

GOLD CANYON RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2004

AUDITORS' REPORT

To the Shareholders of
Gold Canyon Resources Inc.

We have audited the consolidated balance sheets of Gold Canyon Resources Inc. as at November 30, 2004 and 2003 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY"

Vancouver, Canada

Chartered Accountants

January 21, 2005

A Member of *SC INTERNATIONAL*

GOLD CANYON RESOURCES INC.
CONSOLIDATED BALANCE SHEETS
AS AT NOVEMBER 30

	2004	2003
ASSETS		
Current		
Cash and cash equivalents	\$ 1,697,110	\$ 8,133
Receivables	49,306	1,592
Prepaid expenses	<u>78,801</u>	<u>750</u>
	1,825,217	10,475
Equipment (Note 3)	-	1,516
Mineral properties and deferred exploration costs (Note 5)	<u>8,347,055</u>	<u>7,044,046</u>
	<u>\$ 10,172,272</u>	<u>\$ 7,056,037</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 54,072	\$ 67,905
Due to related parties (Note 7)	<u>39,426</u>	<u>119,808</u>
	<u>93,498</u>	<u>187,713</u>
Shareholders' equity		
Capital stock (Note 8)	15,403,641	12,244,116
Contributed surplus (Note 8)	1,628,517	362,628
Deficit	<u>(6,953,384)</u>	<u>(5,738,420)</u>
	<u>10,078,774</u>	<u>6,868,324</u>
	<u>\$ 10,172,272</u>	<u>\$ 7,056,037</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 15)

On behalf of the Board:

 "Akiko Levinson" Director "Ron Schmitz" Director

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

GOLD CANYON RESOURCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED NOVEMBER 30

	2004	2003
ADMINISTRATION EXPENSES		
Amortization	\$ 1,516	\$ 650
Consulting	10,131	3,600
Interest	1,845	951
Investor relations	91,982	12,120
Management fees	30,000	38,750
Office and miscellaneous	17,118	11,048
Printing	688	2,729
Professional fees	158,067	95,197
Regulatory fees	18,176	7,468
Stock-based compensation (Note 9)	985,554	342,080
Telephone	6,467	9,684
Transfer agent fees	10,047	6,983
Travel and promotion	37,919	5,686
	<u>(1,369,510)</u>	<u>(536,946)</u>
OTHER ITEMS		
Costs recovered	-	2,185
Gain on sale of marketable securities (Note 4)	-	6,399
Income from partnership (Note 6)	-	254,315
Interest income	17,477	160
Gain on debt settlement	12,500	-
	<u>29,977</u>	<u>263,059</u>
Loss before income taxes	(1,339,533)	(273,887)
Future income tax recovery (Note 14)	<u>124,569</u>	<u>28,285</u>
Loss for the year	(1,214,964)	(245,602)
Deficit, beginning of year	<u>(5,738,420)</u>	<u>(5,492,818)</u>
Deficit, end of year	<u>\$ (6,953,384)</u>	<u>\$ (5,738,420)</u>
Basic and diluted loss per common share	<u>\$ (0.06)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding	<u>20,497,297</u>	<u>16,901,984</u>

