

## GOLD CANYON RESOURCES INC.

### FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS YEAR ENDED NOVEMBER 30, 2009

The following Management Discussion and Analysis for *Gold Canyon Resources Inc.* (“the Company”), prepared as of March 25, 2010, should be read together with the audited consolidated financial statements for the year ended November 30, 2009 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 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. 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 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 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 the 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 outlines plans for a staged drill program over the next 18 months 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.

***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 covering over 3,800 acres, is the largest known primary gallium occurrence in North America. On April 20, 2006, *R serva* 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 consist 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 Shoreham Resources Ltd (“Shoreham”) whereas Shoreham 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. Shoreham has exercised its option to acquire a 60% undivided interest. As a result, the Company and Shoreham formed a joint venture effective April 20, 2009. On March 1, 2010 Shoreham announced that it had commenced a winter drill program of up to 2,500 metres of drilling. Gold Canyon has elected not to participate in the funding of this program and so 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 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 has an option to acquire an 80% interest in the Kratz Spring project by making an initial contribution of US\$75,000 and additional funding by March 31, 2009. The Company and JOGMEC will contribute funds to the exploration program in accordance with their respective equity interest.

Kratz Spring identified an Iron Oxide Copper Gold +/- REE (IOCG) deposit located in the St. Francois Mountains of southeastern Missouri. This region hosts several iron-oxide +/- apatite +/- Cu-Au-REE deposits. The GCU / JOGMEC joint exploration agreement is directed towards identification of Rare Earth Element (REE) resources.

On May 15, 2009, the Company and JOGMEC agreed to renew its JEA arrangement and have agreed to a US \$460,000 research budget of which JOGMEC will contribute 80% of the funding. This budget is for the April 2009 ~ March 2010 time period.

## **Overall Performance**

The Company incurred a net loss of \$1,100,920 (2008 - \$1,134,302) during the year ended November 30, 2009. This is comparable to the prior. However, there are some differences between various components that make up the loss when compared to the prior year: a decrease in interest income earned from \$82,254 during the prior year to \$11,456 earned during the current year unrealized gain of marketable securities of \$230,000 compared to a loss of \$295,000 in the prior year; a write-off of mineral properties of \$202,433 in the prior year and a future income tax expense of \$219,000 during the current year of \$187,000 compared to a recovery of \$269,208 in the prior year.

As at November 30, 2009, the Company had \$890,488 (2008 - \$1,661,470) in cash and cash equivalents and working capital was \$910,658 (2008 - \$1,593,147).

## **Other Events and Transactions**

1. On December 29, 2008 the Company announced that Garry Smith resigned as a Director and Vice President of Exploration. Subsequently, a total of 275,000 stock options previously granted to Mr. Smith at various exercise prices were allowed to expire.
2. 1,055,000 stock options exercisable at \$0.35 expired unexercised on December 29, 2008.
3. On January 22, 2009 the Company announced that it had signed a Joint Exploration Agreement (“JEA”) with Japan Oil, Gas and Metals National Corporation (“JOGMEC”). Under the terms of the agreement, JOGMEC has an option to acquire an 80% interest in the Kratz Spring project by making an initial contribution of US\$75,000 and additional funding by March 31, 2009. The Company and JOGMEC will contribute funds to the exploration program in accordance with their respective equity interest. For the purposes of the JEA, the Company incorporated a subsidiary in the state of Colorado, USA, Kratz Spring LLC., on January 9, 2009.
4. Attended and exhibited in January 2009 at the Vancouver Resource Investment Conference held by Cambridge House.

