

**GOLD CANYON RESOURCES INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**NOVEMBER 30, 2006**

## 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, 2006 and 2005 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, 2006 and 2005 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 LLP”**

Vancouver, Canada

Chartered Accountants

January 31, 2007

A Member of SC INTERNATIONAL

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

	2006	2005 (Restated - Note 3)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 167,777	\$ 596,453
Receivables	18,104	40,680
Marketable securities (Note 4)	72,500	-
Prepaid expenses	<u>1,950</u>	<u>4,003</u>
	260,331	641,136
<b>Equipment</b> (Note 5)	3,142	3,477
<b>Reclamation bond</b> (Note 6)	17,300	-
<b>Mineral properties and deferred exploration costs</b> (Note 6)	<u>13,922,443</u>	<u>11,583,175</u>
	<u>\$ 14,203,216</u>	<u>\$ 12,227,788</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 119,718	\$ 69,951
Due to related parties (Note 7)	<u>73,477</u>	<u>43,569</u>
	193,195	113,520
<b>Future income tax liability</b> (Note 14)	<u>1,332,000</u>	<u>1,017,000</u>
	<u>1,525,195</u>	<u>1,130,520</u>
<b>Shareholders' equity</b>		
Capital stock (Note 8)	18,990,089	17,027,287
Share subscriptions received	116,200	-
Contributed surplus (Note 8)	2,281,329	1,880,962
Deficit	<u>(8,709,597)</u>	<u>(7,810,981)</u>
	<u>12,678,021</u>	<u>11,097,268</u>
	<u>\$ 14,203,216</u>	<u>\$ 12,227,788</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**

	2006	2005 (Restated - Note 3)
<b>ADMINISTRATION EXPENSES</b>		
Amortization	\$ 1,164	\$ 197
Consulting	55,447	33,158
Foreign exchange	43,637	12,761
Insurance	19,894	11,597
Interest	11,726	-
Investor relations	145,674	205,491
Management fees	43,127	32,793
Office and miscellaneous	29,853	30,151
Printing	3,100	5,119
Professional fees	208,308	214,223
Regulatory fees	12,196	11,052
Stock-based compensation (Note 9)	400,367	214,827
Telephone	8,490	14,324
Transfer agent fees	17,012	10,884
Travel and promotion	49,476	84,576
Website design and maintenance	3,978	4,000
	<u>(1,053,449)</u>	<u>(885,153)</u>
<b>OTHER ITEMS</b>		
Interest income	16,127	25,491
Gain on recovery of mineral property acquisition costs (Note 6)	18,283	-
Miscellaneous income	-	6,893
	<u>34,410</u>	<u>32,384</u>
<b>Loss before income taxes</b>	(1,019,039)	(852,769)
<b>Future income tax recovery (expense) (Note 14)</b>	<u>120,423</u>	<u>(4,828)</u>
<b>Loss for the year</b>	(898,616)	(857,597)
<b>Deficit, beginning of year</b>	<u>(7,810,981)</u>	<u>(6,953,384)</u>
<b>Deficit, end of year</b>	\$ (8,709,597)	\$ (7,810,981)
<b>Basic and diluted loss per common share</b>	\$ (0.03)	\$ (0.03)
<b>Weighted average number of common shares outstanding</b>	33,308,765	26,530,363

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**

	2006	2005 (Restated - Note 3)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (898,616)	\$ (857,597)
Items not affecting cash:		
Amortization	1,164	197
Gain on recovery of mineral property acquisition costs	(18,283)	-
Stock-based compensation	400,367	214,827
Future income tax expense (recovery)	(120,423)	4,828
Changes in non-cash working capital items:		
Decrease in receivables	22,576	8,626
Decrease in prepaid expenses	2,053	74,798
Increase (decrease) in accounts payable and accrued liabilities	(28,547)	15,879
Increase in amounts due to related parties	<u>29,908</u>	<u>4,143</u>
Net cash used in operating activities	<u>(609,801)</u>	<u>(534,299)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common shares issued	2,559,927	2,918,629
Share subscriptions received	116,200	-
Share issue costs	<u>(182,388)</u>	<u>(287,493)</u>
Net cash provided by financing activities	<u>2,493,739</u>	<u>2,631,136</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of equipment	(829)	(3,674)
Reclamation bond	(17,300)	-
Acquisition of mineral properties	(139,512)	(85,530)
Mineral property costs recovered	25,000	-
Deferred exploration costs	<u>(2,179,973)</u>	<u>(3,108,290)</u>
Net cash used in investing activities	<u>(2,312,614)</u>	<u>(3,197,494)</u>
<b>Change in cash for the year</b>	(428,676)	(1,100,657)
<b>Cash, beginning of year</b>	<u>596,453</u>	<u>1,697,110</u>
<b>Cash, end of year</b>	<u>\$ 167,777</u>	<u>\$ 596,453</u>
<b>Cash paid during the year for interest and income taxes</b>		
Interest	\$ 11,726	\$ -
Income taxes	-	-

