GOLD CANYON RESOURCES INC.

FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
NINE MONTH PERIOD ENDED AUGUST 31, 2011

The following Management Discussion and Analysis for *Gold Canyon Resources Inc.* ("the Company"), prepared as of **October 18, 2011**, should be read together with the unaudited consolidated financial statements for the nine month period ended August 31, 2011 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.

The reader should also refer to the annual audited consolidated financial statement statements for the year ended November 30, 2010 and the Management Discussion and Analysis for that year.

Additional information related to the Company is available on its website at www.goldcanyon.ca and on SEDAR at 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 trades on the TSX Venture Exchange (TSX-V) under the symbol GCU.

The Company has five 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); Gold Canyon Kratz Spring, LLC., ("Kratz Spring LLC") incorporated on January 9, 2009 in the State of Colorado; Spring Stone Limited, ("SSL") incorporated on June 15, 2011 in Malawi, Africa; Spring Stone Mining Corporation, ("SSM") incorporated on August 5, 2011 in the Province of British Columbia; and Spring Stone Exploration Inc., ("SSE") incorporated on August 25, 2011 in the Province of British Columbia.

Presently the Company's exploration efforts are focused in Ontario, Canada. 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 Malawi 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 Malawi REE Project is controlled by SSL.

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 claims, 220 staked claims and 6 leased claims, covering approximately 40,200 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) and SEDAR (www.sedar.com). In August 2009, the Company commenced a comprehensive review of the Springpole Gold Project 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 to end 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. Drilling was terminated early due to warm weather in March 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 and announced assay results between February and April 2011. The program officially ended on April 8, 2011 with nearly 8,500 meters being drilled in 33 holes. This was the final phase of a three phase program originally started in winter 2010.

The Company drilled 18,909 meters in 61 drill holes over the three phases. A summer 2011 drill program is in progress with assays from drill holes released in July, August and September.

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, R*êserva* 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) and SEDAR (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 had its interest in the joint venture diluted to 29.7%.

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 2010 fiscal year, the Company satisfied all the terms of the mineral property option agreement and now has a 100% interest 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) and SEDAR (www.sedar.com).

REE Projects – 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 over US$1,000,000. Subsequent to the period, the Company announced the expansion of the REE exploration program to Malawi, Africa pursuant to the terms of the JEA. Subsequent to the period, the JEA was assigned from Kratz Spring LLC to SSE.

Overall Performance

The Company incurred a net loss of $6,123,073 (2010 - $947,749) during the nine month period ended August 31, 2011. This is higher than the prior year. Expenses in various categories like insurance, investor relations, professional fees and regulatory fees increased significantly when compared to the comparative period due to an overall increase in business activity. A significant increase over the prior year is stock-based compensation which makes up about 82% of the current period loss. This is a non-cash charge to operations which is recognized on vested stock options.

As at August 31, 2011, the Company had $6,700,185 (November 30, 2010 - $8,957,546) in cash and working capital was $6,808,872 (2010 - $8,583,172).

Other Events and Transactions

1. Granted 155,000 stock options to consultants exercisable at $2.28 per share until December 20, 2012.

2. Issued 3,765,000 common shares for gross proceeds of $1,092,300 pursuant to the exercise of stock options.

3. Issued 1,425,199 common shares for gross proceeds of $863,546 pursuant to the exercise of warrants.

4. The Company was named as one of the 2011 TSX Venture 50®, a ranking of strong performing companies listed on TSX-V as at December 31, 2010.

5. Appointed Mr. Gilbert M. (Bud) Dickson as Senior Consultant for Sustainable Development. The Company will benefit from Mr. Dickson's immense community relations experience.

6. Granted 75,000 stock options to a consultant and an employee exercisable at $2.45 expiring February 2, 2013.

7. 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.

8. Commenced the winter 2011 Diamond Drill Program in January 2011 and on February 16, 2011, announced the assays results 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.

9. 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.

10. 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.