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

GOLD CANYON RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED NOVEMBER 30

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (1,214,964)	\$ (245,602)
Items not affecting cash:		
Amortization	1,516	650
Gain on sale of marketable securities	-	(6,399)
Gain on debt settlement	(12,500)	-
Stock-based compensation	985,554	342,080
Future income recovery	(124,569)	(28,285)
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(47,714)	1,537
Increase in prepaids	(78,051)	-
Decrease in accounts payable and accrued liabilities	(1,333)	(23,219)
Increase (decrease) in amounts due to related parties	<u>(80,382)</u>	<u>58,995</u>
Net cash provided by (used in) operating activities	<u>(572,443)</u>	<u>99,757</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued	3,821,330	132,170
Share issue costs	<u>(256,901)</u>	<u>(7,500)</u>
Net cash provided by financing activities	<u>3,564,429</u>	<u>124,670</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	-	10,399
Mineral properties	(7,760)	-
Deferred exploration costs	<u>(1,295,249)</u>	<u>(231,358)</u>
Net cash used in investing activities	<u>(1,303,009)</u>	<u>(220,959)</u>
Change in cash and cash equivalents for the year	1,688,977	3,468
Cash and cash equivalents, beginning of year	<u>8,133</u>	<u>4,665</u>
Cash and cash equivalents, end of year	<u>\$ 1,697,110</u>	<u>\$ 8,133</u>
Cash paid during the year for interest and income taxes		
Interest	\$ -	\$ -
Income taxes	-	-
The components of cash and cash equivalents are as follows:		
Cash	\$ 297,110	\$ 8,133
Guaranteed Income certificate	<u>1,400,000</u>	<u>-</u>
	<u>\$ 1,697,110</u>	<u>\$ 8,133</u>

Supplemental disclosures with respect to cash flows (Note 12)

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

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2004

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is considered to be in the exploration stage with respect to its interests in mineral properties. Based on the information available to date, the Company has not yet determined whether the mineral properties contain economically recoverable ore reserves.

The recoverability of the amounts comprising mineral properties is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development and upon future profitable production.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Its ability to continue as a going concern is dependent on obtaining continued financial support, completing public equity financings, or generating profitable operations in the future.

	2004	2003
Working capital (deficiency)	\$ 1,731,719	\$ (177,238)
Deficit	(6,953,384)	(5,738,420)

2. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and of its wholly owned subsidiary, Gold Canyon Resources U.S.A. Inc. ("Gold USA"). Gold USA was incorporated on June 21, 2001 in the State of Nevada. All significant inter-company accounts and transactions have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents includes highly liquid investments, which will generally have original maturities of three months or less.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on a declining balance basis at the following annual rate:

Computer equipment	30%
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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the probable and proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral exploration interests is based on cash paid, the assigned value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Deferred exploration costs

The Company defers all exploration expenses relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold or abandoned or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the probable and proven reserves available on the related property following commencement of production.

Values

The amounts shown for mineral properties and deferred exploration costs represent costs to date, and do not necessarily represent present or future values, as they are entirely dependent upon the economic recovery of current and future reserves.

Cost of maintaining mineral properties

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

Environmental protection and rehabilitation costs

Liabilities related to environmental protection and rehabilitation costs are accrued and charged to income when their likelihood of occurrence is established. This includes future removal and site restoration costs as required due to environmental law or contracts.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Loss per share (cont'd...)

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year.

Flow-through common shares

Resource expenditure deductions for income tax purposes, related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Capital stock is reduced and future income tax liability increased by the estimated tax benefits transferred to shareholders.

Foreign currency translation

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at rates which approximate those in effect on transaction dates. Exchange gains and losses arising on translation are included in the statement of operations.

The Company's foreign subsidiary is integrated with the Company and translated using the temporal method. Under this method, monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction date. Income and expenses are translated at rates which approximate those in effect on transaction dates. Gains and losses arising from restatement of foreign currency assets and liabilities are included in earnings.

Future income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Stock-based compensation

The Company uses the fair value based method of accounting for all stock-based compensation.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2004

3. EQUIPMENT

	2004			2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 2,795	\$ 2,795	\$ -	\$ 2,795	\$ 1,279	\$ 1,516

4. MARKETABLE SECURITIES

During the year ended November 30, 2003, the Company received 40,000 common shares of Jilbey Enterprise Ltd. ("Jilbey"), valued at \$4,000, pursuant to an agreement between the Company, Jilbey and ECI Mineral Resources Ltd. ("ECI") (Note 5).

In April, 2003, the Company sold the Jilbey shares for a net gain on sale of \$6,399.

