

GOLD CANYON RESOURCES INC.

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

**THREE MONTH PERIOD ENDED
FEBRUARY 28, 2007**

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, 2007.

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

	February 28, 2007	November 30, 2006 (Audited)
ASSETS		
Current		
Cash	\$ 615,893	\$ 167,777
Receivables	23,068	18,104
Marketable securities, at fair value (Note 4)	82,500	72,500
Prepaid expenses	<u>1,950</u>	<u>1,950</u>
	723,411	260,331
Equipment (Note 5)	2,919	3,142
Reclamation bond (Note 6)	17,300	17,300
Mineral properties and deferred exploration costs (Note 6)	<u>14,244,684</u>	<u>13,922,443</u>
	<u>\$ 14,988,314</u>	<u>\$ 14,203,216</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 59,775	\$ 119,718
Due to related parties (Note 7)	<u>5,775</u>	<u>73,477</u>
	65,550	193,195
Future income tax liability	<u>1,332,000</u>	<u>1,332,000</u>
	<u>1,397,550</u>	<u>1,525,195</u>
Shareholders' equity		
Capital stock (Note 8)	20,150,622	18,990,089
Contributed surplus (Note 8)	2,546,527	2,281,329
Subscriptions received in advance	-	116,200
Deficit	<u>(9,106,385)</u>	<u>(8,709,597)</u>
	<u>13,590,764</u>	<u>12,678,021</u>
	<u>\$ 14,988,314</u>	<u>\$ 14,203,216</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 14)

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, 2007	Three month period ended February 28, 2006
ADMINISTRATION EXPENSES		
Amortization	\$ 223	\$ 245
Consulting	3,000	9,970
Foreign exchange (gain)	(14,474)	26,727
Insurance	13,396	14,334
Interest	322	11,727
Investor relations	34,719	25,305
Management fees	13,786	10,236
Office and miscellaneous	11,857	8,284
Printing	2,158	564
Professional fees	47,628	54,213
Regulatory fees	6,325	314
Stock-based compensation (Note 9)	265,198	143,063
Telephone	2,461	1,846
Transfer agent fees	3,421	2,063
Travel and promotion	17,400	3,804
Website design and maintenance	809	1,557
	<u>(408,229)</u>	<u>(314,252)</u>
OTHER ITEMS		
Interest income	1,441	719
Unrealized appreciation of marketable securities	<u>10,000</u>	<u>-</u>
	<u>11,441</u>	<u>719</u>
Net loss for the period	(396,788)	(313,533)
Deficit, beginning of period	<u>(8,709,597)</u>	<u>(7,615,102)</u>
Deficit, end of period	<u>\$ (9,106,385)</u>	<u>\$ (7,928,635)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding	<u>39,090,691</u>	<u>29,391,234</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, 2007	Three month period ended February 28, 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (396,788)	\$ (313,533)
Items not affecting cash:		
Amortization	223	245
Stock-based compensation	265,198	143,063
Unrealized appreciation of marketable securities	(10,000)	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(4,964)	(13,482)
(Increase) decrease in prepaids	-	(66,048)
Increase (decrease) in accounts payable and accrued liabilities	(59,943)	29,288
Decrease in amounts due to related parties	<u>(67,702)</u>	<u>(39,513)</u>
Net cash used in operating activities	<u>(273,976)</u>	<u>(259,980)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued	1,184,300	451,100
Finder's fees	(4,896)	(22,828)
Share issue costs	(18,871)	(19,432)
Share subscriptions received in advance	<u>(116,200)</u>	<u>139,200</u>
Net cash provided by financing activities	<u>1,044,333</u>	<u>548,040</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	-	(830)
Mineral property acquisition	-	(69,512)
Deferred exploration costs	<u>(322,241)</u>	<u>(437,251)</u>
Net cash used in investing activities	<u>(322,241)</u>	<u>(507,593)</u>
Change in cash for the period	448,116	(219,533)
Cash, beginning of the period	<u>167,777</u>	<u>596,453</u>
Cash, end of the period	<u>\$ 615,893</u>	<u>\$ 376,920</u>
Cash paid during the period for interest and income taxes		
Interest	\$ -	\$ -
Income taxes	-	-

Supplemental disclosures with respect to cash flows (Note 12)

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

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
FEBRUARY 28, 2007

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, 2006. 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, 2007	November 30, 2006
Working capital	\$ 657,861	\$ 67,136
Deficit	(9,106,385)	(8,709,597)

GOLD CANYON RESOURCES INC.
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3. CHANGE IN ACCOUNTING POLICY

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 marketable securities as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other liabilities, which are measured at amortized cost.