11. Attended and exhibited at the PDAC Conference 2011 in Toronto, Ontario from March 6 to 9, 2011.

12. On March 15, 2011, the Company released assay results from two new holes, the most significant of which was from hole SP11-040, which included 100.5 meters at 7.23 grams per tonne gold (330 feet at 0.211 oz per ton gold). This hole was a vertical infill hole testing mid-section of the Portage Zone. Refer to the March 15, 2011 news release for more details.

13. On March 29, 2011, the Company released assay results from six new infill drill holes. Refer to the March 29, 2011 news release for more details.

14. Held its Annual General Meeting on April 13, 2011 in Vancouver, BC. The Company elected Doug Buchanan, Q.C., and Conrad Pinette, to the Board of Directors. Ivan Obolensky, Duncan Riesmeyer and Vincent Della Volpe whom collectively have served the Company for many years did not stand for re-election to the Board of Directors. Incumbents Akiko Levinson, Ron Schmitz and Quinton Hennigh remain on the Board of Directors. All proposed resolutions were passed.

15. On April 14, 2011 announced assays from five new holes which included results of 132 meters at 1.37 grams per tonne gold (433 feet at 0.040 oz per ton gold) in hole SP11-49. See the April 14, 2011 news release for more details. Silver assays were also returned for twelve holes, whose gold assays were previously announced in new releases in February and March 2011. These assays confirm that gold mineralization is accompanied by appreciable silver at Springpole.

16. Granted 3,300,000 stock options exercisable at $3.50 expiring April 18, 2013 to certain directors, senior officers, employees and consultants. The stock options vest over the first year in three equal instalments from the date of grant.

17. On May 11, 2011 completed a private placement offering of 1,370,000 flow-through shares and 1,640,000 non flow-through shares at a price of $3.65 per flow-through share and $3.05 per non flow-through share for total gross proceeds of $10,002,500. The Company paid finder's fee in cash of $600,150 and issued 180,600 broker warrants exercisable at a price of $3.22 per share expiring November 11, 2012. The broker warrants were valued at $238,054 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 1.67%, an expected life of 18 months, annualized volatility of 87.13% and a dividend rate of 0%).

18. On May 11, 2011, announced assays from six holes which included results of 110.6 meters at 2.48 grams per tonne gold and 4.56 grams per tonne silver (363 feet at 0.072 oz per ton gold and 0.133 oz per tone silver) in hold SP11-058, a vertical infill hole testing the southeast part of the Portage Zone. See the May 11, 2011 news release for more details.

19. On May 25, 2011, the Company entered into a mining claim and lease purchase agreement with the vendor of 6 mining claims at the Springpole Gold Project. The agreement is for a period of 20 years expiring May 25, 2031. The Company paid the vendor US$100,000 and will pay an additional US$200,000 when legal title to the mining claims has been transferred to the Company. The agreement is subject to a 3% NSR with annual lease payments of US$50,000. The Company has an option to buy back the NSR at US$500,000 per each 1% NSR.

20. On May 31, 2011, announced the remaining Winter 2011 assays from four holes which included results of 292.5 meters at 1.13 grams per tonne gold (959 feet at 0.033 oz per ton gold) including 198.5 meters at 1.42 grams per tonne gold (651 feet at 0.041 oz per ton gold) in hole SP11-059 drilled in the southeast part of the Portage Zone. See the May 31, 2011 news release for more details.

21. Announced on May 31, 2011 the staking of 14 additional claims at the Springpole Gold Project adding approximately 10,000 acres of land. These new claims adjoin the existing claim block and increase the property size by approximately 50%. These new claims will give the Company a strategic position for developing future infrastructure critical to the development of the project.

22. On June 15, 2011, the Company incorporated a wholly owned subsidiary, Spring Stone Limited, in Malawi, Africa.

23. On July 5, 2011, the Company announced assays from the deep drill hole SP11-063 which encountered numerous intervals of low-grade gold mineralization along the margin of the alkaline porphyry-breccia complex. Lithologic data from this hole suggests the Portage Zone may be dipping to the northeast in this area.