**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, 2006

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**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.

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	2006	2005
		(Restated - Note 3)
Working capital	\$ 67,136	\$ 527,616
Deficit	(8,709,597)	(7,810,981)

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**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.

**Marketable securities**

Marketable securities are carried at the lower of cost and net realizable value.

**Equipment**

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

Computer equipment	30%
Office furniture and fixtures	20%

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

**Mineral properties and deferred exploration costs**

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition and exploration 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.

**Asset retirement obligations**

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability for an asset retirement obligation and the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset. The Company does not have any significant asset retirement obligations.

**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 year. For the years presented, this calculation proved to be anti-dilutive.

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

**Flow-through common shares**

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

Effective March 19, 2004, the Emerging Issues Committee of the Canadian Institute of Chartered Accountants requires that, when flow-through expenditures are renounced, a portion of the future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, be recognized as a recovery of income taxes in the statement of operations.

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

**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 year 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.

**3. RESTATEMENT**

The Company records future income taxes using the asset and liability method. Under this 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. During fiscal 2005, the Company should have recorded a future income tax liability of \$1,017,000, an additional reduction of share capital of \$821,121 and reduced the future income tax recovery by \$195,879, which resulted from the renunciation of exploration expenses to flow-through share subscribers and an adjustment to non-capital loss carry forwards. The effect of the restatement on the year 2005 consolidated financial statements is as follows:

**GOLD CANYON RESOURCES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
NOVEMBER 30, 2006

**3. RESTATEMENT (cont'd...)**

	2005
<b>Future income tax liability:</b>	
As previously reported	\$ -
As restated	1,017,000
<b>Share capital:</b>	
As previously reported	17,848,408
As restated	17,027,287
<b>Future income tax recovery (expense):</b>	
As previously reported	191,051
As restated	(4,828)
<b>Loss for the year:</b>	
As previously reported	(661,718)
As restated	(857,597)
<b>Deficit:</b>	
As previously reported	(7,615,102)
As restated	(7,810,981)
<b>Basic and diluted loss per common share:</b>	
As previously reported	(0.02)
As restated	(0.03)

**4. MARKETABLE SECURITIES**

	2006	2005
Shoreham Resources Ltd. (market value of \$72,500)	\$ 72,500	\$ -

The Company holds 500,000 shares in Shoreham Resources Ltd. ("Shoreham"), a public company listed on the TSX Venture Exchange. The Company received these shares pursuant to a mineral property agreement on the Favourable Lake Property (Note 6).

**5. EQUIPMENT**

	2006			2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 3,824	\$ 1,203	\$ 2,621	\$ 2,994	\$ 169	\$ 2,825
Office furniture and fixtures	<u>680</u>	<u>159</u>	<u>521</u>	<u>680</u>	<u>28</u>	<u>652</u>
	\$ 4,504	\$ 1,362	\$ 3,142	\$ 3,674	\$ 197	\$ 3,477