4. MARKETABLE SECURITIES

	February 28, 2007	November 30, 2006
Shoreham Resources Ltd.	\$ 82,500	\$ 72,500

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

5. EQUIPMENT

	February 28, 2007			November 30, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 3,824	\$ 1,400	\$ 2,424	\$ 3,824	\$ 1,203	\$ 2,621
Office furniture and fixtures	680	185	495	680	159	521
	\$ 4,504	\$ 1,585	\$ 2,919	\$ 4,504	\$ 1,362	\$ 3,142

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

	Springpole Gold Project	Bear Head Uranium Project	Cordero Gallium Project	Total
Acquisition costs	\$ 2,653,492	\$ 66,000	\$ 114,678	\$ 2,834,170
Deferred exploration				
Opening balance	9,370,926	1,400	1,715,947	11,088,273
Assays	14,712	-	29,276	43,988
Camp costs	5,000	-	-	5,000
Drilling	108,254	-	-	108,254
Equipment rental	14,250	-	-	14,250
Field crew labour	41,584	-	-	41,584
Geological consulting	44,201	-	4,707	48,908
Land royalty payments	-	-	4,682	4,682
Material and supplies	3,770	-	-	3,770
Meals and lodging	13,265	-	-	13,265
Metallurgy	-	-	2,458	2,458
Sample storage	664	-	-	664
Staking and maintenance fees	2,415	-	-	2,415
Telephone and communications	750	-	-	750
Travel, transport and shipping	32,253	-	-	32,253
	281,118	-	41,123	322,241
Total, deferred exploration costs	9,652,044	1,400	1,757,070	11,410,514
Total, mineral properties and deferred exploration costs	\$ 12,305,536	\$ 67,400	\$ 1,871,748	\$ 14,244,684

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

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

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

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

Favourable Lake Property (cont'd...)

On March 1, 2006, the Company received \$25,000 and 500,000 common shares of Shoreham (valued at \$72,500) pursuant to the mineral property agreement for the Favourable Lake property. During the year ended November 30, 2006, the Company recognized a net gain of \$18,283 on the recovery of property costs of \$79,217 on the Favourable Lake property.

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

See subsequent events, Note 14.

Bear Head Uranium Property

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

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

Cordero 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.

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

- a) pay Tech US\$5,000 upon execution of the agreement (paid);
- b) grant Tech a NSR of 3%;
- c) assume a 1% NSR payable to Cordero Mine Inc.; and
- d) advance minimum royalties totalling US\$4,000 (paid) on the first anniversary of the agreement, US\$4,500 (paid) on the second anniversary, and US\$6,000 per year throughout the remaining term of the Assignment Agreement which will be credited against future NSR's payable, if any.

During the year ended November 30, 2006, the Company posted a refundable reclamation bond totalling \$17,300 (US\$15,323) with the Nevada Department of Minerals relating to the exploration of the Cordero property.

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

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.

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	500,000

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

On January 27, 2006, the Company amended the terms of the lease agreement dated June 26, 2001, whereby the Company must spend a total of US\$300,000 per year (before November 30 of each respective year) after the 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\$300,000 per year that is spent. The Company paid US\$40,000 and reimbursed \$23,500 of costs to amend the agreement.

7. DUE TO RELATED PARTIES

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

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
100,000,000 common shares without par value			
Issued			
As at November 30, 2006	36,175,024	\$ 18,990,089	\$ 2,281,329
For cash			
Exercise of stock options	565,000	169,500	-
Private placements	3,500,000	1,014,800	-
Stock based compensation	-	-	265,198
Contributed surplus on exercise of stock options		83,146	(83,146)
Issue costs	-	(23,767)	-
As at February 28, 2007	40,240,024	\$ 20,233,768	\$ 2,463,381

During three month period ended February 28, 2007 the Company:

- a) Completed a non-brokered private placement 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 12, 2008. The Company paid a finder's fess of \$336 in cash.
- 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 finder's fees of \$4,560 in cash.
- c) Issued 565,000 common shares for gross proceeds for \$169,500 pursuant to the exercise of stock options.