5. On February 10, 2009, released the first National Instrument 43-101 compliant Technical Report for the Horseshoe Island Project. The Technical Report was received from Carl D. Huston, P.Eng., an independent mining consultant and Qualified Person.
6. Granted 2,350,000 stock options to certain directors, senior officers and consultants exercisable at \$0.10 until February 13, 2011.
7. Attended and exhibited at the PDAC Conference 2009 in Toronto, Ontario from March 1 to 4, 2009.
8. The Company was notified by Shoreham that it plans to exercise its option to acquire a 60% undivided interest in the Favourable Lake property. As a result, the Company and Shoreham 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.
9. Held its Annual General Meeting on April 23, 2009 in Vancouver, BC at 2:00 p.m. All proposed resolutions were passed.
10. Kratz Spring LLC entered into an 18 month option agreement to evaluate and lease tailings and mine dumps originating from Iron Mountain IOCG+/-REE deposit in the State of Missouri.
11. Reached an agreement with JOGMEC, pursuant to the JEA from January 22, 2009, for the April 2009 ~ March 2010 fiscal work program and budget whereby JOGMEC approved a US \$460,000 research budget.
12. 700,000 stock options exercisable at \$0.40 expired unexercised on June 8, 2009.
13. Granted an aggregate of 975,000 stock options to certain directors, senior officers and consultants at an exercise price of \$0.10 per share expiring June 12, 2011.
14. Commenced the comprehensive review of the Springpole Gold Project. The program is expected to last approximately six weeks, with the aim of enhancing the understanding of the geology of the deposit, in order to build a stronger resource model.
15. Jipangu Inc. (“Jipangu”), a gold mining company from Japan made a strategic investment in the Company. In consideration of a payment by Jipangu of \$400,000, the Company issued 2,500,000 common shares from treasury valued at \$250,000 and granted Jipangu certain rights of first refusal, valued at \$150,000 with respect to any sale, grant or other disposition of the Company’s interest in the Springpole Gold property.
16. The Company’s subsidiary, Kratz Spring LLC entered into a 12 month option agreement to evaluate and lease tailings and mine dumps originating from the Benson Mines IOCG +/-REE deposit in the State of New York. The work on this evaluation will begin immediately and be conducted as part of the JEA between Kratz Spring LLC and its joint venture partner JOGMEC.
17. The Company’s subsidiary, Kratz Spring LLC entered into a number of Non-disclosure Agreements to evaluate tailings and mine dumps originating from the IOCG +/-REE deposits in the countries of Finland and Norway. The work on this evaluation will begin immediately and be conducted as part of the JEA between Kratz Spring LLC and its joint venture partner JOGMEC.
18. Completed and closed a non-brokered private placement of 1,000,000 units at \$0.25 per share for gross proceeds of \$250,000. Each unit consists of one common share and one share purchase warrant exercisable at \$0.40 per share until September 18, 2011.
19. Granted 820,000 stock options exercisable at \$0.31 per share until October 5, 2011.
20. Issued 100,000 common shares pursuant to the exercise of 100,000 stock options at \$0.10 per share for gross proceeds of \$10,000.
21. 581,000 stock options exercisable at \$0.50 expired unexercised on October 4, 2009.
22. Granted 100,000 stock options exercisable at \$0.25 per share until October 23, 2011.

23. 100,000 stock options exercisable at \$0.50 expired unexercised on November 6, 2009.
24. 225,000 stock options exercisable at \$.50 expired unexercised on November 29, 2009.

*The following events occurred subsequent to November 30, 2009:*

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 fees of \$75,000 and issued 428,571 finder's warrants.
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 for 24 months from the date of issue of the units.
3. 6,463,600 warrants exercisable at \$0.70 per share until December 14, 2009, expired unexercised.
4. 1,075,000 stock options exercisable at \$0.48 per share until February 12, 2010, expired unexercised.
5. Announced the commencement of a program to drill at least 4,300 meters on the Springpole Gold Project over the next few weeks. This drilling will be the first stage of a three stage drill program to be undertaken over the next 14 months and has been designed to expand known mineralization. The first stage will infill several critical gaps with the Portage zone where historic drilling encountered broad, shallow intercepts of gold mineralization associated with alkaline porphyry.
6. Granted 1,945,000 stock options exercisable at \$0.24 per share until February 26, 2012.
7. 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 retainer is for a period of six months and may be renewed for successive six month terms by the parties. The Company has agreed to pay Mr. Karabelas an aggregate monthly fee of \$3,000 plus GST.
8. On March 1, 2010 Shoreham announced that it had commenced a winter drill program of up to 2,500 metres of drilling. Gold Canyon has elected not to participate in the funding of this program and so will have its interest in the joint venture diluted accordingly.

