

GOLD CANYON RESOURCES INC.

**CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)**

**NINE MONTH PERIOD ENDED
AUGUST 31, 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 August 31, 2006.

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

	August 31, 2006	November 30, 2005 (Audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 509,986	\$ 596,453
Receivables	27,536	40,680
Marketable securities (Note 3)	72,500	-
Prepaid expenses	<u>12,743</u>	<u>4,003</u>
	622,765	641,136
Equipment (Note 4)	3,448	3,477
Reclamation bond	17,300	-
Mineral properties and deferred exploration costs (Note 5)	<u>13,302,208</u>	<u>11,583,175</u>
	<u>\$ 13,945,721</u>	<u>\$ 12,227,788</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 76,793	\$ 69,951
Due to related parties (Note 6)	<u>18,616</u>	<u>43,569</u>
	<u>95,409</u>	<u>113,520</u>
Shareholders' equity		
Capital stock (Note 7)	20,055,101	17,848,408
Contributed surplus (Note 7)	2,246,445	1,880,962
Deficit	<u>(8,451,234)</u>	<u>(7,615,102)</u>
	<u>13,850,312</u>	<u>12,114,268</u>
	<u>\$ 13,945,721</u>	<u>\$ 12,227,788</u>

Nature and continuance of operations (Note 1)

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 August 31, 2006	Three month period ended August 31, 2005	Nine month period ended August 31, 2006	Nine month period ended August 31, 2005
ADMINISTRATION EXPENSES				
Amortization	\$ 307	\$ -	\$ 858	\$ -
Consulting	18,688	11,171	41,670	30,675
Foreign exchange (gain)	17,119	(435)	43,862	77
Insurance	2,192	-	19,299	8,680
Interest	-	-	11,727	-
Investor relations	23,292	58,593	111,993	158,373
Management fees	10,172	7,475	30,614	22,475
Office and miscellaneous	7,254	8,755	23,020	20,403
Printing	-	195	694	4,503
Professional fees	44,038	58,323	141,457	165,971
Regulatory fees	1,005	5,624	12,195	17,527
Stock-based compensation (Note 8)	157,352	-	365,484	88,709
Tax expense	-	(188)	-	24,808
Telephone	2,152	1,831	7,372	8,761
Transfer agent fees	4,136	2,281	15,257	9,361
Travel and promotion	21,165	10,117	42,838	44,628
Website design and maintenance	807	-	3,171	-
	<u>(309,679)</u>	<u>(163,742)</u>	<u>(871,511)</u>	<u>(604,951)</u>
OTHER ITEMS				
Gain on recovery of mineral property acquisition costs (Note 5)	26,740	-	26,740	-
Interest income	5,265	9,287	8,639	19,175
Miscellaneous income	-	-	-	6,892
	<u>32,005</u>	<u>9,287</u>	<u>35,379</u>	<u>26,067</u>
Loss for the period	(277,674)	(154,455)	(836,132)	(578,884)
Deficit, beginning of period	(8,173,560)	(7,377,813)	(7,615,102)	(6,953,384)
Deficit, end of period	\$ (8,451,234)	\$ (7,532,268)	\$ (8,451,234)	\$ (7,532,268)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Weighted average number of common shares outstanding	35,356,524	27,208,001	32,598,116	25,877,278

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 August 31, 2006	Three month period ended August 31, 2005	Nine month period ended August 31, 2006	Nine month period ended August 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	\$ (277,674)	\$ (154,455)	\$ (836,132)	\$ (578,884)
Items not affecting cash:				
Amortization	307	-	858	-
Gain on recovery of mineral property acquisition costs	(26,740)	-	(26,740)	-
Stock-based compensation	157,352	-	365,484	88,709
Changes in non-cash working capital items:				
(Increase) decrease in receivables	19,801	97,686	13,144	14,893
(Increase) decrease in prepaids	12,730	(19,746)	(8,740)	38,608
Increase (decrease) in accounts payable and and accrued liabilities	41,207	(617,759)	6,842	145,188
Decrease in amounts due to related parties	(3,914)	(21,909)	(24,953)	(28,787)
Net cash (used in) provided by operating activities	<u>(76,931)</u>	<u>(716,183)</u>	<u>(510,237)</u>	<u>(320,273)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Common shares issued	-	1,746,494	2,347,967	2,857,494
Share subscriptions	-	61,135	-	61,135
Recovery of share issue costs	-	-	14,737	-
Share issue costs	-	(184,051)	(188,811)	(274,233)
Net cash provided by financing activities	<u>-</u>	<u>1,623,578</u>	<u>2,173,893</u>	<u>2,644,396</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of equipment	-	-	(830)	-
Reclamation bond	(17,300)	-	(17,300)	-
Mineral properties	(50,000)	(15,000)	(139,512)	(85,530)
Recovery of acquisition costs	-	-	25,000	-
Deferred exploration costs	(595,977)	(658,043)	(1,617,481)	(2,759,655)
Net cash used in investing activities	<u>(663,277)</u>	<u>(673,043)</u>	<u>(1,750,123)</u>	<u>(2,845,185)</u>
Change in cash for the period	(740,208)	234,352	(86,467)	(521,062)
Cash, beginning of the period	1,250,194	941,696	596,453	1,697,110
Cash, end of the period	\$ 509,986	\$ 1,176,048	\$ 509,986	\$ 1,176,048
Cash paid during the period for interest and income taxes				
Interest	\$ -	\$ -	\$ -	\$ -
Income taxes	-	-	-	-