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

	Springpole Project	Cordero Property	Caley Property	Total
2004				
Acquisition costs	\$ 2,562,322	\$ 11,893	\$ 33,273	\$ 2,607,488
Deferred exploration				
Opening balance	3,701,880	716,814	25,624	4,444,318
Assays	52,555	1,209	-	53,764
Camp costs	5,701	-	-	5,701
Drilling	568,045	-	-	568,045
Equipment rental	5,740	-	-	5,740
Field crew labour	116,789	-	-	116,789
Geological consulting	139,396	-	-	139,396
Geophysics and airborne surveying	71,744	-	-	71,744
Land royalty payments	73,172	12,930	8,146	94,248
Material and supplies	38,600	-	-	38,600
Meals and lodging	6,242	-	-	6,242
Metallurgy	-	24,348	-	24,348
Reproduction and copying	356	-	-	356
Staking and maintenance fees	500	42,718	-	43,218
Telephone and communications	40,762	-	-	40,762
Travel and transport	86,296	-	-	86,296
	1,205,898	81,205	8,146	1,295,249
	4,907,778	798,019	33,770	5,739,567
	\$ 7,470,100	\$ 809,912	\$ 67,043	\$ 8,347,055

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd...)

	Springpole Project	Cordero Property	Caley Property	Total
2003				
Acquisition costs	\$ 2,554,562	\$ 11,893	\$ 33,273	\$ 2,599,728
Deferred exploration				
Opening balance	3,506,946	691,318	18,696	4,216,960
Consulting	88,792	-	-	88,792
Land royalty payments	89,534	11,443	6,122	107,099
Material and supplies	77	-	-	77
Meals and lodging	3,256	-	-	3,256
Reproduction and copying	480	88	-	568
Staking and maintenance fees	-	13,965	806	14,771
Surveying	1,102	-	-	1,102
Travel	11,693	-	-	11,693
	194,934	25,496	6,928	227,358
	3,701,880	716,814	25,624	4,444,318
	\$ 6,256,442	\$ 728,707	\$ 58,897	\$ 7,044,046

Springpole Project

The Company owns a 100% interest, in certain properties, as well as an option to earn a 100% interest in other properties, in the Springpole Project located in the Red Lake Mining Division of Ontario. The properties are subject to certain underlying agreements with the following obligations:

- a) Minimum annual advance royalty payments totalling approximately US\$123,500. These payments will vary from year to year due to escalation clauses and changes in gold prices.
- b) Net smelter returns royalty ("NSR") payments varying from 1-5% on each of the underlying agreements upon production.

The Company has the option to purchase portions of these mining claims for approximately US\$2,000,000.

In 1999, the Company acquired 14 claims in the Springpole Project. The Company will be required to pay a 2% NSR, of which 1% can be purchased for \$1,000,000. The Company has the right of first refusal of the remaining 1%. Under the terms of the acquisition, the Company was required to issue 100,000 shares pertaining to 8 of the claims. During the current year, the Company terminated the agreement relating to these 8 claims and, accordingly, surrendered its interest in these claims. The Company is no longer required to issue the 100,000 shares.

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd...)

Springpole Project (cont'd...)

During the current year, the Company staked an additional 15 claims in the eastern portion of the Springpole Project in an area know as Sandy Point.

In fiscal 2001, the Company and ECI entered into an option agreement in which ECI was granted the exclusive right ("Exclusive Right") to explore and mine for diamonds in the Company's 100% owned claims in the Springpole Project.

To exercise and maintain this option, ECI must:

- a) deliver shares of ECI to the Company resulting in the Company having a 10% ownership in ECI; and
- b) spend \$250,000 on the exploration for diamonds over the three year term of the agreement.

The Company will retain a 3% NSR upon any diamond production. ECI will have the option to purchase up to 2% of the NSR from the Company for a one time payment of \$1,000,000 per percentage point to the Company. ECI retains a right of first refusal for 2 years after the agreement term of 3 years.