24. On August 4, 2011, the Company announced assays from drill hole SP11-066 which intersected 24 meters at 17.48 grams per tonne gold of the East Extension Zone. For additional assay results, refer to the August 4, 2011 news release.

25. On August 5, 2011, the Company incorporated a wholly owned subsidiary, Spring Stone Mining Corporation in the Province of British Columbia.

26. On August 25, 2011, the Company incorporated a wholly owned subsidiary, Spring Stone Exploration Inc., in the Province of British Columbia.

27. On August 30, 2011, the Company announced assays from drill hole SP11-071 which intersected 286 meters at 1.03 grams per tonne gold. The intercept encountered in this hole indicates that the Portage Zone dips northeast at approximately -70 degrees and remains open at depth. For additional assay results, refer to the August 30, 2011 news release.

The following events occurred subsequent to August 31, 2011:

i) Issuance of 705,000 common shares pursuant to the exercise of stock options for gross proceeds of $206,250.

ii) Issuance of 2,153,933 common shares pursuant to the exercise of warrants for gross proceeds of $882,043.

iii) Granted 850,000 stock options to consultants of the Company exercisable at $3.24 per share expiring September 2, 2013.

iv) On September 8, 2011, the Company announced commencement of a REE exploration program in Malawi, Africa through its JEA with its joint venture participant, JOGMEC. The REE exploration will be carried out by the Company's wholly owned subsidiary, SSL. Under the JEA, the participating interest and contributions of each of the joint venture partners has been 80% JOGMEC and 20% the Company. However, the Company will increase its participating interest to 33% through pro rata contributions for this Malawi project.

An approximately 1,000 square kilometer Exclusive Prospecting License has been granted to the joint venture in Mulanje District in Malawi by the Malawi Ministry of Natural Resources, Energy and Environment. A US$1,000,000 exploration budget has been approved by the joint venture partners for the Phase One Exploration Program, which is currently underway. Mitsui Mineral Development Engineering Co., Ltd (MINDECO) in Japan has been contracted as the operator of the program.

v) On September 15, 2011, the Company announced assays on drill hole SP11-070 which intersected 308 meters at 1.29 grams per tonne gold including 216 meters at 1.74 grams per tonne gold. The intercept encountered in this hole affirms that the Portage Zone dips northeast at approximately -70 degrees and remains open at depth. Refer to the September 15, 2011 news release for additional assay results.

vi) Announced the addition of two new members, Alan Edwards and James Muntzert, to its technical team at the Springpole Gold Project. Alan Edwards' expertise in mining engineering and corporate management will assist the Company as it advances the Springpole Gold Project through a Preliminary Economic Analysis (PEA) next year, and ultimately through feasibility. Jim Muntzert's vast experience with advanced project management, including the Cripple Creek operation in Colorado, Galore Creek project in British Columbia and the Donlin Creek project in Alaska, will serve to advance the Springpole Gold Project's field operations as the project moves towards advanced exploration and feasibility. Alan Roberts, current Project Manager at the Springpole Gold Project, will focus on updating the project's NI 43-101 report, including a revised resource calculation by late 2011.

vii) On September 29, 2011, the Company announced the results of step-out diamond drill holes SP11-074 and -078 have added significant strike to the southeast end of the Portage Zone. Drill hole SP11-074 intersected 369 meters at 0.91 grams per tonne gold, one of the longest continuous mineralized intervals yet encountered at Springpole. Drill hole SP11-078 encountered multiple intervals of mineralization including 114 meters at 0.58 grams per tonne gold. Results from drill holes SP11-074 and -078 are interpreted to indicate that the Portage Zone remains open along strike and at depth to the southeast. Additional drilling to test areas underneath SP11-078 and further along strike is planned for later this fall or early winter.

