which a director of the Company is president. The Company has become more active during the current period when compared to the prior year. The Company completed three private placements, completed a winter drill program in March 2010 and a summer drill program in October 2010 on its Springpole Gold Project. As a result, professional fees have increased accordingly as the Company utilized the services of legal and financial consultants.

Property investigation costs of \$173,070 (2009 - \$139,935) relate to costs incurred searching for and the investigation of potential mineral property acquisitions. Of these costs, \$157,219 (2009 - \$101,954) relate to the strategic alliance expenditures incurred by the Company pursuant to the JEA that it signed with JOGMEC. Total costs incurred pursuant to the JEA were \$720,210 (2009 - \$509,774), of which \$562,990 (2009 - \$407,820) were recovered from JOGMEC.

Salaries and benefits of \$57,738 (2009 - \$50,070) relate to the administrative staff salary and payroll taxes.

Shareholder costs of \$32,580 (2009 - \$17,772) consist of costs associated with the mailing of year end information to shareholders and legal and other costs related to the annual general meeting. These costs have increased when compared to the prior year because during the current year the Company held two shareholder meetings which consisted of the annual general meeting and a special meeting.

Stock-based compensation expense of \$1,460,668 (2009 - \$411,407) was recognized during the current year. This is a non-cash expense which records the fair value of stock options that have vested during the year. The Black-Scholes option pricing model was used to calculate the fair value.

Travel and promotion expenses of \$68,609 (2009 - \$65,907) have increased over the prior year because the Company's president made various trips related to meeting and discussing with special advisors on the progress and direction of the Company's Springpole and Kratz Spring projects.

Interest income of \$32,284 (2009 - \$11,456) was earned on funds invested in interest bearing instruments.

Management income of \$63,715 (2009 - \$56,401) relates to management fees charged, through its wholly owned subsidiary, Kratz Spring LLC, to JOGMEC to manage the Kratz Spring Project pursuant to the terms of the JEA.

Received net proceeds of \$144,096 (2009 - \$Nil) which represents the winding-up of its interest in a general partnership that was formed with two other companies from a prior year.

Wrote-off \$71,067 (2009 - \$Nil) in mineral property costs related to various Cordero Gallium claims that were not renewed during the current year.

Unrealized loss in marketable securities of \$15,000 (2009 – an unrealized gain of \$230,000) was recognized. This relates to the fair market value adjustment to the 1,000,000 shares of Guyana that it holds for trading.

## Liquidity and Capital Resources

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing in the future.

	November 30, 2010	November 30, 2009
Working capital	\$ 8,583,172	\$ 910,658
Deficit	(13,070,861)	(11,382,754)

Net cash used in operating activities during the period was \$762,787. This consists of items not affecting cash of: \$1,396 as amortization of equipment, \$1,460,668 as stock based compensation expense, write-off of mineral property costs of \$71,067, a \$15,000 unrealized loss of marketable securities and \$638,000 as a future income tax recovery. The balance of the cash used in operating activities is a net positive change of \$15,189 in non-cash working capital items comprising of a \$160,847 increase in receivables, an increase in prepaid expenses of \$9,538, which includes a \$9,000 security deposit on an office lease, a \$183,389 increase in accounts payable and accrued liabilities and an increase of \$2,185 in amounts due to related parties. Net cash used in operating activities during prior year was \$615,136.

Financing activities provided net cash of \$13,235,389 comprising of \$13,860,000 in gross proceeds received from the issuance of 29,996,032 common shares and the payment of \$1,014,647 in share issue costs. The remainder of the net cash, \$390,036, was raised from the exercise of 1,650,000 stock options and 464,286 warrants. During the prior year, financing activities provided net cash of \$497,417.

Net cash used in investing activities was \$4,405,544 which is comprised of \$7,734 for the acquisition of equipment, \$74,575 incurred for the acquisition of mineral properties and \$4,323,235 incurred in deferred exploration costs related to its mineral properties. During the prior year, net cash used in investing activities which was \$653,263.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of gold, silver, base metals or interests related thereto. The economics of developing and producing gold properties are affected by many factors including the cost of operations, variations in the grade of ore mined and the price of gold. Depending on the price of gold, the Company may determine that it is impractical to continue commercial production. The price of gold has fluctuated widely in recent years. Gold prices are affected by many factors beyond the Company's control including anticipated changes in international investment patterns and monetary systems, economic growth rates, political developments, extent of sales of reserves by governments and shifts in the private supply of and demand for gold. The supply of gold consists of a combination of new mine production and existing stocks held by governments, producers, financial institutions and consumers. If the market price for gold falls below the Company's full production costs and remains at such levels for any sustained period of time, the Company will experience losses and may decide to discontinue operations or other development of a project or mining at one or more of its properties.