On May 10, 2002, the Company, ECI and Jilbey entered into an agreement in which the Company consented to the assignment of ECI's Exclusive Right to Jilbey to explore and mine for diamonds in the Company's 100% owned claims in the Springpole Project. As consideration, the Company received 40,000 common shares of Jilbey (Note 4) during the year ended November 30, 2003. In accordance with the terms of the option agreement between the Company and ECI, Jilbey is now obligated to spend \$250,000 on the exploration for diamonds. In addition, there is no longer a requirement to deliver shares of ECI. Instead, as part of the assignment agreement with Jilbey, the Company maintains an option to acquire a 10% interest in ECI.

The Company also consents to the reassignment of the Exclusive Right from Jilbey back to ECI at any time until January 1, 2005 upon written notice from ECI.

Cordero Property

On June 22, 2001, the Company entered into an Assignment Agreement with Tech Industries Ltd. ("Tech") in which the Company acquired all of Tech's interest with respect to all minerals, except gold and silver, on the Cordero Property, located in Humboldt County, Nevada.

The initial term of the Assignment Agreement is fifteen years and may be renewed for up to fifteen additional years thereafter. Pursuant to the agreement, the Company must:

- a) pay Tech US\$5,000 upon execution of the agreement (paid);
- b) grant Tech a NSR of 3%;
- c) assume a 1% NSR payable to Cordero Mine Inc.; and

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd...)

Cordero Property (cont'd...)

- d) advance minimum royalties totalling US\$4,000 (paid) on the first anniversary of the agreement, US\$4,500 (paid) on the second anniversary, and US\$6,000 per year throughout the remaining term of the Assignment Agreement which will be credited against future NSR's payable, if any.

Caley Property

On June 26, 2001, the Company entered into a Lease Agreement with Tech. Similar to the arrangements related to the Cordero Property, the Company has acquired all of Tech's interest with respect to all minerals, except for gold and silver, on the Caley Property located in Humboldt County, Nevada.

The initial term of the agreement is fifteen years with three additional five year renewal terms thereafter. Pursuant to the terms of the agreement, the Company must:

- a) pay Tech US\$2,500 on or before July 31, 2001 (paid);
- b) grant Tech a NSR of 3%;
- c) assume a 1% NSR payable to Cordero Mine Inc.; and
- d) advance minimum royalties totalling US\$4,000 (paid) on the first anniversary of the agreement, US\$4,500 (paid) on the second anniversary, and US\$6,000 per year throughout the remaining term of the agreement which will be credited against future NSR's payable, if any.

The Company also shall make the following expenditures:

Anniversary of Agreement

Work Commitment

On or before the 1 st anniversary	US \$ 50,000
On or before the 2 nd anniversary	100,000
On or before the 3 rd anniversary	150,000
On or before the 4 th anniversary	250,000
In each year thereafter	500,000

All expenditures are cumulative and excess expenditures in one or more years will be credited against future expenditure requirements. All expenditures in respect of mining operations on the Cordero property shall be included in the calculation of above expenditures.

6. INVESTMENT IN PARTNERSHIP

During the year ended November 30, 2003, the Company, with two other companies, formed a general partnership which acquired an interest in the 1999 Investment Co., Limited Partnership, an Alberta limited partnership.

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2004

6. INVESTMENT IN PARTNERSHIP (cont'd...)

During the year ended November 30, 2003, the Company received a cash distribution of \$254,315 from the general partnership which represents the aggregate amount of cash the Company expects to receive from this investment.