**GOLD CANYON RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2006**

**6. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS**

<b>2006</b>	Springpole Project	Favourable Lake	Bear Head Uranium	Cordero Property	Caley Property	Total
Acquisition costs	\$ 2,619,392	\$ 70,760	\$ -	\$ 11,893	\$ 33,273	\$ 2,735,318
Additions	34,100	-	66,000	34,756	34,756	169,612
Recovery of acquisition costs	-	(70,760)	-	-	-	(70,760)
	<u>2,653,492</u>	<u>-</u>	<u>66,000</u>	<u>46,649</u>	<u>68,029</u>	<u>2,834,170</u>
Deferred exploration						
Opening balance	<u>7,718,541</u>	<u>6,501</u>	<u>-</u>	<u>1,081,505</u>	<u>41,310</u>	<u>8,847,857</u>
Assays	58,813	-	-	112,662	-	171,475
Camp costs	29,715	-	800	-	-	30,515
Drilling	252,888	-	-	308,085	-	560,973
Equipment rental	55,643	-	-	-	-	55,643
Field crew labour	209,503	-	600	-	-	210,103
Field surveying	5,800	-	-	-	-	5,800
Geological consulting	520,256	1,956	-	114,720	-	636,932
Land royalty payments	120,758	-	-	6,801	11,402	138,961
Material and supplies	14,183	-	-	10,420	-	24,603
Meals and lodging	63,916	-	-	4,523	-	68,439
Metallurgy	-	-	-	2,095	-	2,095
Mobilization and demobilization	12,000	-	-	-	-	12,000
Reproduction and copying	1,248	-	-	-	-	1,248
Sample storage	5,326	-	-	-	-	5,326
Staking and maintenance fees	2,898	-	-	15,531	-	18,429
Telephone and communications	19,238	-	-	-	-	19,238
Travel, transport and shipping	280,200	-	-	6,893	-	287,093
Recovery of deferred exploration costs	-	(8,457)	-	-	-	(8,457)
	<u>1,652,385</u>	<u>(6,501)</u>	<u>1,400</u>	<u>581,730</u>	<u>11,402</u>	<u>2,240,416</u>
Total, deferred exploration costs	<u>9,370,926</u>	<u>-</u>	<u>1,400</u>	<u>1,663,235</u>	<u>52,712</u>	<u>11,088,273</u>
Total, mineral properties and deferred exploration costs	\$ 12,024,418	\$ -	\$ 67,400	\$ 1,709,884	\$ 120,741	\$ 13,922,443

**GOLD CANYON RESOURCES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
NOVEMBER 30, 2006

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

<b>2005</b>	Springpole Project	Favourable Lake	Cordero Property	Caley Property	Total
Acquisition costs	\$ 2,619,392	\$ 70,760	\$ 11,893	\$ 33,273	\$ 2,735,318
Deferred exploration					
Opening balance	4,907,778	-	798,019	33,770	5,739,567
Assays	201,279	281	2,060	-	203,620
Camp costs	26,770	-	-	-	26,770
Drilling	1,221,782	-	-	-	1,221,782
Equipment rental	25,473	-	-	-	25,473
Field crew labour	230,879	-	-	-	230,879
Field surveying	-	-	5,105	-	5,105
Geological consulting	497,420	-	23,933	-	521,353
Geophysics and airborne surveying	36,986	-	-	-	36,986
Land royalty payments	150,401	-	12,457	7,540	170,398
Material and supplies	50,758	-	-	-	50,758
Meals and lodging	39,289	-	-	-	39,289
Metallurgy	-	-	223,491	-	223,491
Reproduction and copying	7,054	-	-	-	7,054
Sample storage	900	-	-	-	900
Staking and maintenance fees	3,263	6,220	16,440	-	25,923
Telephone and communications	27,443	-	-	-	27,443
Travel, transport and shipping	291,066	-	-	-	291,066
	<u>2,810,763</u>	<u>6,501</u>	<u>283,486</u>	<u>7,540</u>	<u>3,108,290</u>
	<u>7,718,541</u>	<u>6,501</u>	<u>1,081,505</u>	<u>41,310</u>	<u>8,847,857</u>
	\$ 10,337,933	\$ 77,261	\$ 1,093,398	\$ 74,583	\$ 11,583,175

**Springpole Project**

The Company controls 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.