The Company also announced infill drill results from holes SP11-072, -073 and -075. The results demonstrate continuity and in certain places, high grade. Refer to the September 29, 2011 news release for additional details.

viii) On October 18, 2011, the Company announced that it entered into an agreement with a syndicate of underwriters led by CIBC and Frazer Mackenzie Limited (the "Underwriters") pursuant to which the Underwriters have agreed to purchase 1,300,000 common shares ("Common Shares") of the Company at $2.35 per share and 2,500,000 flow-through shares ("FT Shares") of the Company at $2.80 per share on a bought deal private placement basis, for aggregate gross proceeds in the amount of approximately $10 million (the "Offering"). The Underwriters have been granted the option to purchase up to an additional $5 million of either Common Shares or FT Shares at any point up until 48 hours prior to closing of the Offering.

The Offering is scheduled to close on or about November 3, 2011 and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the TSX-V.

The proceeds of from the sale of Common Shares will be used for general corporate purposes and the proceeds from the sale of the FT Shares will be used for further exploration and development of the Company's Springpole Gold Project.

Property Updates

Springpole Gold Project

The Company commenced a diamond drill program on January 11, 2011 with three drill rigs on site which ended on April 8, 2011. Assay results have been announced through various news releases between February and May 2011. Two drills were drilling infill holes in the Portage Zone while a third rig was utilized to drill step-out holes to the southeast. A deep-capacity rig began testing the down-dip continuation of the Portage Zone to depths of 700 vertical meters below surface. The Company's first deep drill hole, SP11-062, reached 467 meters and was lost in bad ground. A second attempt at a deep hole, SP11-063, was made and collared a few meters away. Assays were announced from this hole on July 5, 2011 which reached a depth of 975 meters making it the longest hole yet drilled at Springpole. Assays on new drill holes were released in August and September. Refer to news releases from August 4, August 30, September 15 and September 29 for additional details. Assays from these holes affirm that the Portage Zone dips northeast at approximately -70 degrees and remains open at depth.

The area of North West Ontario was subjected to extensive forest fires this summer and as a result, the drill program experienced slower core production than planned. Dry and warm weather conditions persisted and the Springpole base camp remained on high alert for several weeks. Delays, caused by the forest fires in the area earlier this summer, have now diminished. Two barge-based and two land-based drills are currently operating on the site and will continue through freeze-up, which is likely in early November.

Approximately 8,000 meters of core have been drilled so far this summer, and it is expected that the drills should produce around 10,000 meters of core. The Company will use the data accumulated from the previously completed three phase program and the current summer program to revise the resource estimate for the deposit sometime in the second half of 2011.

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.

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 had its joint venture interest diluted down to 29.7%

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) and SEDAR (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.

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 was terminated. However, the JEA has expanded its scope of work worldwide with a budget for the 2010 – 2011 fiscal year of over US$1,000,000.

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. Subsequent to the period, the Company announced the expansion of the REE exploration program to Malawi, Africa pursuant to the terms of the JEA, and the JEA was assigned from Kratz Spring LLC to SSE.

Summary of Quarterly Results

	Three Months Ended			
	August 31, 2011	May 31, 2011	February 28, 2011	November 30, 2010
Total assets	$ 43,721,031	$ 42,924,430	$ 33,940,627	$ 32,613,833
Mineral property costs	35,260,528	29,981,368	25,604,027	23,152,082
Working capital	6,808,872	11,970,809	6,578,300	8,583,172
Shareholders' equity	41,566,520	41,438,420	31,669,194	31,222,744
Interest revenues	37,945	6,921	27,986	22,940
Net income (loss)	(2,126,472)	(3,483,787)	(512,814)	(740,358)
Earnings (loss) per share	(0.02)	(0.04)	(0.01)	(0.01)

	Three Months Ended			
	August 31, 2010	May 31, 2010	February 28, 2010	November 30, 2009
Total assets	$ 23,376,023	$ 20,868,284	$ 21,391,452	$ 19,666,954
Mineral property costs	21,421,986	19,635,068	19,141,326	18,433,984
Working capital	1,057,503	982,264	1,778,150	910,658
Shareholders' equity	21,324,444	19,460,069	19,762,421	18,187,794
Interest revenues	2,286	6,387	671	639
Net loss	(145,328)	(336,985)	(465,436)	(792,091)
Earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)

Significant changes in key financial data from 2009 to 2011 can be attributed to the Company increasing its mineral property costs each year by incurring exploration related expenditures on it 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 nine month period ended August 31, 2011, the Company raised gross proceeds of $11,958,346 from a private placement and the exercise of stock options and warrants.