Supplemental disclosures with respect to cash flows (Note 11)

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)
AUGUST 31, 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.

	August 31, 2006	November 30, 2005
Working capital	\$ 527,356	\$ 527,616
Deficit	(8,451,234)	(7,615,102)

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
AUGUST 31, 2006

3. MARKETABLE SECURITIES

	August 31, 2006	November 30, 2005
Shoreham Resources Inc. (market value of \$67,500)	\$ 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 5).

4. EQUIPMENT

	August 31, 2006			November 30, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 3,824	\$ 929	\$ 2,895	\$ 2,994	\$ 169	\$ 2,825
Office furniture and fixtures	680	127	553	680	28	652
	\$ 4,504	\$ 1,056	\$ 3,448	\$ 3,674	\$ 197	\$ 3,477

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
AUGUST 31, 2006

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

	Springpole Project	Favourable Lake	Bear Head Uranium	Cordero Property	Caley Property	Total August 31, 2006	Total November 30, 2005
Mineral property acquisition costs, opening	\$ 2,619,392	\$ 70,760	\$ -	\$ 11,893	\$ 33,273	\$ 2,735,318	\$ 2,607,488
Additions	36,800	-	66,000	34,756	34,756	172,312	127,830
Recovery of acquisition costs	-	(70,760)	-	-	-	(70,760)	-
	<u>2,656,192</u>	<u>-</u>	<u>66,000</u>	<u>46,649</u>	<u>68,029</u>	<u>2,836,870</u>	<u>2,735,318</u>
Deferred exploration							
Opening balance	<u>7,718,541</u>	<u>6,502</u>	<u>-</u>	<u>1,081,505</u>	<u>41,309</u>	<u>8,847,857</u>	<u>5,739,567</u>
Assays	48,757	-	-	32,538	-	81,295	203,620
Camp costs	20,965	-	-	-	-	20,965	26,770
Drilling	252,888	-	-	83,624	-	336,512	1,221,782
Equipment rental	49,818	-	-	-	-	49,818	25,473
Field crew labour	179,180	-	-	-	-	179,180	230,879
Field surveying	-	-	-	-	-	-	5,105
Geological consulting	415,158	1,955	-	48,414	-	465,527	521,353
Geophysics and airborne surveying	-	-	-	-	-	-	36,986
Land royalty payments	86,846	-	-	6,801	11,402	105,049	170,398
Material and supplies	12,936	-	-	752	-	13,688	50,758
Meals and lodging	53,205	-	-	1,222	-	54,427	39,289
Metallurgy	-	-	-	2,095	-	2,095	223,491
Mobilization / Demobilization	12,000	-	-	-	-	12,000	-
Reproduction and copying	1,248	-	-	-	-	1,248	7,054
Sample storage	3,716	-	-	-	-	3,716	900
Staking and maintenance fees	2,898	-	-	15,531	-	18,429	25,923
Telephone and communications	16,015	-	-	-	-	16,015	27,443
Travel, transport and shipping	<u>256,199</u>	<u>-</u>	<u>-</u>	<u>1,318</u>	<u>-</u>	<u>257,517</u>	<u>291,066</u>
	<u>1,411,829</u>	<u>1,955</u>	<u>-</u>	<u>192,295</u>	<u>11,402</u>	<u>1,617,481</u>	<u>3,108,290</u>
Total, deferred exploration costs	<u>9,130,370</u>	<u>8,457</u>	<u>-</u>	<u>1,273,800</u>	<u>52,711</u>	<u>10,465,338</u>	<u>8,847,857</u>
Total, mineral properties and deferred exploration costs	\$ <u>11,786,562</u>	\$ <u>8,457</u>	\$ <u>66,000</u>	\$ <u>1,320,449</u>	\$ <u>120,740</u>	<u>13,302,208</u>	\$ <u>11,583,175</u>

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
AUGUST 31, 2006

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	30,000
On 3 rd anniversary	30,000	30,000
On 4 th anniversary	45,000	-

Favourable Lake Property

In August 2005, the Company acquired the Favourable Lake silver – poly metallic 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 Ltd. (“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.

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

Favourable Lake Property (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.

