

GOLD CANYON RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)

THREE MONTH PERIOD ENDED
FEBRUARY 28, 2006

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended February 28, 2006.

GOLD CANYON RESOURCES INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited – Prepared by Management)

	February 28, 2006	November 30, 2005 (Audited)
ASSETS		
Current		
Cash	\$ 376,920	\$ 596,453
Receivables	54,162	40,680
Prepaid expenses	<u>70,051</u>	<u>4,003</u>
	501,133	641,136
Equipment (Note 3)	4,062	3,477
Mineral properties and deferred exploration costs (Note 4)	<u>12,089,938</u>	<u>11,583,175</u>
	<u>\$ 12,595,133</u>	<u>\$ 12,227,788</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 99,239	\$ 69,951
Due to related parties (Note 5)	<u>4,056</u>	<u>43,569</u>
	<u>103,295</u>	<u>113,520</u>
Shareholders' equity		
Capital stock (Note 6)	18,257,248	17,848,408
Contributed surplus (Note 6)	2,024,025	1,880,962
Subscriptions received in advance	139,200	-
Deficit	<u>(7,928,635)</u>	<u>(7,615,102)</u>
	<u>12,491,838</u>	<u>12,114,268</u>
	<u>\$ 12,595,133</u>	<u>\$ 12,227,788</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 12)

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
(Unaudited – Prepared by Management)

	Three month period ended February 28, 2006	Three month period ended February 28, 2005
ADMINISTRATION EXPENSES		
Amortization	\$ 245	\$ -
Consulting	9,970	10,165
Insurance	14,334	8,680
Interest	11,727	-
Investor relations	25,305	47,367
Management fees	10,236	7,500
Office and miscellaneous	35,011	5,817
Printing	564	3,650
Professional fees	54,213	38,626
Regulatory fees	314	7,208
Stock-based compensation (Note 7)	143,063	-
Telephone	1,846	4,766
Transfer agent fees	2,063	2,183
Travel and promotion	3,804	15,062
Website design and maintenance	1,557	-
	<u>(314,252)</u>	<u>(151,024)</u>
OTHER ITEMS		
Interest income	<u>719</u>	<u>270</u>
Loss for the period	(313,533)	(150,754)
Deficit, beginning of period	<u>(7,615,102)</u>	<u>(6,953,384)</u>
Deficit, end of period	<u>\$ (7,928,635)</u>	<u>\$ (7,104,138)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding	<u>29,391,234</u>	<u>25,947,243</u>

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

GOLD CANYON RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Three month period ended February 28, 2006	Three month period ended February 28, 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (313,533)	\$ (150,754)
Items not affecting cash:		
Amortization	245	-
Stock-based compensation	143,063	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(13,482)	15,479
(Increase) decrease in prepaids	(66,048)	15,046
Increase in accounts payable and accrued liabilities	29,288	94,393
Decrease in amounts due to related parties	(39,513)	(19,228)
Net cash used in operating activities	<u>(259,980)</u>	<u>(45,064)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued	451,100	1,103,400
Finder's fees	(22,828)	-
Recovery of share issue costs	14,273	-
Share issue costs	(33,705)	(90,182)
Share subscriptions received in advance	<u>139,200</u>	<u>-</u>
Net cash provided by financing activities	<u>548,040</u>	<u>1,013,218</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(830)	-
Mineral properties	(69,512)	(7,400)
Deferred exploration costs	<u>(437,251)</u>	<u>(388,420)</u>
Net cash used in investing activities	<u>(507,593)</u>	<u>(395,820)</u>
Change in cash for the period	(219,533)	572,334
Cash, beginning of the period	<u>596,453</u>	<u>1,697,110</u>
Cash, end of the period	<u>\$ 376,920</u>	<u>\$ 2,269,444</u>
Cash paid during the period 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
(Unaudited – Prepared by Management)
FEBRUARY 28, 2006

1. BASIS OF PRESENTATION

The consolidated financial statements contained herein include the accounts of Gold Canyon Resources Inc. and its wholly owned subsidiary, Gold Canyon Resources USA Inc. (the "Company").

These interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These interim period consolidated statements should be read together with the Company's audited consolidated financial statements and the accompanying notes for the year ended November 30, 2005. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

2. NATURE OF 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.

	February 28, 2006	November 30, 2005
Working capital	\$ 397,838	\$ 527,616
Deficit	(7,928,635)	(7,615,102)

3. EQUIPMENT

	February 28, 2006			November 30, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 3,823	\$ 381	\$ 3,442	\$ 2,994	\$ 169	\$ 2,825
Office furniture and fixtures	681	61	620	680	28	652
	\$ 4,504	\$ 442	\$ 4,062	\$ 3,674	\$ 197	\$ 3,477

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
FEBRUARY 28, 2006

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

	Springpole Project	Favourable Lake	Cordero Property	Caley Property	February 28, 2006 Total	November 30, 2005 Total
Acquisition costs, opening	\$ 2,619,392	\$ 70,760	\$ 11,893	\$ 33,273	\$ 2,735,318	\$ 2,607,488
Additions	-	-	34,756	34,756	69,512	127,830
	2,619,392	70,760	46,649	68,029	2,804,830	2,735,318
Deferred exploration						
Opening balance	7,718,541	6,502	1,081,505	41,309	8,847,857	5,739,567
Assays	3,120	-	1,211	-	4,331	203,620
Camp costs	4,715	-	-	-	4,715	26,770
Drilling	10,126	-	-	-	10,126	1,221,782
Equipment rental	11,632	-	-	-	11,632	25,473
Field crew labour	36,781	-	-	-	36,781	230,879
Field surveying	-	-	-	-	-	5,105
Geological consulting	133,714	1,254	4,722	-	139,690	521,353
Geophysics and airborne surveying	-	-	-	-	-	36,986
Land royalty payments	10,150	-	-	4,601	14,751	170,398
Material and supplies	5,583	-	-	-	5,583	50,758
Meals and lodging	22,188	-	-	-	22,188	39,289
Metallurgy	-	-	-	-	-	223,491
Mobilization / Demobilization	12,000	-	-	-	12,000	-
Reproduction and copying	1,181	-	-	-	1,181	7,054
Sample storage	500	-	-	-	500	900
Staking and maintenance fees	-	-	-	-	-	25,923
Telephone and communications	2,590	-	-	-	2,590	27,443
Travel, transport and shipping	171,183	-	-	-	171,183	291,066
	425,463	1,254	5,933	4,601	437,251	3,108,290
Total, deferred exploration	8,144,004	7,756	1,087,438	45,910	9,285,108	8,847,857
Total, acquisition and deferred exploration costs	\$ 10,763,396	\$ 78,516	\$ 1,099,331	\$ 148,695	12,089,938	\$ 11,583,175

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
FEBRUARY 28, 2006

4. 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		30,000	
On 2 nd anniversary	25,000		30,000	
On 3 rd anniversary	30,000		30,000	
On 4 th anniversary	45,000		-	

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

To exercise and maintain this option, ECI must:

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

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

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

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

Springpole Project (cont'd...)

Effective January 1, 2005, Jilbey's right to explore and mine for diamonds on the Springpole Project expired. In an agreement dated July 18, 2005, Jilbey, assigned all right, title and interest in and to certain unpatented mining claims situated within an Area of Interest, to the Company, pursuant to the terms of an agreement between the Company and Jilbey. Jilbey requested, and the Company granted Jilbey a 2% overriding NSR interest on certain claims.

Favourable Lake Property

In August 2005, the Company acquired the Favourable Lake silver – gold – base metal property from a prospector 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 Inc. ("Shoreham") with respect to its Favourable Lake claims. Pursuant to the terms of the agreement, Shoreham has agreed to pay the Company \$25,000 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. (See Note 12)

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.

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

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

Caley Property

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

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

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

The Company also shall make the following expenditures:

<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
In each year thereafter	350,000

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
FEBRUARY 28, 2006

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

Caley Property (cont'd...)

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 now only has to spend a total of \$350,000 after the 4th anniversary of the agreement with respect to its work commitment on the Caley Property. The Company paid US\$40,000 and reimbursed \$23,500 of costs to amend the agreement.

5. 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.

6. 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	\$	17,848,408	\$	1,880,962
For cash					
Private placements	1,288,857		451,100		-
Stock based compensation	-		-		143,063
Recovery of issue costs	-		14,273		-
Issue costs	-		(56,533)		-
As at February 28, 2006	29,806,532	\$	18,257,248	\$	2,024,025

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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FEBRUARY 28, 2006

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

During three month period ended February 28, 2006:

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 30, 2007. The Company paid \$20,000 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.

The Company incurred \$33,705 in share issue costs related to the two private placements described above.

On December 6, 2005, the Company recovered \$14,273 of share issue costs related to private placements completed in the 2005 fiscal year.

The Company has received \$139,200 in subscriptions relating to a non-brokered private placement announced on February 13, 2006. The Company plans to issue up to 2,000,000 common share units at a subscription price of (US)\$0.25 per unit for gross proceeds of (US)\$500,000. Each unit consists of one common share in the capital of the Company and one non-transferable share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of (US)\$0.40 per share for a period of 2 years. The Company will pay a finder's fee of 8% of the gross proceeds raised. Subsequent to the period the Company closed the first tranche of the non-brokered private placement. (See Note 12)

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 consultants must 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.

