

GOLD CANYON RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2007

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, 2007 and 2006 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, 2007 and 2006 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

February 20, 2008



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

	2007	2006
ASSETS		
Current		
Cash	\$ 849,723	\$ 167,777
Receivables	98,759	18,104
Marketable securities (Note 3)	270,000	72,500
Prepaid expenses	<u>25,690</u>	<u>1,950</u>
	1,244,172	260,331
Equipment (Note 4)	2,801	3,142
Reclamation bond (Note 5)	14,772	17,300
Mineral properties and deferred exploration costs (Note 5)	<u>15,543,787</u>	<u>13,922,443</u>
	<u>\$ 16,805,532</u>	<u>\$ 14,203,216</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 234,353	\$ 119,718
Due to related parties (Note 6)	<u>8,287</u>	<u>73,477</u>
	242,640	193,195
Future income tax liability (Note 12)	<u>1,117,000</u>	<u>1,332,000</u>
	<u>1,359,640</u>	<u>1,525,195</u>
Shareholders' equity		
Capital stock (Note 7)	21,300,492	18,990,089
Share subscriptions received (Note 7)	550,000	116,200
Contributed surplus (Note 7)	2,742,932	2,281,329
Deficit	<u>(9,147,532)</u>	<u>(8,709,597)</u>
	<u>15,445,892</u>	<u>12,678,021</u>
	<u>\$ 16,805,532</u>	<u>\$ 14,203,216</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

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

	2007	2006
ADMINISTRATION EXPENSES		
Amortization	\$ 890	\$ 1,164
Consulting	9,525	55,447
Foreign exchange loss (gain)	(15,331)	43,637
Insurance	16,009	19,894
Interest	322	11,726
Investor relations	142,423	145,674
Management fees	63,946	43,127
Office and miscellaneous	31,245	29,853
Printing	8,544	3,100
Professional fees	214,872	208,308
Regulatory fees	14,613	12,196
Stock-based compensation (Note 8)	564,732	400,367
Telephone	8,425	8,490
Transfer agent fees	16,973	17,012
Travel and promotion	66,246	49,476
Website design and maintenance	3,149	3,978
	<u>(1,146,583)</u>	<u>(1,053,449)</u>
OTHER ITEMS		
Interest income	13,995	16,127
Mineral property option income (Note 5)	70,000	18,283
Unrealized appreciation of marketable securities	152,500	-
	<u>236,495</u>	<u>34,410</u>
Loss before income taxes	(910,088)	(1,019,039)
Future income tax recovery (Note 12)	<u>472,153</u>	<u>120,423</u>
Loss for the year	(437,935)	(898,616)
Deficit, beginning of year	<u>(8,709,597)</u>	<u>(7,810,981)</u>
Deficit, end of year	\$ (9,147,532)	\$ (8,709,597)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding	41,445,792	33,308,765

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

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (437,935)	\$ (898,616)
Items not affecting cash:		
Amortization	890	1,164
Mineral property option income	(45,000)	(18,283)
Stock-based compensation	564,732	400,367
Unrealized appreciation of marketable securities	(152,500)	-
Foreign exchange on reclamation bond	2,018	-
Future income tax recovery	(472,153)	(120,423)
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(51,286)	22,576
(Increase) decrease in prepaid expenses	(23,740)	2,053
Increase (decrease) in accounts payable and accrued liabilities	104,917	(28,547)
Increase (decrease) in amounts due to related parties	<u>(65,190)</u>	<u>29,908</u>
Net cash used in operating activities	<u>(575,247)</u>	<u>(609,801)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued	2,407,517	2,559,927
Share subscriptions received	550,000	116,200
Share issue costs	<u>(109,504)</u>	<u>(182,388)</u>
Net cash provided by financing activities	<u>2,848,013</u>	<u>2,493,739</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(549)	(829)
Reclamation bond	510	(17,300)
Acquisition of mineral properties	(50,000)	(139,512)
Mineral property costs recovered	-	25,000
Deferred exploration costs	<u>(1,540,781)</u>	<u>(2,179,973)</u>
Net cash used in investing activities	<u>(1,590,820)</u>	<u>(2,312,614)</u>
Change in cash for the year	681,946	(428,676)
Cash, beginning of year	<u>167,777</u>	<u>596,453</u>
Cash, end of year	<u>\$ 849,723</u>	<u>\$ 167,777</u>
Cash paid during the year for interest and income taxes		
Interest	\$ -	\$ -
Income taxes	-	-