On March 1, 2006, the Company received \$25,000 and 250,000 common shares of Shoreham (valued at \$37,500) pursuant to the mineral property agreement for the Favourable Lake property. Another 250,000 common shares (valued at \$35,000) were received on July 1, 2006. As at August 31, 2006, the Company recognized a net gain of \$26,740 on the recovery of acquisition costs of \$70,760 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 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.

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 Resources Inc. 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.

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

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.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
AUGUST 31, 2006

5. 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 must spend a total of US\$350,000 per year after the 4th 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\$350,000 per year that is spent. The Company paid US\$40,000 and reimbursed \$23,500 of costs to amend the agreement.

6. 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.

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	\$	17,848,408	\$	1,880,962
For cash					
Private placements	6,769,349		2,347,967		-
Finder's shares	27,000		9,040		-
Shares for mineral claims	80,000		32,800		-
Stock based compensation	-		-		365,484
Recovery of issue costs	-		14,737		-
Issue costs	-		(197,851)		-
As at August 31, 2006	35,394,024	\$	20,055,101	\$	2,246,446

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
AUGUST 31, 2006

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

During nine month period ended August 31, 2006:

On January 3, 2006 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 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.

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 (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.

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.

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.

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. The private placement was denominated both in US and Canadian dollars using the exchange rate of 1.11 (US\$0.36 = CDN\$0.40), being the nominal noon rate of the Bank of Canada on May 2, 2006. All securities will be subject to a four month hold period expiring on September 30, 2006.

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
AUGUST 31, 2006

7. 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 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.

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

Stock options outstanding at August 31, 2006 are as follows:

Number of Shares	Exercise Price	Expiry Date
160,000	\$ 0.75	September 15, 2006 (subsequently expired)
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

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
AUGUST 31, 2006

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

Warrants

Warrants outstanding at August 31, 2006 are as follows:

Number of Shares	Exercise Price	Expiry Date
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
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

Shareholder rights plan

On March 15, 2006, the Company announced that it has adopted a shareholders rights plan (the “Plan”). Under the 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 Plan will have one right represented by the certificates representing the common shares of the Company. The term of the Plan is ten years, subject to reconfirmation at the 2009 and 2012 annual meetings following the adoption of the Plan.

8. STOCK-BASED COMPENSATION

During the nine month period ended August 31, 2006, the Company granted 2,109,000 (2005 – 295,000) stock options to employees, directors, officers and consultants of which 2,031,500 (2005 – 295,000) are fully vested at August 31, 2006. The estimated fair value of these options was \$0.17 (2005 - \$0.30) per share for an estimated total of \$365,484 (2005 - \$88,709). 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:

	2006	2005
Risk-free interest rate	3.75% ~ 4.13%	3.01% ~ 3.06%
Expected life of options	2 years	2 years
Annualized volatility	70.80% ~ 120.56%	116.59% ~ 123.01%
Dividend rate	0.00%	0.00%

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
AUGUST 31, 2006

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
August 31, 2006		
Canada	\$ 3,448	\$ 11,861,019
United States	-	1,441,189
	<u>\$ 3,448</u>	<u>\$ 13,302,208</u>
November 30, 2005		
Canada	\$ 3,477	\$ 10,415,195
United States	-	1,167,980
	<u>\$ 3,477</u>	<u>\$ 11,583,175</u>

10. RELATED PARTY TRANSACTIONS

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

- a) Paid or accrued management fees of \$30,614 (2005 - \$22,475) to two directors of the Company.
- b) Paid or accrued \$85,895 (2005 - \$102,687) for accounting, secretarial, rent and administrative services to a company of which a director is president.
- c) Paid or accrued \$74,677 (2005 - \$95,357) for geological consulting fees, which are included in deferred exploration costs, to a director of the Company.
- d) Paid or accrued \$45,891 (2005 - \$14,600) for geological consulting fees, which are included in deferred exploration costs, to an officer of the Company.
- e) Paid or accrued consulting fees of \$24,842 (2005 - \$30,675) 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 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.

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

The significant non-cash transaction during the nine month period ended August 31, 2006 were as follows:

- a) 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 5).
- b) Issuance of 30,000 common shares valued at \$16,800 pursuant to a mineral property agreement on the Springpole property (See Note 5).
- c) 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 7).
- d) 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 5).
- e) Issuance to 50,000 common shares valued at \$16,000 pursuant to a mineral property agreement on the Bear Head Uranium Property (See Note 5).

The significant non-cash transactions during the nine month period ended August 31, 2005 were as follows:

- a) The issuance of 30,000 common shares at a deemed value of \$0.65 per shares to acquire additional mineral claims contiguous to the Springpole property.
- b) The issuance of 40,000 common shares at a deemed value of \$0.57 per share to acquire the Favourable Lake claims.

12. 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.

13. SUBSEQUENT EVENTS

Subsequent to August 31, 2006, on September 20, 2006, the Company granted 200,000 stock options to a director, exercisable at \$0.30 per share for two years.