## **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. It appears that a staged drill program focused on 1) drilling the gap between the Camp and Portage zones, 2) drilling the gap between the Camp and Main zones and 3) shallow drilling above historic holes on the Portage zone could have an immediate impact on the size of the resource, which presently stands at 7,100 oz gold measured; 38,400 oz gold indicated; and 197,100 oz gold inferred (see the Company's independent NI 43-101 Technical Report and Resource Estimate dated November 20, 2006, prepared by P & E Mining Consultants Inc.). Additional potential was recognized southeast of the Portage Zone where four widely spaced holes indicate mineralization continues at least another 700 m making this zone nearly 2 km long. It is also clear that the Portage Zone is open below 200 m and that a few deeper holes in this zone could enlarge the system. The Company has prepared plans for a staged drill program over the next 18 months 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.

On April 30, 2009, the Company amended the original Mining Claim Option Agreement dated May 9, 2005 with 1544230 Ontario Inc. with regards to claims bordering the Springpole Project. The amendment requires the Company to pay \$22,500 on the 4<sup>th</sup> anniversary (paid) and pay another \$22,500 on March 1, 2010. The original agreement had required the Company to pay \$45,000 on the 4<sup>th</sup> anniversary of the agreement.

Jipangu Inc. (“Jipangu”), a gold mining company from Japan made an investment in the Company. In consideration of a payment by Jipangu in the amount of \$400,000, the Company issued 2,500,000 common shares from treasury valued at \$250,000 and granted Jipangu certain rights of first refusal, valued at \$150,000 with respect to any sale, grant or other disposition of the Company’s interest in the Springpole Gold property or any future financing of the Company for a period of one year from the closing of the investment. The \$150,000 payment of right of first refusal was recorded as a recovery of capitalized acquisition costs of the Springpole Project.

### ***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, at this time, the preparation of a preliminary feasibility study at the Cordero Gallium Project. The Company will continue to monitor and carry out various options at Cordero.

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

The Company was notified by Shoreham on the commencement of its winter 2008 Geophysics and drilling program on the Borland Lake Silver target, Favourable Lake Project, Red Lake District, Ontario.

The Company received an update on the winter 2008 program on its Favourable Lake Poly-metallic Project from the project operator, Shoreham. The operators’ field team collected 11 one-metre diamond saw cut samples. Five of these samples returned assays values as over silver limit values exceeding the analytical limits of over 300 grams per tonne.

During the year ended November 30, 2009, the Company was notified by Shoreham that it plans to exercise its option to acquire a 60% undivided interest in the Favourable Lake property. As a result, the Company and Shoreham formed a joint venture on terms set out in the joint venture agreement dated April 20, 2009, with respect 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 Shoreham announced that it had commenced a winter drill program of up to 2,500 metres of drilling. Gold Canyon has elected not to participate in the funding of this program and so 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 in the coming months.

During the current fiscal year, 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 Project***

On January 22, 2009 the Company announced that it had signed a Joint Exploration Agreement (“JEA”) with Japan Oil, Gas and Metals National Corporation (“JOGMEC”). Under the terms of the agreement, JOGMEC has an option to acquire an 80% interest in the Kratz Spring project by making an initial contribution of US\$75,000 and additional funding by March 31, 2009. The Company and JOGMEC will contribute funds to the exploration program in accordance with their respective equity interest. For the purposes of the JEA, the Company incorporated a subsidiary in the state of Colorado, USA, Gold Canyon Kratz Spring, LLC., on January 9, 2009.

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 has begun and is being conducted as part of the JEA between Kratz Spring LLC and its joint venture partner JOGMEC.

## 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, 2009	Year Ended November 30, 2008	Year Ended November 30, 2007
Total interest income	\$ 11,456	\$ 85,254	\$ 1
Net loss before extraordinary items	(1,100,920)	(1,134,302)	(437,935)
Net income (loss)	(1,100,920)	(1,134,302)	(437,935)
Basic and diluted earnings (loss) per share	(0.02)	(0.02)	(0.01)
Total assets	19,666,954	19,469,650	16,805,532
Total long-term liabilities	1,192,000	973,000	1,117,000
Cash dividends	-	-	-

The Company earns interest revenue from cash held in banks. It continued exploration work on the Springpole Gold Project and commenced work on the Kratz Spring Project resulting in an increase in total assets. Current year operating expenses are comparable to the previous year when a non-cash charge to operations of \$411,407 (2008- \$304,624) resulting from the stock based compensation expense is excluded from the net loss for the year. The Company recognized a future income tax expense of \$219,000 (2008 – recovery \$269,208). The decrease in the recovery for the current year is due to a lower loss before income taxes when compared to the prior year. This is a non-cash recovery. During the current year, the Company raised gross proceeds of \$500,000 pursuant to a private placement and \$10,000 in gross proceeds pursuant to exercise of stock options. During the prior year, the Company received gross proceeds of \$3,000,000 from a private placement and gross proceeds of \$1,515,420 pursuant to the exercise of stock options and warrants.