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

**Springpole Project (cont'd...)**

In an option agreement dated May 9, 2005, with 1544230 Ontario Inc. the Company acquired new mineral units bordering the Springpole Project. Total consideration consists of cash payments totaling \$136,000 and the issuance of 120,000 common shares, payable as follows:

	<u>Cash</u>	<u>Shares</u>
On Exchange Approval	\$ 16,000 (Paid)	30,000 (Issued)
On 1 <sup>st</sup> anniversary	20,000 (Paid)	30,000 (Issued)
On 2 <sup>nd</sup> anniversary	25,000	30,000
On 3 <sup>rd</sup> anniversary	30,000	30,000
On 4 <sup>th</sup> anniversary	45,000	-

**Favourable Lake Property**

In August 2005, the Company acquired the Favourable Lake silver – gold – base metal property located in Northwestern Ontario. The Company paid \$15,000 cash, and issued 40,000 shares at a value of \$0.57 per share, together with the grant of a 2% NSR, 1% of which may be repurchased by the Company prior to production. The Company has staked additional claim units surrounding the Favourable Lake claims. Pursuant to an agreement with the prospector, the Company has granted a 2% NSR on these surrounding claims.

On December 22, 2005, the Company entered into a mineral property option agreement with Shoreham Resources Ltd. (“Shoreham”) with respect to its Favourable Lake claims. Pursuant to the terms of the agreement, Shoreham has agreed to pay the Company \$50,000 cash, issue an aggregate of 1,000,000 common shares in the capital of Shoreham and incur expenditures in the aggregate of \$1,000,000 on the Favourable Lake property over a term of 4 years. If such payments, deliveries and expenditures are made in accordance with the option agreement, Shoreham may exercise its option to acquire a 60% undivided interest in the Company’s Favourable Lake property.

Shoreham may, at its discretion, extend the term of the option for a further one year period, pay the Company an additional \$500,000 in cash, or at the option of Shoreham, issue common shares in the capital of Shoreham with a market value of \$500,000 and incur additional expenditures in the aggregate of \$1,000,000 on the Favourable Lake property. Shoreham may, thereafter, exercise its option to acquire an 80% undivided interest in the Company’s Favourable Lake property. Upon exercise of the option, Shoreham and the Company shall be deemed to have formed a joint venture with respective joint venture interests to the initial interest of each party in the property, subject to adjustment in accordance with the terms of the joint venture.

On March 1, 2006, the Company received \$25,000 and 500,000 common shares of Shoreham (valued at \$72,500) pursuant to the mineral property agreement for the Favourable Lake property. As at August 31, 2006, the Company recognized a net gain of \$18,283 on the recovery of property costs of \$79,217 on the Favourable Lake property.

On March 8, 2006, the Company was notified by Shoreham that Shoreham received regulatory approval for its option agreement with the Company for the Favourable Lake Property in the Red Lake Mining Division in Northwestern Ontario.

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

**Bear Head Uranium Property**

On July 21, 2006, the Company entered into a mineral property option agreement to acquire 30 claims covering approximately 7,770 hectares (19,200 acres) in the Favourable Lake Area of north-western Ontario. This new Bear Head Uranium project targets uranium potential adjacent to the Company's existing Favourable Lake polymetallic property of roughly 4,288 hectares (10,591 acres) which is currently under option to Shoreham pursuant to an option and joint venture agreement entered into in December, 2005.

In consideration of the option to acquire the 30 claims (totalling 480 units), the Company paid \$50,000 in cash and, issued 50,000 common shares at a deemed price of \$0.32 per share. The Company must also expend an aggregate of \$150,000 on mining and exploration of the property over the three year option term. There is a 2% Production Royalty over all 30 claims, with the Company having the option to re-acquire 1% of this royalty upon payment of \$1 million.

**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
- 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.

During the current year, the Company posted a refundable reclamation bond totalling \$17,300 (US\$15,323) with the Nevada Department of Minerals relating to the exploration of the Cordero property.

**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.

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

**Caley Property (cont'd...)**

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:

<u>Anniversary of Agreement</u>	<u>Work Commitment</u>
On or before the 1 <sup>st</sup> anniversary	US \$ 50,000
On or before the 2 <sup>nd</sup> anniversary	100,000
On or before the 3 <sup>rd</sup> anniversary	150,000
On or before the 4 <sup>th</sup> 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.

On January 27, 2006, the Company amended the terms of the lease agreement dated June 26, 2001, whereby the Company must spend a total of US\$300,000 per year (before November 30 of each respective year) after the 4<sup>th</sup> anniversary of the agreement with respect to its work commitment on the Caley Property. The Company must pay a penalty of 10% of the amount under US\$300,000 per year that is spent. The Company paid US\$40,000 and reimbursed \$23,500 of costs to amend the agreement.