7. DUE TO RELATED PARTIES

The amounts due to related parties are due to directors and companies controlled by directors, are unsecured, non-interest bearing, and have no specific terms of repayment.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
100,000,000 common shares without par value			
Issued			
As at November 30, 2002	16,732,769	\$ 12,168,279	\$ -
For cash			
Exercise of options	96,500	32,170	-
Private placements	125,000	79,452	20,548
Issue costs	-	(7,500)	-
Stock based compensation	-	-	342,080
Tax benefits renounced to flow-through share subscribers	-	(28,285)	-
As at November 30, 2003	16,954,269	12,244,116	362,628
For cash			
Exercise of options	418,500	170,680	-
Exercise of warrants	295,000	135,400	-
Private placements	5,945,151	3,515,250	-
Finders' shares	167,533	99,077	-
Broker warrants issued	-	-	280,335
Issue costs	-	(636,313)	-
Stock based compensation	-	-	985,554
Tax benefits renounced to flow-through share subscribers	-	(124,569)	-
As at November 30, 2004	23,780,453	\$ 15,403,641	\$ 1,628,517

GOLD CANYON RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2004

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

On December 30, 2003, the Company issued 875,000 flow-through units at a price of \$0.40 per unit for total proceeds of \$350,000. Each unit consisted of one flow-through common share and one share purchase warrant. Each share purchase warrant is exercisable into an additional common share at \$0.52 for one year. A finder's fee of \$30,000 was paid in cash. In conjunction with the flow-through private placement, the Company issued 150,000 broker warrants valued at \$56,009 which have been included in contributed surplus. These warrants are exercisable at \$0.40 for one year.

The Company also issued 500,000 units at a price of \$0.40 per unit for total proceeds of \$200,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable into an additional common share at \$0.52 for one year.

In June 2004, the Company completed a brokered flow-through private placement of 2,900,000 shares at \$0.70 per share for gross proceeds of \$2,030,000 (\$1,913,197, net proceeds). The Company also issued 138,689 agents shares. The Company also issued an aggregate of 435,000 brokers' warrants valued at \$163,754 which have been included in contributed surplus. Each warrant entitles the agents to purchase one common share of the Company at \$0.85 until June 11, 2006. Concurrent with the brokered private placement, the Company also completed a non-brokered private placement of 333,333 units at a price of \$0.60 per unit for gross proceeds of \$200,000. Each unit consists of one common share of the Company and one share purchase warrant to purchase an additional common share at \$0.80 per share until June 11, 2005. A finder's fee of \$4,031 was paid in cash.

In August 2004, the Company completed a brokered private placement of 1,155,000 units at \$0.55 per share for gross proceeds of \$635,250 (\$581,119, net proceeds). The Company also issued 28,844 units to the agent. Each private placement and agents unit consists of one common share and one half of a share purchase warrant to purchase an additional common share at \$0.75 per share until February 25, 2006. The Company also issued an aggregate of 173,250 brokers' warrants valued at \$60,572 which have been included in contributed surplus. Each warrant entitles the agents to purchase one common share of the Company at \$0.63 until February 25, 2006. Concurrent with the brokered private placement, the Company also completed a non-brokered private placement of 181,818 units at a price of \$0.55 per unit for gross proceeds of \$100,000. Each unit consists of one common share and one half of a share purchase warrant to purchase an additional common share at \$0.75 per share until February 25, 2006. A finder's fee of \$8,000 was paid in cash.

Stock options

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, employees and consultants, to acquire up to 10% of issued and outstanding common stock. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

On December 8, 2003, the Company granted stock options to directors, officers and consultants to acquire 305,000 common shares of the Company at a price of \$0.36 per share expiring on December 8, 2005.

On January 16, 2004, the Company granted stock options to directors, officers and consultants to acquire 279,000 common shares of the Company at a price of \$0.43 per share expiring on January 16, 2006.

On March 25, 2004, the Company granted stock options to directors, officers and consultants to acquire 305,000 common shares of the Company at a price of \$1.00 per share expiring on March 25, 2006.

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options (cont'd...)

On May 28, 2004, the Company granted stock options to a consultant to acquire 120,000 common shares of the Company at a price of \$0.60 per share expiring on May 28, 2006.

On June 14, 2004, the Company granted stock options to directors, officers and consultants to acquire 744,000 common shares of the Company at a price of \$0.65 per share expiring on June 14, 2006.