The Company has sufficient funds to meet its property maintenance payments for 2010 and cover anticipated administrative expenses throughout the remainder of the fiscal year. It will continue to focus its exploration and development efforts on its Springpole, Cordero, Favourable Lake, Horseshoe Island and Kratz Spring Projects.

## Related Party Transactions

During the year ended November 30, 2010, the Company entered into transactions with related parties as follows:

- a) Paid or accrued management fees of \$109,872 (2009 - \$125,041) to, Akiko Levinson, William Riesmeyer and Vincent Volpe, directors of the Company.
- b) Paid or accrued \$156,077 (2009 - \$92,645) to ASI Accounting Services, a company controlled by director Ron Schmitz, for accounting and administrative services.
- c) Paid or accrued \$2,500 (2009 - \$12,000) to Bojan Zabev, a former officer, for geological consulting fees, which are included in deferred exploration costs.
- d) Paid or accrued \$242,637 (2009 - \$191,016), to Doug Christopherson, a Company director, in consulting fees of which \$1,347 (2009 - \$7,548) are capitalized to geological consulting fees, \$8,049 (2009 - \$17,045) are expensed as consulting fees, \$47,847 (2009 - \$34,823) are expensed as property investigation costs and \$185,394 (2009 - \$131,600) were recovered from JOGMEC pursuant to the JEA.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

The Company entered into a management consulting agreement effective May 1, 2007 with the president of the Company for management services and administration services expiring May 1, 2012. The Company paid a monthly fee of \$4,000 during the performance of the services up to April 30, 2008. Effective May 1, 2008, the management fee increased to \$7,000 a month.

## Financial Instruments

### *Fair value*

The carrying value of restricted cash, reclamation bond, receivables and accounts payable and accrued liabilities and due to related parties approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 8,957,546	\$ -	\$ -	\$ 8,957,546
Marketable securities	<u>255,000</u>	<u>-</u>	<u>-</u>	<u>255,000</u>
Total	\$ 9,212,546	\$ -	\$ -	\$ 9,212,546

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

### *Credit risk*

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the balance sheet and arises from the Company's cash and, receivables, marketable securities, restricted cash, and reclamation bonds.

The Company's cash, marketable securities, and restricted cash are held with high-credit quality financial institutions. The reclamation bonds are held with Nevada Bureau of Land Management. Receivables mainly consist of harmonized services tax due from the Federal Government of Canada.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations, and anticipating investing and financing activities. As at November 31, 2010, the Company had cash of \$8,957,546 to settle current liabilities of \$837,089 which have contractual maturities of less than 30 days and are subject to normal trade terms.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market prices, such as interest rates and foreign exchange rates.

#### i) Interest rate risk

The Company has cash and cash equivalent balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks.

#### ii) Foreign exchange rate risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in the United States by using US dollars converted from its Canadian bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

### *Sensitivity analysis*

The carrying values of cash and cash equivalents, receivables, marketable securities, restricted cash, reclamation bonds accounts payable and accrued liabilities, and due to related parties approximate their fair values due to the relatively short periods to maturities of these financial instruments.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be affected by credit risk, liquidity risk or market risk.

## **Critical Accounting Policies**

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and form the basis for the following discussion and analysis of critical accounting policies and estimates. The Company makes estimates and assumptions that affect the reported amounts of assets, liabilities and expenses and related disclosure of contingent assets and liabilities during the course of preparing these financial statements. On a regular basis, the Company evaluates estimates and assumptions including those related to the recognition of stock-based compensation.

Estimates are based on historical experience and on various other assumptions that the Company believes to be reasonable. These estimates form the basis of judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

## **Recent Accounting Pronouncements**

### *Business Combinations, Non-controlling Interest and Consolidated Financial Statements*

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

## *International financial reporting standards (“IFRS”)*

In 2006, the 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 for the Company will be December 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. 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.

## **Additional Disclosure for Venture Issuers without Significant Revenue**

Please refer to Note 5 in the audited consolidated financial statements for the year ended November 30, 2010 for description of the capitalized exploration and development costs presented on a property-by-property basis.

## **Outstanding Share Data**

The following table summarizes the outstanding share capital as of the date of this Management Discussion and Analysis:

Common shares	91,985,056
Stock options	5,485,000
Warrants	20,190,263

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## **Business Risks**

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company’s control. These can be categorized as operational, financial and regulatory risks.

- Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.
- Financial risks include commodity prices, interest rates and the Canadian / United States exchange rate, all of which are beyond the Company’s control.
- Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the company must meet in order to maintain its exchange listing.

## **Changeover Plan to International Financial Reporting Standards (“IFRS”)**

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP for public accountable enterprises for fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

The Company will transition to IFRS effective January 1, 2011 and plans to issue its first interim financial statements under IFRS for the three month period ending February 29, 2012 and a complete set of financial statements under IFRS for the year ending November 30, 2012.