**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.

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**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, 2004	23,780,453	\$ 15,403,641	\$ 1,628,517
For cash			
Exercise of options	20,000	7,600	-
Exercise of warrants	1,045,000	543,400	-
Private placements	3,602,222	2,367,629	-
Shares issued for mineral claims	70,000	42,300	-
Broker warrants issued	-	-	37,618
Issue costs	-	(325,111)	-
Stock-based compensation	-	-	214,827
Tax benefits renounced to flow-through share subscribers (Restated – Note 3)	-	(1,012,172)	-
As at November 30, 2005 (Restated – Note 3)	28,517,675	17,027,287	1,880,962
For cash			
Private placements	7,526,349	2,559,927	-
Finder's shares	51,000	15,760	-
Shares for mineral claims	80,000	30,100	-
Stock-based compensation	-	-	400,367
Issue costs	-	(207,562)	-
Tax benefits renounced to flow-through share subscribers	-	(435,423)	-
As at November 30, 2006	36,175,024	\$ 18,990,089	\$ 2,281,329

During the year ended November 30, 2006:

The Company completed the following private placements:

- a) On December 29, 2005 the Company completed a brokered flow-through private placement of 1,142,857 units at \$0.35 per unit for gross proceeds of \$400,000. Each unit is comprised of one common share and one half of one share purchase warrant. One full warrant will allow the holder to purchase one additional common share at \$0.45 per share expiring June 29, 2007. The Company paid \$24,000 in finder's fees related to this private placement.

In conjunction with the above, the Company also completed a non-brokered flow-through private placement under the same terms as outlined above for 146,000 units for gross proceeds of \$51,100. Finder's fees of \$2,828 were paid on this private placement.

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

- b) On March 13, 2006, the Company closed a non-brokered private placement originally announced on February 13, 2006. The private placement, representing the first of two tranches, consists of 1,050,000 units at \$0.29 (US\$0.25) per unit for gross proceeds of \$304,500 (US\$262,500). Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$0.46 (US\$0.40) per share until March 13, 2008. The Company paid finder's fees of (US)\$2,600 cash to Shields & Company of New York, New York and \$9,280 to Canaccord Capital Corp., the latter satisfied by the payment of \$4,640 cash and the delivery of 16,000 units at a deemed price per unit of \$0.29 (US\$0.25).
- c) On March 31, 2006, the Company closed the second and final tranche of a non-brokered private placement originally announced on February 13, 2006. The private placement consists of 1,634,825 units at \$0.29 (US\$0.25) per unit for gross proceeds of \$474,100 (US\$408,706). Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$0.46 (US\$0.40) per share until March 31, 2008. The Company paid finder's fees of (US)\$22,000 cash to Shields & Company of New York, New York.
- d) On April 6, 2006 the Company closed and completed a non-brokered flow-through private placement of 1,875,000 common share units at a price of \$0.40 per unit for gross proceeds of \$750,000. Each unit consists of one flow-through common share and one half of a warrant, where one whole warrant will be exercisable into one common share at a price of \$0.50 per share until October 5, 2007. The Company paid a finder's fee of \$60,000 to Max Capital Markets Ltd. of Toronto, Ontario.
- e) On May 30, 2006, the Company closed a non-brokered private placement and has issued 920,667 common share units at \$0.40 (US\$0.36) per unit for gross proceeds of \$368,266 (US\$331,440). Each unit consists of one common share in the capital of the Company and one half of one non-transferable common share purchase warrant, each whole warrant entitling the holder to acquire one additional common share at a price of \$0.50 (US\$0.45) per share until May 29, 2008. The Company paid aggregate finders' fees of \$16,800 to various eligible persons, of which \$12,600 was paid in cash and \$4,400 was satisfied by the issuance of 11,000 units at a deemed price per unit of \$0.40.
- f) On November 22, 2006, the Company closed a non-brokered private placement and has issued 757,000 common share units at \$0.28 (US\$0.25) per unit for gross proceeds of \$211,960 (US\$189,250). Each unit consists of one common share in the capital of the Company and one non-transferable common share purchase warrant, each whole warrant entitling the holder to acquire one additional common share at a price of \$0.40 (US\$0.35) per share until November 22, 2008. The Company paid aggregate finders' fees of \$13,440, of which \$6,720 was paid in cash and \$6,720 was satisfied by the issuance of 24,000 units at a deemed price per unit of \$0.28. All securities will be subject to a four month hold period expiring on March 23, 2007.