On September 15, 2004, the Company granted stock options to directors, officers and consultants to acquire 160,000 common shares of the Company at a price of \$0.75 per share expiring on September 15, 2006.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	2004		2003	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,444,000	\$ 0.81	1,603,500	\$ 1.03
Exercised	(418,500)	0.41	(96,500)	0.33
Granted	1,913,000	0.63	800,000	0.42
Expired/cancelled	(670,500)	1.21	(863,000)	0.92
Outstanding, end of year	2,268,000	0.61	1,444,000	0.81
Options exercisable, end of year	2,268,000	\$ 0.61	1,444,000	\$ 0.81

Stock options outstanding at November 30, 2004 are as follows:

Number of Shares	Exercise Price	Expiry Date
20,000	\$ 0.38	April 30, 2005
375,000	0.43	September 8, 2005
275,000	0.36	December 8, 2005
269,000	0.43	January 16, 2006
305,000	1.00	March 25, 2006
120,000	0.60	May 28, 2006
744,000	0.65	June 14, 2006
160,000	0.75	September 15, 2006

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8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Warrants

Warrant transactions and the number of warrant outstanding are summarized as follows:

	2004		2003	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	272,059	\$ 1.29	147,059	\$ 1.70
Exercised	(295,000)	0.47	-	-
Granted	3,149,414	0.65	125,000	0.80
Expired/cancelled	(147,059)	1.70	-	-
Outstanding, end of year	2,979,414	\$ 0.67	272,059	\$ 1.29
Warrants exercisable, end of year	2,979,414		272,059	

Warrants outstanding at November 30, 2004 are as follows:

Number of Shares	Exercise Price	Expiry Date
125,000	\$ 0.88	December 9, 2004 (subsequently expired)
1,230,000	0.52	December 30, 2004 (1,045,000 exercised and 185,000 subsequently expired)
333,333	0.80	June 11, 2005
173,250	0.63	February 25, 2006
682,831	0.75	February 25, 2006
435,000	0.85	June 11, 2006

9. STOCK-BASED COMPENSATION

During the year ended November 30, 2004, the Company granted 1,913,000 (2003 – 780,000) stock options to employees, directors, officers and consultants. The estimated fair value of these options was \$0.51 (2003 - \$0.43) per share for an estimated total of \$985,554 (2003 - \$342,080). This amount has been expensed as stock-based compensation in the statement of operations with a corresponding amount recorded as contributed surplus in shareholders' equity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. STOCK-BASED COMPENSATION (cont'd...)

The following assumptions were used for the Black-Scholes valuation of stock options and warrants granted during the year:

	2004	2003
Risk-free interest rate	2.45 - 3.25%	3.65%
Expected life of options	1.0 - 2.0 years	2.0 years
Annualized volatility	124.20 - 149.90%	197.10%
Dividend rate	0.00%	0.00%

10. SEGMENTED INFORMATION

The Company conducts all of its operations in North America in one business segment, being the exploration and development of mineral properties. Geographic information is as follows:

	Equipment	Mineral Properties and Deferred Exploration Costs
November 30, 2004		
Canada	\$ -	\$ 7,470,100
United States	-	876,955
	<u>\$ -</u>	<u>\$ 8,347,055</u>
November 30, 2003		
Canada	\$ -	\$ 6,256,442
United States	1,516	787,604
	<u>\$ 1,516</u>	<u>\$ 7,044,046</u>

11. RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions with related parties as follows:

- a) Paid or accrued management fees of \$30,000 (2003 - \$38,750) to directors of the Company.
- b) Paid or accrued \$95,280 (2003 - \$56,728) for accounting, secretarial, rent and administrative services to a company of which a director is president.

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11. RELATED PARTY TRANSACTIONS (cont'd...)