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
FEBRUARY 28, 2006

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

Stock options (cont'd...)

Stock options outstanding at February 28, 2006 are as follows:

Number of Shares	Exercise Price	Expiry Date
305,000	\$ 1.00	March 25, 2006 (Subsequently expired)
120,000	0.60	May 28, 2006
744,000	0.65	June 14, 2006
160,000	0.75	September 15, 2006
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

Warrants

Warrants outstanding at February 28, 2006 are as follows:

Number of Shares	Exercise Price	Expiry Date
435,000	\$ 0.85	June 11, 2006
93,333	0.95	June 22, 2006
311,111	1.00	June 22, 2006
125,000	0.65	December 21, 2006
815,000	(US)0.60	January 20, 2007
50,000	(US)0.60	March 20, 2007
644,428	0.45	June 30, 2007

7. STOCK-BASED COMPENSATION

During the three month period ended February 28, 2006, the Company granted 686,000 (2005 – Nil) stock options to employees, directors, officers and consultants. The estimated fair value of these options was \$0.21 (2005 - \$Nil) per share for an estimated total of \$143,063 (2005 - \$Nil). 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 period:

Risk-free interest rate	3.75% - 3.80%
Expected life of options	2 years
Annualized volatility	106.86 – 120.56%
Dividend rate	0.00%

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
FEBRUARY 28, 2006

8. 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
February 28, 2006		
Canada	\$ 4,062	\$ 10,841,912
United States	-	1,248,026
	<u>\$ 4,062</u>	<u>\$ 12,089,938</u>
November 30, 2005		
Canada	\$ 3,477	\$ 10,415,195
United States	-	1,167,980
	<u>\$ 3,477</u>	<u>\$ 11,583,175</u>

9. RELATED PARTY TRANSACTIONS

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

- a) Paid or accrued management fees of \$10,236 (2005 - \$7,500) to two directors of the Company.
- b) Paid or accrued \$27,730 (2005 - \$29,480) for accounting, secretarial, rent and administrative services to a company of which a director is president.
- c) Paid or accrued \$25,661 (2005 - \$27,117) for geological consulting fees, which are included in deferred exploration costs, to a director of the Company.
- d) Paid or accrued \$20,500 (2005 - \$1,750) for geological consulting fees, which are included in deferred exploration costs, to an officer of the Company.
- e) Paid or accrued consulting fees of \$9,970 (2005 - \$10,165) to a director of the Company.
- f) 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 4).
- g) The Company granted 610,000 (2005 - Nil) stock options to directors and officers, which were recorded as stock-based compensation of \$127,424 (2005 - \$Nil).

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.

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

The significant non-cash transaction during the three month period ended February 28, 2006 was the transfer of 50,000 (25,000 each) common shares of the Company by two of the Company's directors on behalf of the Company valued at \$23,500 pursuant to the amended Caley property agreement (See Note 4).

There were no significant non-cash transactions during the three month period ended February 28, 2005.

11. FINANCIAL INSTRUMENTS

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

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

12. SUBSEQUENT EVENTS

The following events occurred subsequent to February 28, 2006:

- a) On March 1, 2006, the Company received \$25,000 and 250,000 common shares of Shoreham Resources Inc. pursuant to the mineral property agreement for the Favourable Lake property.
- b) On March 8, 2006, the Company was notified by Shoreham Resources Inc ("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 and that Shoreham will begin work shortly. Shoreham can earn a 60% interest by making certain payments over a four year terms as originally disclosed in the Company's news release dated December 22, 2005.
- c) On March 13, 2006, the Company closed a non-brokered private placement originally announced on February 13, 2006. The private placement consists of 1,050,000 units at (US)\$0.25 per unit for gross proceeds of (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 (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.
- d) On March 15, 2006, the Company announced that it has adopted a shareholders rights plan (the "Plan"). Under the Rights Plan, the Company has issued one right for no consideration in respect of each outstanding common share of the Company to all holders of record on March 15, 2006. All common shares issued by the Company during the term of the Rights Plan will have one right represented by the certificates representing the common shares of the Company. The term of the Rights Plan is ten years, subject to reconfirmation at the 2009 and 2012 annual meetings following the adoption of the Rights Plan.

GOLD CANYON RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

FEBRUARY 28, 2006

12. **SUBSEQUENT EVENTS** (cont'd...)

- e) 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.
- f) 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 (US)\$0.25 per unit for gross proceeds of (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 (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.
- g) 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 a 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.