Supplemental disclosures with respect to cash flows (Note 10)

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

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007

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.

	2007	2006
Working capital	\$ 1,001,532	\$ 67,136
Deficit	(9,147,532)	(8,709,597)

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.

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...)

Marketable securities

Effective December 1, 2006, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861 Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet either at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

As a result of the adoption of these new standards, the Company has classified its cash and marketable securities as held-for-trading. Receivables are classified as loans and receivables. Reclamation bond is classified as held-to-maturity. Accounts payable and accrued liabilities and due to related parties are classified as other liabilities, which are measured at amortized cost.

The application of section 3855 has no impact on the Company's financial position as at December 31, 2006.

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.

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

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. 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, are recognized as a recovery of income taxes in the statement of operations.

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.

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007

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

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. MARKETABLE SECURITIES

The Company holds 750,000 shares with a cost of \$117,500 (2006 – 500,000 shares with a cost of \$72,500) in Shoreham Resources Ltd., a public company listed on the TSX Venture Exchange. The Company received these shares pursuant to a mineral property agreement on the Favourable Lake Project (Note 5).

4. EQUIPMENT

	2007			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 4,373	\$ 1,989	\$ 2,384	\$ 3,824	\$ 1,203	\$ 2,621
Office furniture and fixtures	<u>680</u>	<u>263</u>	<u>417</u>	<u>680</u>	<u>159</u>	<u>521</u>
	\$ 5,053	\$ 2,252	\$ 2,801	\$ 4,504	\$ 1,362	\$ 3,142

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

2007	Springpole Project	Bear Head Project	Horseshoe Island Project	Cordero Gallium Project	Total
Acquisition costs	\$ 2,653,492	\$ 66,000	\$ -	\$ 114,678	\$ 2,834,170
Additions	<u>37,300</u>	<u>-</u>	<u>53,500</u>	<u>-</u>	<u>90,800</u>
Total, acquisition costs	<u>2,690,792</u>	<u>66,000</u>	<u>53,500</u>	<u>114,678</u>	<u>2,924,970</u>
Deferred exploration					
Opening balance	<u>9,370,926</u>	<u>1,400</u>	<u>-</u>	<u>1,715,947</u>	<u>11,088,273</u>
Assays	24,553	-	23,473	65,261	113,287
Camp costs	5,013	-	1,281	-	6,294
Drilling	194,977	-	-	48,684	243,661
Equipment rental	32,870	-	30,450	4,397	67,717
Camp geotech	158,689	-	99,750	29,100	287,539
Geological consulting	142,496	-	43,900	99,453	285,849
Geophysics and airborne surveying	-	52,086	-	-	52,086
Insurance	-	-	-	7,337	7,337
Land royalty payments	129,469	-	-	17,464	146,933
Material and supplies	12,392	-	6,079	3,511	21,982
Meals and lodging	30,887	-	11,797	14,797	57,481
Metallurgy	-	-	-	2,458	2,458
Mobilization and demobilization	18,000	-	-	6,998	24,998
Reproduction and copying	39	-	-	333	372
Sample storage	1,102	-	-	6,853	7,955
Staking and maintenance fees	2,537	-	-	41,526	44,063
Telephone and communications	5,786	-	1,817	1,167	8,770
Travel, transport and shipping	<u>94,662</u>	<u>-</u>	<u>36,898</u>	<u>20,202</u>	<u>151,762</u>
	<u>853,472</u>	<u>52,086</u>	<u>255,445</u>	<u>369,541</u>	<u>1,530,544</u>
Total, deferred exploration costs	<u>10,224,398</u>	<u>53,486</u>	<u>255,445</u>	<u>2,085,488</u>	<u>12,618,817</u>
Total, mineral properties and deferred exploration costs	\$ 12,915,190	\$ 119,486	\$ 308,945	\$ 2,200,166	\$ 15,543,787