The Company earns interest revenue from cash held in banks and financial institutions. During the nine month period ended August 31, 2011, the Company earned management income of $43,626 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 $576,271 from JOGMEC for these REE projects. The Company incurred property investigation costs of $144,068 on the Kratz Spring Project pursuant to the terms of the JEA. The Company continued its exploration work on its mineral properties with a significant amount of resources and effort being allocated towards its Springpole Gold Project. The following deferred exploration expenditures were incurred during the nine month period ended August 31, 2011: $11,749,312 on the Springpole Gold Project, $456 on the Horseshoe Island Gold Project and $44,918 on the Cordero Gallium Project. The Company also incurred $313,760 in mineral property acquisition costs as it increased its claim holdings at the Springpole Gold Project.

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

The Company incurred a net loss of $6,123,073 (2010 - $947,749) during the nine month period ended August 31, 2011. Some of the significant expenses incurred are as follows:

Insurance expense of $41,789 (2010 - $11,313) relates to directors' and officers' liability insurance and general and commercial liability insurance. The current period expense is higher that the prior year because the Company has increased its coverage due to the significant increase in business and exploration activities.

Investor relations costs of $250,027 (2010 - $77,558) 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. The costs were higher during the current period because the Company contracted the services of several consultants to profile the company to new investors. The Company also uses 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.

Management fees of $112,083 (2010 - $83,362) are paid or accrued to two current directors and two former directors. One current director is paid $7,000 per month. The other current's directors fees are based on time spent per month. In addition to this the Company pays federal payroll taxes on these management fees. Two former directors were paid US $800 per month US $1,000 per month respectively.

Director's fees of $22,972 (2010 - $Nil) are paid or accrued to two directors.

Professional fees of $358,267 (2010 - $206,003) are comprised of $174,507 (2010 - $87,648) for legal, $32,400 (2010 - $11,310) for audit related fees and $151,360 (2010 -$107,045) for accounting and administration fees to a company, of which a director of the Company is president. The Company's business activity has increased when compared to the prior

year and as a result, professional fees have increased accordingly as the Company required the services of legal and financial consultants.
Property investigation costs of $133,162 (2010 - $119,440) relate to costs incurred searching for and the investigation of potential mineral property acquisitions all of which, except $Nil (2010 - $18,898), 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 $709,433 (2010 - $502,713), of which $576,271 (2010 – $402,171) were recovered from JOGMEC.

Regulatory fees of $42,944 (2010 - $11,658) have increased over the prior year because the TSX-V assesses a portion of these fees on a Company's market capitalization at the end of calendar year 2010. The Company's market capitalization has increased due to an appreciation in it's share price when compared to the prior year. As a result, regulatory fees paid to the TSX-V increased accordingly.
Salaries and benefits of $44,539 (2010 - $39,946) relate to the administrative staff salary and payroll taxes.

Shareholder costs of $28,841 (2010 - $32,463) consist of costs associated with the mailing of year end information to shareholders and legal and other costs related to the annual general meeting.

Stock-based compensation expense of $4,966,395 (2010 - $395,795) was recognized during the current 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 was used to calculate the fair value.

Travel and promotion expenses of $96,073 (2010 - $54,090) relate to expenses incurred by management and consultants for 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 $72,852 (2010 - $9,344) was earned on funds invested in interest bearing deposits.

Management income of $43,626 (2010 - $48,739) 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.

Unrealized loss in marketable securities of $65,000 (2010– $70,000) 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.