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.

## Summary of Quarterly Results

	Three Months Ended			
	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 income (loss)	(792,091)	(119,894)	23,319	(212,254)
Earnings (loss) per share	(0.010)	(0.001)	0.001	(0.001)

	Three Months Ended			
	November 30, 2008	August 31, 2008	May 31, 2008	February 29, 2008
Total assets	\$ 19,469,650	\$ 19,661,903	\$ 20,028,861	\$ 20,141,420
Mineral property costs	17,724,782	17,477,290	17,247,413	16,282,955
Working capital	1,593,147	2,136,571	2,711,056	3,596,017
Shareholders' equity	18,379,890	18,515,033	18,860,017	18,779,284
Interest revenues	12,815	55,450	9,590	7,399
Net loss	(22,853)	(359,183)	(328,193)	(424,073)
Earnings (loss) per share	(0.001)	(0.007)	(0.006)	(0.008)

Significant changes in key financial data from 2008 to 2009 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 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.

The Company earns interest revenue from cash held in banks and financial institutions. In 2009, the Company earned management income of \$56,401 by charging a management fee, through its wholly owned subsidiary, Kratz Spring LLC to JOGMEC to manage the Kratz Spring Project pursuant to the terms of the JEA. Pursuant to a \$250,000 direct investment made by Jipangu in the Company, the Company received \$150,000 by granting certain rights of first refusal to Jipangu with respect to any sale, grant or other disposition of the Company's interest in the Springpole Gold property. The Company also incurred property investigation costs of \$100,223 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: \$708,868 on the Springpole Project, \$1,574 on the Favourable Lake Project, \$42,420 on the Horseshoe Island Project and \$50,655 on the Cordero Gallium Project.

## **Results of Operations**

### ***Fourth Quarter Ended November 30, 2009***

The Company incurred a loss of \$792,091 during the three month period ended November 30, 2009 compared to a loss of \$22,853 for the three month period ended November 30, 2008. Some of the significant expenses incurred are as follows:

Consulting fees were \$2,119 (2008 - \$14,052) varies compared to the comparative period because the Company retained the services of a mining consultant to help evaluate the economic feasibility of the Company's various projects.

Investor relation costs of \$31,364 (2008 - \$101,999) have decreased significantly because the Company has scaled back its investor relations activities provided by consultants.

Management fees of \$30,040 (2008 - \$28,594) 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 \$62,502 (2008 - \$46,443) are comprised of \$4,007 (2008 - \$1,359) for legal, \$34,000 (2008 - \$32,000) for audit related costs and \$24,495 (2008 - \$13,084) for accounting and administration fees to a company, which a director is president.

Property investigation costs of \$70,784 (2008 - \$43,630) were incurred as the Company reviewed potential property acquisitions which have not been pursued for various reasons.

Stock-based compensation expense of \$215,048 (2008 - \$12,918) 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 \$21,986 (2008 - \$22,831) varies compared to the previous comparative period because of numerous trips the Company's directors and others have taken to conduct site visits on the Springpole and Cordero properties.

During the current quarter the Company recognized an unrealized appreciation in marketable securities of \$30,000. This relates to 1,000,000 shares of Shoreham that it holds for trading. During the previous comparative year, the Company recognized an unrealized depreciation in marketable securities of \$495,000 on 750,000 shares of Shoreham that it held. This significant decrease was due to an overall decline in equity markets that occurred during the fall of 2008.

During the current quarter, there was a year-end audit adjustment of \$150,000 relating to a right of first refusal payment the Company received pursuant to an investment that Jipangu made in the Company. This amount was reclassified from income, as it was recorded at August 31, 2009, to a recovery of acquisition costs on the Springpole Project.