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

2006	Springpole Project	Favourable Lake Project	Bear Head Project	Cordero Gallium Project	Total
Acquisition costs	\$ 2,619,392	\$ 70,760	\$ -	\$ 45,166	\$ 2,735,318
Additions	34,100	-	66,000	69,512	169,612
Recovery of acquisition costs	-	(70,760)	-	-	(70,760)
Total, acquisition costs	<u>2,653,492</u>	<u>-</u>	<u>66,000</u>	<u>114,678</u>	<u>2,834,170</u>
Deferred exploration					
Opening balance	<u>7,718,541</u>	<u>6,501</u>	<u>-</u>	<u>1,059,815</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	-	-	18,203	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>593,132</u>	<u>2,240,416</u>
Total, deferred exploration costs	<u>9,370,926</u>	<u>-</u>	<u>1,400</u>	<u>1,715,947</u>	<u>11,088,273</u>
Total, mineral properties and deferred exploration costs	<u>\$ 12,024,418</u>	<u>\$ -</u>	<u>\$ 67,400</u>	<u>\$ 1,830,625</u>	<u>\$ 13,922,443</u>

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

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.

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 st anniversary	20,000 (Paid)	30,000 (Issued)
On 2 nd anniversary	25,000 (Paid)	30,000 (Issued)
On 3 rd anniversary	30,000	30,000
On 4 th anniversary	45,000	-

Favourable Lake Project

In August 2005, the Company acquired the Favourable Lake property located in northwestern Ontario. The Company paid \$15,000, 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.

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

Favourable Lake Project (cont'd...)

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.

As at November 30, 2007, the Company has received from Shoreham \$50,000 cash and 750,000 common shares with original value of \$117,500 (Note 3).

Bear Head Project

On July 21, 2006, the Company entered into a mineral property option agreement to acquire certain claims in the Favourable Lake Area of north-western Ontario.

In consideration of the option the Company paid \$50,000 in cash and issued 50,000 common shares at a value 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 claims, with the Company having the option to re-acquire 1% of this royalty upon payment of \$1 million.

Horseshoe Island Project

The Company acquired an assignment of an option to acquire 100% of 10 contiguous mineral claims representing the Horseshoe Island Project currently held by Vital Resources Corp ("Vital").

Pursuant to the terms of the June 20, 2007 agreement, the Company paid to Vital the sum of \$25,000 and issued 50,000 common shares in the capital of the Company to Vital at a value of \$0.57 per share. In order to exercise the option and acquire the 100% interest in the claims, the Company will be required to pay an aggregate of \$85,000 in cash over a 2 year period and incur expenditures in the amount of \$25,000 on or before May 1, 2008. The claims are subject to a 1.5% net smelter royalty in favour of the original optionors. This agreement received regulatory approval on July 3, 2007.

Cordero Gallium Project

i) 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.

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

Cordero Gallium Project (cont'd...)

i) Cordero Property (cont'd...)

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\$7,000 (paid) on the first anniversary of the agreement, US\$8,000 (paid) on the second anniversary, and US\$10,000 per year throughout the remaining term of the Assignment Agreement which will be credited against future NSR's payable, if any.

The Company has a refundable reclamation bond totalling \$14,772 (US\$14,921) posted with the Nevada Department of Minerals relating to the exploration of the Cordero property.

ii) 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.

On January 27, 2006, the Company amended the terms of the Lease Agreement. As consideration, the Company paid US\$40,000 and reimbursed \$23,500 of costs to amend the agreement.