	August 31, 2011	November 30, 2010
Working capital	$ 6,808,872	$ 8,583,172
Deficit	(19,193,934)	(13,070,861)

Net cash used in operating activities during the period was $2,220,767. This consists of items not affecting cash of: $1,870 as amortization of equipment, $4,966,395 as stock based compensation expense and $65,000 as an unrealized loss on marketable securities. The balance of the cash used in operating activities is a net negative change of $1,130,959 in non-cash working capital items comprising of $910,648 as an increase in receivables, $11,263 decrease in prepaid expenses, $237,172 decrease in accounts payable and accrued liabilities and $5,598 increase in amounts due to related parties. Net cash used in operating activities during prior year was $566,597.

Financing activities provided net cash of $11,251,454 comprising of $1,092,300 in gross proceeds received from the exercise of 3,765,000 stock options, $863,546 in gross proceeds received from the exercise of 1,425,199 warrants and $10,002,500 in gross proceeds from the issuance of 3,010,000 common shares from a private placement. The Company paid $706,892 in share issue costs. During the prior year, financing activities provided net cash of $3,661,604.

Net cash used in investing activities was $11,288,048 which is comprised of $10,550,690 incurred in deferred exploration costs related to its mineral properties, $313,760 incurred on acquisition of additional mineral claims, $412,098 paid as an exploration advance and $11,500 incurred for the acquisition of a term deposit as collateral on a corporate credit card. During the prior year, net cash used in investing activities which was $2,580,998

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 nine month period ended August 31, 2011, the Company entered into transactions with related parties as follows:

a) Paid or accrued management fees of $112,083 (2010 - $83,362) to two current directors and to two former directors of the Company.

b) Paid or accrued director's fees of $22,972 (2010 - $Nil) to two directors of the Company.

c) Paid or accrued $151,360 (2010 - $107,045) for accounting and administration services, included in professional fees, to a company of which a director is president.

d) Paid or accrued $20,391 (2010 - $Nil) for geological consulting fees, which have been capitalized to mineral properties and deferred exploration costs, to a director of the Company.

e) Paid or accrued $67,636 (2010 - $97,158) in consulting fees to a former director of the Company of which $Nil (2010 - $1,347) are capitalized to geological consulting fees, $Nil (2010 - $8,049) are expensed as consulting fees, $13,527 (2010 - $18,752) are expensed as property investigation cost and $54,109 (2010 - $69,010) 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	$ 6,700,185	$ -	$ -	$ 6,700,185
Marketable securities	190,000	-	-	190,000
Total	$ 6,890,185	$ -	$ -	$ 6,890,185

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 August 31, 2011, the Company had cash of $6,700,185 to settle current liabilities of $1,600,511 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

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. The Company is assessing the impact of the transition to IFRS in fiscal 2011.

Additional Disclosure for Venture Issuers without Significant Revenue

Please refer to Note 6 in the unaudited consolidated financial statements for the nine month period ended August 31, 2011 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	100,692,577
Stock options	6,960,000
Warrants	17,543,341

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 has been 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

Upon completion of Phase 1, the Company determined that the main impact of IFRS on the Company will involve a significant increase in note disclosure as well as certain presentation differences.

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 has consulted 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.

•*Exploration and evaluation of mineral properties*

Under the Company's current accounting policy, acquisition and exploration costs of mineral properties are capitalized as incurred. IFRS 6 permits mining companies to retain their existing policies with respect to the capitalization of exploration and evaluation costs until guidance that is more definitively developed in this area. Such guidance is not expected to be issued until after the Company's changeover to IFRS. The Company will retain its existing policies with respect to mining interests and exploration costs.

•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 is to continue aggressive drilling and pre-development activities at its flagship Springpole Gold Project near Red Lake, Ontario. The Company is also actively exploring its REE project in Malawi with its partner, JOGMEC, and is optimistic that results from this exploration will merit additional exploration in the future. The Company continues to monitor new opportunities but its main focus will be on adding value to its current projects.

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.