- c) Paid or accrued \$85,260 (2003 - \$70,213) for geological consulting fees, which are included in deferred exploration costs, to a director of the Company.
- d) Paid or accrued \$19,347 (2003 - \$Nil) for geological consulting fees, which are included in deferred exploration costs, to an officer of the Company.
- e) Paid or accrued consulting fees of \$8,881 (2003 - \$2,100) to an officer of the Company.
- f) The Company received an advance of \$Nil (2003 - \$8,280) from a company controlled by a director.
- g) The Company received advances of \$9,008 (2003 - \$42,037) from directors of the Company.
- h) The Company granted 1,720,000 (2003 - 780,000) stock options to employees, directors and officers, which were recorded as stock-based compensation of \$906,708 (2003 - \$342,080).

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.

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended November 30, 2004 were as follows:

- a) The Company issued 758,250 warrants valued at \$280,335 and 167,533 share units valued at \$99,077 as part of the finance fee for the brokered private placement.

Significant non-cash transaction for the year ended November 30, 2003 was as follows:

- a) The Company received 40,000 common shares of Jilbey at a value of \$4,000 as part of an agreement in the Springpole project (Note 5).

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The fair value of amounts due to related parties is not determinable as they have no specific repayment terms.

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14. INCOME TAXES

A reconciliation of current income taxes at statutory rates with reported taxes is as follows:

	2004	2003
Loss before income taxes	\$ (1,339,533)	\$ (273,887)
Income tax recovery at statutory rates	\$ 476,873	\$ 102,982
Stock-based compensation not deductible for income tax purposes	(350,858)	(128,622)
Exploration expenditure renounced	124,569	-
Unrecognized benefit of non-capital losses of subsidiary taxed at a different rate	-	(1,292)
(Unrecognized) benefit of non-capital losses	<u>(126,015)</u>	<u>55,217</u>
Future income tax recovery	\$ 124,569	\$ 28,285

Amounts of future tax assets and liabilities are as follows:

	2004	2003
Future tax assets (liabilities):		
Non-capital loss carryforwards	\$ 848,433	\$ 763,309
Resource expenditures	<u>(468,398)</u>	<u>(346,789)</u>
	380,035	416,520
Less: valuation allowance	<u>(380,035)</u>	<u>(416,520)</u>
Net future tax assets (liabilities)	\$ -	\$ -

Temporary differences giving rise to the future tax assets (liabilities) are primarily the result of net operating loss carryforwards and mineral exploration expenses available to offset future taxable income. As of November 30, 2004, the total of these net operating losses and mineral property expenditures was approximately \$2,383,238 and \$(1,315,724), respectively. The right to claim the net operating loss carryovers will expire at various dates through the taxation year ending November 30, 2014. Because of the uncertainty regarding the Company's ability to utilize the tax assets in future years, an allowance equal to the amount of the net asset has been provided. Consequently, the income tax benefits resulting from the utilization of these tax assets will be recognized in the year in which they are realized for tax purposes.

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14. INCOME TAXES (cont'd...)

During the current year, the Company issued 3,775,000 common shares on a flow-through basis for gross proceeds of \$2,380,000. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants.

15. SUBSEQUENT EVENTS

The following events occurred subsequent to November 30, 2004:

- a) Completed a brokered flow-through private placement of 622,222 units at \$0.90 per unit for gross proceeds of \$560,000. Each unit consists of one flow-through common share and one half of one non-flow through share purchase warrant, each whole warrant entitling the holder to purchase an additional common share (311,111 warrants) of the Company at \$1.00 expiring June 22, 2006. The Company paid a commission of 8% (or \$44,800), and a corporate finance fee of \$15,000 plus GST to the agent. The Company also issued an aggregate of 93,333 brokers' warrants exercisable at \$0.95 per share expiring June 22, 2006.

All securities are subject to a four month hold period in accordance with applicable Canadian securities law and the policies of the TSX-V.

- b) Issued 1,045,000 common shares for gross proceeds of \$543,400 pursuant to the exercise of warrants.