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

Cordero Gallium Project (cont'd...)

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

The amended work commitment schedule is as follows:

<u>Anniversary of Agreement</u>	<u>Work Commitment</u>
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
On or before November 30, 2006	300,000
In each year thereafter until 2016	300,000

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 the above expenditures.

6. DUE TO RELATED PARTIES

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

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

- a) Paid or accrued management fees of \$63,946 (2006 - \$43,127) to three directors of the Company.
- b) Paid or accrued \$103,250 (2006 - \$114,250) for accounting, secretarial, rent and administrative services to a company of which a director is president.
- c) Paid or accrued \$582 (2006 - \$87,140) for geological consulting fees, which are included in deferred exploration costs, to a former director of the Company.
- d) Paid or accrued \$183,571 (2006 - \$3,025) 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 \$5,500 (2006 - \$49,750) for geological consulting fees, which are included in deferred exploration costs, to an officer of the Company.
- f) Paid or accrued consulting fees of \$Nil (2006 - \$32,995) to a former director of the Company.

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007

6. DUE TO RELATED PARTIES (cont'd...)

g) Two of the Company's directors transferred Nil (2006 – 50,000) common shares of the Company, on behalf of the Company, valued at \$Nil (2006 - \$23,500) pursuant to the amended Caley property agreement (See Note 5).

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 will pay a monthly fee of \$4,000 plus GST and reimburse all reasonable expenses incurred during the performance of the services.

7. 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, 2005	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
For cash			
Exercise of stock options	690,000	202,500	-
Exercise of warrants	1,227,678	576,417	-
Private placements	5,500,000	1,744,800	-
Shares for mineral claims	80,000	40,800	-
Stock-based compensation	-	-	564,732
Contributed surplus on exercise of stock options	-	103,129	(103,129)
Issue costs	-	(100,090)	-
Tax benefits renounced to flow-through share subscribers	-	(257,153)	-
As at November 30, 2007	43,672,702	\$ 21,300,492	\$ 2,742,932

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007

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

During the year ended November 30, 2007 the Company:

- a) Completed a non-brokered private placement of 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 and one non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at \$0.40 per share expiring December 13, 2008. The Company paid a finder's fee of \$336.
- b) Completed the first tranche of a non-brokered private placement of 1,340,000 common share units at a price of US\$0.26 (Cdn\$0.30) for gross proceeds of US\$348,400 (Cdn\$402,000) on January 2, 2007. 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 expiring January 2, 2009. Completed a second and final tranche of a non-brokered private placement of 400,000 common share units at a price of US\$0.26 (Cdn\$0.30) for gross proceeds of US\$104,000 (Cdn\$120,000) on January 22, 2007. 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 expiring January 22, 2009. The Company paid finders' fees of \$4,560.
- c) Completed a flow-through private placement of 1,000,000 common share units at a price of \$0.40 per unit for gross proceeds of \$400,000. Each unit consists of one common share and one-half of one transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at \$0.50 per share expiring May 23, 2009. The Company paid a commission of \$32,000.
- d) Completed a non-brokered private placement of 1,000,000 common share units at a price of \$0.33 per unit for gross proceeds of \$330,000. Each unit consists of one flow-through common share and one non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at \$0.40 per share expiring May 29, 2009. The Company paid a finder's fee of \$26,400.
- e) Issued 690,000 common shares for gross proceeds for \$202,500 pursuant to the exercise of stock options.
- f) Issued 1,227,678 common shares for gross proceeds of \$576,418 pursuant to the exercise of warrants.
- g) Issued 80,000 common shares valued at \$40,800 for various mineral properties.

The Company is undertaking a non-brokered private placement of 6,000,000 common share units at \$0.50 per unit for gross proceeds of \$3,000,000. As at November 30, 2007, the Company had received \$550,000 in subscriptions with respect to this private placement which was completed subsequent to the year end (Note 13).