The Company issued the following common shares to acquire mineral claims:

- a) 30,000 common shares with a value of \$14,100 to acquire additional claims on the Springpole Property (Note 6).
- b) 50,000 common shares with a value of \$16,000 to acquire claims pursuant to the Bear Head Uranium Property Agreement (Note 6).

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

As at November 30, 2006, the Company had received \$116,200 in subscriptions with respect to a private placement which was completed subsequent to the period. See Note 15.

During the year-ended November 30, 2005:

The Company completed the following private placements:

- a) On December 22, 2004, the Company completed a brokered flow-through private placement of 622,222 units at \$0.90 per unit for gross proceeds of \$560,000. Each unit consisted 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 one additional common share at \$1.00 per share expiring June 22, 2006. The Company paid a commission of 8% (or \$44,800), and a corporate finance fee of \$15,000 to the agent. The Company also issued an aggregate of 93,333 brokers warrants, entitling the agent to purchase one common share at \$0.95 per share expiring June 22, 2006. These broker warrants have been recorded at a fair value of \$16,658 and are included in contributed surplus.
- b) On June 21, 2005, the Company completed a flow through brokered private placement of 1,250,000 common shares at \$0.60 per share for gross proceeds of \$750,000. The Company paid commission of 8% of the gross proceeds being \$60,000 and legal costs associated with the private placement. The Company also issued an aggregate of 125,000 non-transferable broker warrants, each warrant entitling the agent to purchase one common share at \$0.65 per share on or before expiring December 21, 2006. These broker warrants have been recorded at a fair value of \$20,960 and are included in contributed surplus.
- c) On July 20, 2005, the Company completed a private placement of 1,630,000 units at US\$0.50 per Unit for gross proceeds of \$996,464 (US\$815,000). Each unit consisted of one common share and one-half of one non-transferable share purchase warrant, each whole warrant entitling the holder to acquire one additional common share at US\$0.60 per share expiring January 20, 2007. A finders' fee equal to 8% of the gross proceeds of the private placement was paid in cash.
- d) On September 19, 2005, the Company completed a private placement of 100,000 units at US\$0.50 per unit for gross proceeds of \$61,135 (US\$50,000). Each unit consisted of one common share and one non-transferable share purchase warrant, each whole warrant entitling the holder to acquire one additional common share at US\$0.60 per share expiring March 20, 2007. A finders' fee equal to 8% of the gross proceeds of the private placement was paid in cash.

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

The Company issued 1,045,000 common shares for gross proceeds of \$543,400 pursuant to the exercise of warrants and also issued 20,000 common shares for gross proceeds of \$7,600 pursuant to the exercise of stock options.

The Company issued the following common shares to acquire mineral claims:

- a) 30,000 common shares with a value of \$19,500 to acquire additional claims on the Springpole Property (Note 6).
- b) 40,000 common shares with a value of \$22,800 to acquire claims pursuant to the Favourable Lake Property Agreement (Note 6).

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

**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. Options granted to employees vest fully on grant. Options issued to an investor relations consultant vest in stages over 12 months with one quarter of the options vesting in any three month period.

On December 29, 2005, the Company granted 275,000 stock options to directors, officers and consultants exercisable at \$0.25 until December 29, 2007.

On January 18, 2006, the Company granted 411,000 stock options to directors, officers and consultants exercisable at \$0.35 until January 18, 2008.

On March 27, 2006, the Company granted 305,000 stock options to directors, senior officers, and consultants exercisable at \$0.30 until March 27, 2008.

On June 1, 2006, the Company granted 200,000 stock options to consultants exercisable at \$0.30 until June 1, 2008.

On August 4, 2006, the Company granted 918,000 stock options to directors, senior officers and consultants exercisable at \$0.30 until August 4, 2008.

On September 20, 2006, the Company granted 200,000 stock options to a director exercisable at \$0.30 until September 20, 2008.