### ***Year Ended November 30, 2009***

The Company incurred a net loss of \$1,100,920 (2008 - \$1,134,302) for the year ended November 30, 2009. Some of the significant expenses incurred are as follows:

Consulting fees of \$17,045 (2008 - \$50,958) have decreased over the comparative period because the services provided by a mining consultant to help evaluate the economic feasibility of the Company's various projects have been capitalized and allocated to the Company's mineral exploration projects.

Insurance expense of \$21,674 (2008 - \$15,286) relates to directors' and officers' liability insurance and general and commercial liability insurance. It has increased because the Company purchased additional general and commercial liability during the current year.

During the current period, the Company incurred \$78,737 (2008 - \$149,102) in investor relations expenses which were costs for attendance at investment conferences, advertising, promotional packages, fax dissemination of news releases to shareholders and the maintenance of a website. This has decreased significantly as the Company has scaled back its investor relations activities provided by consultants.

Management fees of \$125,041 (2008 - \$94,983) 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.

Professional fees of \$183,531 (2008 - \$175,480) are comprised of \$48,635 (2008 - \$18,159) for legal, \$42,250 (2008 - \$46,670) for audit related costs and \$92,646 (2008 - \$98,365) for accounting and administration fees to a company, which a director is president.

Property investigation costs of \$139,935 (2008 - \$44,216) relate to costs incurred on searching and investigation potential mineral property acquisitions. Of these costs, \$100,223 (2008 - \$Nil) 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 \$501,115 (2008 - \$Nil), of which \$400,892 (2008 - Nil) were recovered from JOGMEC.

Salaries and benefits of \$50,070 (2008 - \$22,297) relate to the administrative staff salary and payroll taxes.

Stock-based compensation expense of \$411,407 (2008 - \$304,624) 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 period. The Black-Scholes option pricing model is used to calculate the fair value.

Travel and promotion expenses of \$65,907 (2008 - \$102,293) have decreased over the previous comparative year as fewer trips were made by the Company's directors and consultants to conduct site visits on the Springpole and Cordero properties.

Interest income of \$11,456 (2008 - \$85,254) was earned on funds invested in interest bearing instruments. This has decreased because the Company made partial redemptions of these instruments. As a result, the interest earned is based on diminishing balances.

Management income of \$56,401 (2008 - \$Nil) 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.

The Company recorded mineral property option income of \$Nil (2008 - \$65,000) pursuant to the terms of a December 22, 2005 mineral property option agreement on the Favourable Lake Property with Shoreham.

During the current year, the Company recognized an unrealized gain in marketable securities of \$230,000. This relates to the fair market value adjustment to the 1,000,000 shares of Shoreham that it holds for trading. During the previous comparative year, the Company recognized an unrealized loss in marketable securities of \$295,000 on the 1,000,000 shares of Shoreham.

During the current year, the Company didn't any have write-off of mineral properties. During the previous comparative year, the Company wrote-off \$202,433 in mineral property costs related to the Bead Head Uranium property.

During the current year, the Company had future income tax expenses of \$219,000 compared to a recovery of \$269,208. This is a non-cash expense.

## 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.

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	2009	2008
Working capital	\$ 910,658	\$ 1,593,147
Deficit	(11,382,754)	(10,281,834)

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Net cash used in operating activities during the year was \$615,136. This consists of items not affecting cash of: \$1,096 as amortization of equipment, \$411,407 as stock based compensation expense, \$230,000 unrealized gain of marketable securities and \$219,000 as a future income tax expense. The balance of the cash used in operating activities is a net positive change of \$84,281 in non-cash working capital items comprising of a \$8,560 increase in receivables, an increase of \$20,333 in prepaids, a \$130,096 increase in accounts payable and accrued liabilities and a \$16,922 decrease in amounts due to related parties. Net cash used in operating activities during the comparative period was \$671,717.

Financing activities provided net cash of \$497,417 comprising of \$510,000 in gross proceeds received from the issuance of 3,600,000 common shares and the payment of \$12,583 in share issue costs. During the previous comparative year, financing activities provided net cash of \$3,878,684, comprising of \$3,965,420 from the issuance of common shares and the payment of \$86,736 in share issue costs.