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, 2006, the Company granted 1,075,000 stock options to directors, officers and consultants exercisable at \$0.35 until December 29, 2008.

On February 20, 2007, the Company granted 60,000 stock options to an investor relations consultant exercisable at \$0.40 until February 20, 2009.

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

Stock options (cont'd...)

Stock options outstanding at February 28, 2007 are as follows:

Number of Shares	Exercise Price	Expiry Date
295,000	\$ 0.55	May 4, 2007
670,000	0.50	October 3, 2007
275,000	0.25	December 29, 2007
411,000	0.35	January 18, 2008
285,000	0.30	March 27, 2008
200,000	0.30	June 1, 2008
373,000	0.30	August 4, 2008
200,000	0.30	September 20, 2008
1,075,000	0.35	December 29, 2008
<u>60,000</u>	0.40	February 20, 2009
3,844,000	Total available	
3,376,500	Fully vested	

Warrants

Warrants outstanding at February 28, 2007 are as follows:

Number of Shares	Exercise Price	Expiry Date
50,000	\$ (US)0.60	March 20, 2007 (subsequently expired)
644,428	0.45	June 29, 2007
937,500	0.50	October 5, 2007
1,066,000	(US)0.60	March 13, 2008
1,634,825	(US)0.60	March 31, 2008
465,833	0.50	May 29, 2008
781,000	0.40	November 22, 2008
1,760,000	0.40	December 12, 2008
1,340,000	0.45	January 2, 2009
400,000	0.45	January 22, 2009

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9. STOCK-BASED COMPENSATION

During the three month period ended February 28, 2007, the Company granted 1,135,000 (2006 – 686,000) stock options to employees, directors, officers and consultants of which 1,075,000 (2006 – 676,000) are fully vested at February 28, 2007. The stock-based compensation is recognized over the vesting period of the options granted. The stock-based compensation expense for the three month period ended February 28, 2007 is \$265,198 (2006 - \$143,063). This amount has been expensed on the statement of operations with a corresponding amount recorded as contributed surplus in shareholders' equity.

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

	February 28, 2007	February 28, 2006
Risk-free interest rate	3.98%	3.75% ~ 3.98%
Expected life of options	2 years	2 years
Annualized volatility	85.70%	106.86% ~ 85.70%
Dividend rate	0.00%	0.00%

10. SEGMENTED INFORMATION

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

	Equipment	Mineral Properties and Deferred Exploration Costs
February 28, 2007		
Canada	\$ 2,919	\$ 12,372,936
United States	-	1,871,748
	<u>\$ 2,919</u>	<u>\$ 14,244,684</u>
November 30, 2006		
Canada	\$ 3,142	\$ 12,091,818
United States	-	1,830,625
	<u>\$ 3,142</u>	<u>\$ 13,922,443</u>

11. RELATED PARTY TRANSACTIONS

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

- a) Paid or accrued management fees of \$13,786 (2006 - \$10,236) to three directors of the Company.
- b) Paid or accrued \$26,730 (2006 - \$27,730) for accounting, secretarial, rent and administrative services to a company of which a director is president.
- c) Paid or accrued \$Nil (2006 - \$25,661) for geological consulting fees, which are included in deferred exploration costs, to a director of the Company.
- d) Paid or accrued \$750 (2006 - \$20,500) for geological consulting fees, which are included in deferred exploration costs, to an officer of the Company.
- e) Paid or accrued \$43,450 (2006 - \$Nil) for geological consulting fees, which are included in deferred exploration costs, to a company controlled by an officer of the Company.
- f) Paid or accrued consulting fees of \$Nil (2006 - \$9,970) to a director of the Company.
- g) Two of the Company's directors transferred Nil (2006 - 50,000 (25,000 each)) 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.

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions during the three month period ended February 28, 2007.

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.

13. FINANCIAL INSTRUMENTS

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

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

14. SUBSEQUENT EVENTS

The following events occurred subsequent to February 28, 2007:

- a) The Company received \$25,000 cash and 250,000 common shares of Shoreham Resources Ltd (“Shoreham”) pursuant to the terms of a December 22, 2005 mineral property option agreement with Shoreham on the Company’s Favourable Lake Property.
- b) Issued 25,000 common shares for gross proceeds of \$8,000 pursuant to the exercise of stock options.