During the year ended November 30, 2006 the Company:

- a) 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.

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

- b) Completed a non-brokered private placement 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) Completed a non-brokered private placement 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) 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) Completed a non-brokered private placement of 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) Completed a non-brokered private placement of 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.
- g) Issued 80,000 common shares with a value of \$30,100 for various mineral claims.

Stock options

The Company, in accordance with its stock option plan, is authorized to grant options to directors, employees and consultants, to acquire up to 10% of its 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 consultants vest in stages over 12 months with one quarter of the options vesting in any three month period.

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007

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

Stock options (cont'd...)

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

	2007		2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	3,274,000	\$ 0.37	2,838,000	\$ 0.60
Exercised	(690,000)	0.29	-	-
Granted	2,751,000	0.41	2,309,000	0.30
Expired/cancelled	<u>(1,000,000)</u>	0.51	<u>(1,873,000)</u>	0.64
Outstanding, end of year	4,335,000	0.37	3,274,000	0.37
Options exercisable, end of year	4,110,000	\$ 0.37	3,249,000	\$ 0.37

Stock options outstanding at November 30, 2007 are as follows:

Number Of Shares	Exercise Price	Expiry Date
175,000	\$ 0.25	December 29, 2007
401,000	0.35	January 18, 2008
285,000	0.30	March 27, 2008
200,000	0.30	June 1, 2008
343,000	0.30	August 4, 2008
200,000	0.30	September 20, 2008
1,055,000	0.35	December 29, 2008
60,000	0.40	February 20, 2009
700,000	0.40	June 8, 2009
591,000	0.50	October 4, 2009
100,000	0.50	November 6, 2009
<u>225,000</u>	0.50	November 29, 2009
4,335,000		

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007

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

Warrants

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

	2007		2006	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	6,519,586	\$ 0.49	2,685,525	\$ 0.77
Exercised	(1,227,678)	0.47	-	-
Granted	5,000,000	0.43	5,529,586	0.46
Expired/cancelled	<u>(1,458,750)</u>	0.62	<u>(1,695,525)</u>	0.82
Outstanding, end of year	8,833,158	\$ 0.44	6,519,586	\$ 0.49
Warrants exercisable, end of year	8,833,158	\$ 0.44	6,519,586	\$ 0.49

Warrants outstanding at November 30, 2007 are as follows:

Number of Shares	Exercise Price	Expiry Date
1,066,000	\$ 0.46	March 13, 2008
1,634,825	0.46	March 31, 2008
403,333	0.50	May 29, 2008
729,000	0.40	November 22, 2008
1,760,000	0.40	December 13, 2008
1,340,000	0.45	January 2, 2009
400,000	0.45	January 22, 2009
500,000	0.50	May 23, 2009
1,000,000	0.40	May 29, 2009

8. STOCK-BASED COMPENSATION

During the year ended November 30, 2007, the Company granted 2,751,000 (2006 – 2,309,000) stock options to employees, directors, officers and consultants of which 2,526,000 (2006 – 2,284,000) are fully vested at November 30, 2007. The estimated fair value of these options was \$0.23 (2006 - \$0.17) per option for an estimated total value of \$564,732 (2006 - \$400,367). 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.

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007

8. STOCK-BASED COMPENSATION (cont'd...)

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

	2007	2006
Risk-free interest rate	4.18%	4.03%
Expected life of options	2.0 years	2.0 years
Annualized volatility	76.26%	82.32%
Dividend rate	0.00%	0.00%

9. 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, 2007		
Canada	\$ 2,801	\$ 13,343,621
United States	-	2,200,166
	<u>\$ 2,801</u>	<u>\$ 15,543,787</u>
November 30, 2006		
Canada	\$ 3,142	\$ 12,091,818
United States	-	1,830,625
	<u>\$ 3,142</u>	<u>\$ 13,922,443</u>

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the year ended November 30, 2007 were as follows:

- a) The receipt of 250,000 common shares of Shoreham Resources Ltd. (valued at \$45,000) pursuant to the mineral property option agreement on the Favourable Lake Project (Note 5).
- b) Issuance of 30,000 common shares valued at \$12,300 pursuant to a mineral property agreement on the Springpole Project (Note 5).