Net cash used in investing activities was \$653,263 which is comprised of \$1,287 for the acquisition of equipment, \$83,475 for the acquisition of mineral properties, \$824,335 incurred in deferred exploration costs on its mineral properties and \$255,834 recovered in deferred exploration costs. During the previous comparative year, net cash of \$2,395,220 was used in investing activities which was comprised of \$1,535 in acquisition of equipment, \$17,250 for the acquisition of a term deposit to be used as security for a corporate credit card, \$115,000 in acquisition of mineral properties and \$2,261,435 incurred in deferred exploration costs.

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 2009 and cover anticipated administrative expenses throughout the next 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, 2009, the Company entered into transactions with related parties as follows:

- a) Paid or accrued management fees and employee benefits of \$125,041 (2008 - \$94,983) to directors Akiko Levinson - \$7,000 a month plus federal payroll taxes, William Duncan Riesmeyer – US\$800 a month and Vincent Della Volpe – US\$1,000 a month.
- b) Paid or accrued \$113,045 (2008 - \$118,315) for accounting, secretarial, rent and administrative services to ASI Accounting Services Inc, a company controlled by a Company director, Ron Schmitz.
- c) Paid or accrued \$Nil (2008 - \$106,725) for geological consulting fees, which are included in deferred exploration costs, to Devon Corp, a company controlled by a former director of the Company, Garry Smith.
- d) Paid or accrued \$12,000 (2008 - \$9,000) for geological consulting fees, which are included in deferred exploration costs, to Bojan Zabev, an officer of the Company.
- e) Paid or accrued \$73,336 (2008 - \$85,208) for geological consulting fees, of which \$25,263 (2008 – \$28,819) are included in deferred exploration costs, to Doug Christopherson, a director of the Company.

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 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 and cash equivalents	\$ 890,488	\$ -	\$ -	\$ 890,488
Marketable securities	270,000	-	-	270,000
Restricted cash	17,250	-	-	17,250
Reclamation bond	<u>14,772</u>	<u>-</u>	<u>-</u>	<u>14,772</u>
Total	\$ 1,192,510	\$ -	\$ -	\$ 1,192,510

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.

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### *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 cash equivalents, receivables, marketable securities, restricted cash, and reclamation bonds.

The Company's cash and cash equivalents, 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 goods and 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 30, 2009, the Company had cash of \$890,488 to settle current liabilities of \$287,160 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.

## **Adoption of New Accounting Policies**

### *Amendment to Financial Instruments – Disclosures*

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

See note 13 in the audited consolidated financial statements for the year ended November 30, 2009 for relevant disclosures.

### *Assessing going concern*

The Canadian Accountability Standards Board (“AcSB”) amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity’s ability to continue as a going concern. The adoption of this Section does not result in any changes on the disclosure within the financial statements.

### *Goodwill and intangible assets*

CICA Handbook Section 3064 replaces the current standard for goodwill and intangible assets and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred.

## **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 Information**

Additional information related to the Company is available for view on the Company’s website at [www.goldcanyon.ca](http://www.goldcanyon.ca) and on the Canadian Securities Administrator’s System for Electronic Document Analysis and Retrieval (SEDAR) database at [www.sedar.com](http://www.sedar.com).

## 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, 2009 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	66,180,270
Stock options	6,190,000
Warrants	10,285,714

### Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer (“CFO”) are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s consolidated financial statements for external purposes in accordance with Canadian GAAP. The design of the Company’s internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company’s financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

### 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 AcSB confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standard Board (IASB) will also continue to issue new accounting standards during the conversion period, and as a result, the final impact of IFRS on the Company’s consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

For the Corporation, the changeover to IFRS will be required for interim and annual financial statements beginning on November 30, 2011. As a result, the Company has developed a plan to convert its Consolidated Financial Statements to IFRS. The Corporation has also set up IFRS dedicated teams at all levels of the organization. The Company has provided training to key employees and is monitoring the impact of the transition on its business practices, systems and internal controls over financial reporting.

A detailed analysis of the difference between IFRS and the Company’s accounting policies as well as an assessment of the impact of various alternatives are in progress. Changes in accounting policies are likely and may materially impact the Company’s Consolidated Financial Statements.

## **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.*