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

	2006		2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	2,838,000	\$ 0.60	2,268,000	\$ 0.61
Exercised	-	-	(20,000)	0.38
Granted	2,309,000	0.30	965,000	0.51
Expired/cancelled	<u>(1,873,000)</u>	0.64	<u>(375,000)</u>	0.43
Outstanding, end of year	3,274,000	0.37	2,838,000	0.60
Options exercisable, end of year	3,249,000	\$ 0.37	2,838,000	\$ 0.60

**GOLD CANYON RESOURCES INC.**  
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**8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Stock options (cont'd...)**

Stock options outstanding at November 30, 2006 are as follows:

Number of Options	Exercise Price	Expiry Date
295,000	\$ 0.55	May 4, 2007
670,000	0.50	October 3, 2007
275,000	0.25	December 29, 2007
411,000	0.35	January 18, 2008
305,000	0.30	March 27, 2008
200,000	0.30	June 1, 2008
918,000	0.30	August 4, 2008
200,000	0.30	September 20, 2008

**Warrants**

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

	2006		2005	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	2,685,525	\$ 0.77	2,979,414	\$ 0.67
Exercised	-	-	(1,045,000)	0.52
Granted	5,529,586	0.46	1,394,444	0.78
Expired/cancelled	(1,695,525)	0.82	(643,333)	0.74
Outstanding, end of year	6,519,586	\$ 0.49	2,685,525	\$ 0.77
Warrants exercisable, end of year	6,519,586	\$ 0.49	2,685,525	\$ 0.77

**GOLD CANYON RESOURCES INC.**  
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**8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Warrants (cont'd...)**

Warrants outstanding at November 30, 2006 are as follows:

Number of Shares	Exercise Price	Expiry Date
125,000	\$ 0.65	December 21, 2006 (subsequently expired)
815,000	(US)0.60	January 20, 2007 (subsequently expired)
50,000	(US)0.60	March 20, 2007
644,428	0.45	June 29, 2007
937,500	0.50	October 5, 2007
1,066,000	(US)0.40	March 13, 2008
1,634,825	(US)0.40	March 31, 2008
465,833	0.50	May 29, 2008
781,000	0.40	November 22, 2008

**9. STOCK-BASED COMPENSATION**

During the year ended November 30, 2006, the Company granted 2,309,000 (2005 – 965,000) stock options to employees, directors, officers and consultants of which 2,284,000 (2005 – 965,000) are fully vested at November 30, 2006. The estimated fair value of these options was \$0.17 (2005 - \$0.22) per option for an estimated total value of \$400,367 (2005 - \$214,827). 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.

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

	2006	2005
Risk-free interest rate	3.75 – 4.13%	3.06 – 3.31%
Expected life of options	2.0 years	2.0 years
Annualized volatility	70.30 – 87.98%	65.20 – 87.00%
Dividend rate	0.00%	0.00%

**GOLD CANYON RESOURCES INC.**  
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**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, 2006		
Canada	\$ 3,142	\$ 12,091,818
United States	<u>-</u>	<u>1,830,625</u>
	<u>\$ 3,142</u>	<u>\$ 13,922,443</u>
November 30, 2005		
Canada	\$ 3,477	\$ 10,415,195
United States	<u>-</u>	<u>1,167,980</u>
	<u>\$ 3,477</u>	<u>\$ 11,583,175</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 \$43,127 (2005 - \$32,793) to three directors of the Company.
- b) Paid or accrued \$114,250 (2005 - \$134,892) for accounting, secretarial, rent and administrative services to a company of which a director is president.
- c) Paid or accrued \$87,140 (2005 - \$137,048) for geological consulting fees, which are included in deferred exploration costs, to a director of the Company.
- d) Paid or accrued \$3,025 (2005 - \$Nil) for geological consulting fees, which are included in deferred exploration costs, to a company controlled by an officer of the Company.
- e) Paid or accrued \$49,750 (2005 - \$32,350) for geological consulting fees, which are included in deferred exploration costs, to an officer of the Company.

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

- f) Paid or accrued consulting fees of \$32,995 (2005 - \$32,779) to a director of the Company.
- g) Two of the Company's directors transferred 50,000 (25,000 each) (2005 – Nil) common shares of the Company, on behalf of the Company, valued at \$23,500 pursuant to the amended Caley property agreement (See Note 6).