A changeover plan is being established to convert to the new standards within the allotted timeline and is expected to consist of the following three key phases:

1. Phase 1 – Assess the impact;
2. Phase 2 - Design; and
3. Phase 3 - Implementation

Phase one will carry out a detailed assessment of the impact of the conversion to IFRS.

Phase two will build the tools required for the conversion based on management’s decisions about accounting options and the related disclosures.

Phase three will roll-out the designed changes. The changes will include the development of the new accounting policies and consolidation templates, the preparation of the IFRS financial statements, and related note disclosure.

The Company is going to consult external advisors to assist in the development and execution of a changeover plan to complete the transition to IFRS.

The key elements of the Company’s changeover plan will include the impact of IFRS on the following items:

- Accounting policies
- Property, Plant and Equipment (“PP&E”)

IFRS and Canadian GAAP contain the same basic principles of accounting for property, plant and equipment; however, there are some differences between them. For example, capitalization of directly attributable costs in accordance with IAS 16, Property, Plant and Equipment (“IAS 16”) may require measurement of an item of property, plant and equipment upon initial recognition to include or exclude certain previously recognized amounts under Canadian GAAP. Specifically, there may be changes in accounting for:

- The amount of capitalized overheads;
- The capitalization of major inspections that were previously expensed under Canadian GAAP;
- The capitalization of depreciation for which the future economic benefits of that asset are absorbed in the production of other assets; and
- The capitalization of borrowing costs in accordance with IAS 23, borrowing Costs.

Management does not expect this change to have an impact on the Company’s financial position.

### **•Impairment of Assets**

IAS 36, Impairment of Assets (“IAS 36”) uses a one-step approach for testing and measuring asset impairments, with asset carrying values being compared to the higher of value in use and fair value less costs to sell. Value in use is defined as being equal to the present value of future cash flows expected to be derived from the asset in its current state. In the absence of an active market, fair value less costs to sell may also be determined using discount cash flows. The use of discount cash flows under IFRS to test and measure asset impairment differs from Canadian GAAP where undiscounted future cash flows are used to compare against the asset’s carrying value to determine if impairment exists. This may result in more frequent write-downs in the carrying value of assets under IFRS since asset carrying values that were previously supported under Canadian GAAP based on undiscounted cash flows may not be supported on discounted cash flow basis under IFRS. However, under

IAS 36, previous impairment losses may be reversed where circumstances change such that the impairment has reduced. This also differs from Canadian GAAP, which prohibits the reversal of previously recognized impairment losses. Management does not expect this change to have an impact on the Company's financial position.

•*Income Taxes*

IAS 12, Income Taxes ("IAS 12") prescribes that an entity account for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Therefore, where transactions and other events are recognized in earnings, the recognition of deferred tax assets or liabilities which arise from those transactions should also be recorded in earnings. For transactions that are recognized outside of the statement of earnings, either in other comprehensive income or directly in equity, any related tax effects should also be recognized outside of the statement of earnings.

The most significant impact of IAS 12 on the Company will be derived directly from the accounting policy decisions made under IAS 16. Management does not expect this change to have an impact on the Company's financial position.

•*First-Time Adoption of International Financial Reporting Standards*

Under IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1") provides the framework for the first time adoption of IFRS and specifies that an entity shall apply the principles under IFRS retrospectively. All adjustments that arise on retrospective conversion to IFRS from other GAAP should be recognized directly in retained earnings. Certain optional exemptions and mandatory exceptions to retrospective application are provided for under IFRS 1.

Under IFRS 1, an entity has the option to retroactively apply IFRS 3 to all business combinations or may elect to apply the standard prospectively only to those business combinations that occur after the date of transition. The CICA Handbook Section 1582, Business Combinations and Section 1602, Non-Controlling Interests are substantially aligned with the accounting for business combinations and non-controlling interests under IFRS 3. Management does not expect this change to have an impact on the Company's financial position.

## **Outlook**

The Company's primary focus for the foreseeable future will be on reviewing its financial position and the ability to finance new business ventures in the mineral resource industry.

*Cautionary Note to United States Investors Concerning Forward Looking Statements - The future conduct of the Company's business and the feasibility of its mineral exploration properties are dependent upon a number of factors, and there can be no assurance that the Company will be able to conduct its operations as contemplated. Certain statements contained in this release using the terms "may", "expects to", "projects", "estimates", "plans", and other terms denoting future possibilities, are forward-looking statements in accordance with the Private Securities Litigation Reform Act of 1995. The accuracy of these statements cannot be guaranteed as they are subject to a variety of risks that are beyond our ability to predict or control and which may cause actual results to differ materially from the projections or estimates contained herein. The risks include, but are not limited to, those risks set out in the company's disclosure documents and its annual, quarterly and current reports; and the other risks associated with start-up mineral exploration operations with insufficient liquidity, and no historical profitability.*