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS (cont'd...)

- c) Issuance of 50,000 common shares valued at \$28,500 pursuant to a mineral property option agreement on the Horseshoe Island Project (Note 5).
- d) Included in year end accounts payable are \$58,663 related to deferred exploration costs.

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 Project.
- 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.
- 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 Project.
- d) Issuance of 50,000 common shares valued at \$16,000 pursuant to a mineral property agreement on the Bear Head Project.
- e) Issuance of 24,000 common shares valued at \$6,720 as finder's fees pursuant to a private placement completed in November 2006.
- f) Included in year end accounts payable are \$68,900 related to deferred exploration costs and \$9,414 related to share issuance costs.

11. 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.

12. INCOME TAXES

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

	2007	2006
Loss before income taxes	\$ (910,088)	\$ (1,019,039)
Income tax recovery at statutory rates	\$ (312,042)	\$ (366,304)
Non tax deductible expenditures	139,692	133,882
Non-capital losses and deferred resource expenses	<u>(299,803)</u>	<u>111,999</u>
Future income tax expense (recovery)	\$ (472,153)	\$ (120,423)

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007

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

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

	2007	2006
Future tax assets:		
Financing costs	\$ 118,000	\$ 182,000
Losses available for future periods	<u>363,000</u>	<u>224,000</u>
	481,000	406,000
Future income tax liabilities:		
Difference between book and tax values of mineral properties and deferred exploration costs	<u>(1,598,000)</u>	<u>(1,738,000)</u>
Net future tax assets (liabilities)	<u>\$ (1,117,000)</u>	<u>\$ (1,332,000)</u>

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, 2007, the total of these net operating losses was approximately \$1,343,000 and (2006 – \$724,000), respectively. The right to claim the net operating loss carryovers will expire at various dates through the taxation year ending November 30, 2027.

During the current year, the Company issued 1,000,000 (2006 - 3,163,857) common shares on a flow-through basis for gross proceeds of \$400,000 (2006 - \$1,201,100). 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 \$1,117,000 (2006 - \$1,332,000) and a charge of \$257,153 (2006 - \$435,423) to capital stock and a recovery of \$472,153 (2006 - \$120,423) of future income tax.

13. SUBSEQUENT EVENTS

The Company entered into the following transactions subsequent to November 30, 2007:

- a) Closed a 6,000,000 unit non-brokered private placement at \$0.50 per unit for gross proceeds of \$3,000,000. Each unit is comprised of one common share and one share purchase warrant exercisable at \$0.70 until December 14, 2009. The Company paid a finder's fees of \$60,000 in cash, issued 179,600 units at the same terms as those to be issued pursuant to the private placement and 284,000 warrants exercisable at \$0.70 until December 14, 2009.
- b) Issued 566,000 common shares for proceeds of \$180,600 pursuant to the exercise of stock options.
- c) Issued 1,500,000 common shares for proceeds of \$595,000 pursuant to the exercise of warrants.
- d) Granted 1,200,000 stock options to certain directors, senior officers and consultants exercisable at \$0.48 until February 12, 2010.

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007

13. SUBSEQUENT EVENTS (cont'd...)

- e) In respect with the Cordero Gallium Project (Note 5), the Company signed a Mineral Lease and Assignment Amendment Agreement with Tech on February 6, 2008. Pursuant to the amendment agreement, the Company will be entitled, at any time prior to the Company or its nominee(s) commencing commercial production on the properties, to acquire up to a 1.5% NSR as set out under the terms of the original assignment agreement (with respect to the Cordero Property) and the lease agreement (with respect to the Caley Property) at a price of US\$500,000 per 0.5% of NSR.