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**

The significant non-cash transactions for the year ended November 30, 2006 were as follows:

- a) Issuance of 30,000 common shares valued at \$14,100 pursuant to a mineral property agreement on the Springpole property (See Note 6).
- b) Issuance of 27,000 common shares valued at \$9,040 as finder's fees pursuant to private placements completed in March 2006 and May 2006 (See Note 8).
- c) Received 500,000 common shares of Shoreham Resources Inc.(valued at \$72,500) pursuant to a mineral property option agreement on the Favourable Lake Property (See Note 6).
- d) Issuance to 50,000 common shares valued at \$16,000 pursuant to a mineral property agreement on the Bear Head Uranium Property (See Note 6).
- e) Issuance of 24,000 common shares valued at \$6,720 as finder's fees pursuant to a private placement completed in November 2006 (See Note 8).
- f) Included in year end accounts payable are \$68,900 related to deferred exploration costs and \$9,414 related to share issuance costs.

Significant non-cash transactions for the year ended November 30, 2005 were as follows:

- a) The issuance of 30,000 common shares with a value of \$19,500 to acquire additional mineral claims contiguous to the Springpole property.
- b) The issuance of 40,000 common shares with a value of \$22,800 to acquire the Favourable Lake claims.
- c) The Company issued 93,333 brokers' warrants valued at \$16,658 and 125,000 non-transferable broker warrants valued at \$20,960 as part of the finance fee for the brokered private placements.

**GOLD CANYON RESOURCES INC.**  
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**13. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables, marketable securities, reclamation bonds, 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.

**14. INCOME TAXES**

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

	2006	2005 (Restated - Note 3)
Loss before income taxes	\$ (1,019,039)	\$ (852,769)
Income tax recovery at statutory rates	\$ (366,304)	\$ (333,262)
Non tax deductible expenditures	133,882	72,299
Non-capital losses and deferred resource expenses	111,999	265,791
Future income tax expense (recovery)	\$ (120,423)	\$ 4,828

The tax effects of temporary differences that give rise to significant components of future income tax assets and liabilities are as follows:

	2006	2005 (Restated - Note 3)
Future tax assets:		
Financing costs	\$ 182,000	\$ 190,000
Losses available for future periods	224,000	161,000
	406,000	351,000
Future income tax liabilities:		
Difference between book and tax values of mineral properties and deferred exploration costs	(1,738,000)	(1,368,000)
Net future tax assets (liabilities)	\$ (1,332,000)	\$ (1,017,000)

**GOLD CANYON RESOURCES INC.**  
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**14. INCOME TAXES (cont'd...)**

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, 2006, the total of these net operating losses was approximately \$724,000 and (2005 – \$519,000; restated – Note 3), respectively. The right to claim the net operating loss carryovers will expire at various dates through the taxation year ending November 30, 2026.

During the current year, the Company issued 3,163,857 (2005 - 1,872,222) common shares on a flow-through basis for gross proceeds of \$1,201,100 (2005 - \$1,310,000). 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. The Company recognized a future income tax liability of \$1,332,000 (2005 - \$1,017,000; restated – Note 3) and a charge of \$435,423 (2005 - \$1,012,172; restated – Note 3) to capital stock and a recovery (expense) of \$120,423 (2005 - \$(4,828); restated – Note 3) of future income tax.

**15. SUBSEQUENT EVENTS**

The following events occurred subsequent to November 30, 2006:

- a) Completed a non-brokered private placement for 1,760,000 common share units at a price of \$0.28 per unit for gross proceeds of \$492,800. Each unit consists of one common share in the capital of the Company and one non-transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$0.40 per share for a period of 2 years. Regulatory approval was received on December 13, 2006.
- b) Completed a non-brokered private placement of 1,740,000 common share units at a price of US\$0.26 (Cdn\$0.30) for gross proceeds of US\$452,400 (Cdn\$522,000). Each unit is comprised of one common share and one non-transferable share purchase warrant exercisable at US\$0.39 (Cdn\$0.45) per share for two years. The Company paid finder's fees of \$4,560 in cash.
- c) Granted 1,075,000 stock options to certain directors, senior officers and consultants exercisable at \$0.35 per share until December 29, 2008.
- d) Issued 565,000 shares at \$0.30 per share due to exercise of options.