

GOLD CANYON RESOURCES INC.

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

**NINE MONTH PERIOD ENDED
AUGUST 31, 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 August 31, 2007.

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

	August 31, 2007	November 30, 2006 (Audited)
ASSETS		
Current		
Cash	\$ 402,345	\$ 167,777
Receivables	50,791	18,104
Marketable securities, at fair value (Note 4)	210,000	72,500
Prepaid expenses	<u>10,190</u>	<u>1,950</u>
	673,326	260,331
Equipment (Note 5)	2,474	3,142
Reclamation bond (Note 6)	17,267	17,300
Mineral properties and deferred exploration costs (Note 6)	<u>15,186,438</u>	<u>13,922,443</u>
	<u>\$ 15,879,505</u>	<u>\$ 14,203,216</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 40,270	\$ 119,718
Due to related parties (Note 7)	<u>11,057</u>	<u>73,477</u>
	51,327	193,195
Future income tax liability	<u>1,332,000</u>	<u>1,332,000</u>
	<u>1,383,327</u>	<u>1,525,195</u>
Shareholders' equity		
Capital stock (Note 8)	21,275,476	18,990,089
Contributed surplus (Note 8)	2,591,484	2,281,329
Subscriptions received in advance	-	116,200
Deficit	<u>(9,370,782)</u>	<u>(8,709,597)</u>
	<u>14,496,178</u>	<u>12,678,021</u>
	<u>\$ 15,879,505</u>	<u>\$ 14,203,216</u>

Nature and continuance of operations (Note 1)

Subsequent events (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
(Unaudited – Prepared by Management)

	Three month period ended August 31, 2007	Three month period ended August 31, 2006	Nine month period ended August 31, 2007	Nine month period ended August 31, 2006
ADMINISTRATION EXPENSES				
Amortization	\$ 223	\$ 307	\$ 668	\$ 858
Consulting	3,525	18,688	9,525	41,670
Foreign exchange (gain)	2,810	17,119	675	43,862
Insurance	686	2,192	14,969	19,299
Interest	-	-	322	11,727
Investor relations	35,204	23,292	113,637	111,993
Management fees	17,704	10,172	46,546	30,614
Office and miscellaneous	6,660	7,254	25,110	23,020
Printing	1,972	-	6,656	694
Professional fees	34,735	44,038	128,557	141,457
Regulatory fees	948	1,005	14,613	12,195
Stock-based compensation (Note 9)	129,218	157,352	397,990	365,484
Telephone	2,210	2,152	6,434	7,372
Transfer agent fees	3,924	4,136	14,547	15,257
Travel and promotion	14,077	21,165	50,873	42,838
Website design and maintenance	780	807	2,369	3,171
	<u>(254,676)</u>	<u>(309,679)</u>	<u>(833,491)</u>	<u>(871,511)</u>
OTHER ITEMS				
Gain on recovery of mineral property acquisition costs	-	26,740	-	26,740
Interest income	2,211	5,265	9,806	8,639
Other income	-	-	70,000	-
Unrealized appreciation (depreciation) of marketable securities	<u>(75,000)</u>	<u>-</u>	<u>92,500</u>	<u>-</u>
	<u>(72,789)</u>	<u>32,005</u>	<u>172,306</u>	<u>35,379</u>
Net income (loss) for the period	(327,465)	(277,674)	(661,185)	(836,132)
Deficit, beginning of period	<u>(9,043,317)</u>	<u>(8,173,560)</u>	<u>(8,709,597)</u>	<u>(7,615,102)</u>
Deficit, end of period	\$ (9,370,782)	\$ (8,451,234)	\$ (9,370,782)	\$ (8,451,234)
Basic and diluted earnings (loss) per common share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding	42,827,528	35,356,524	40,775,372	32,598,116

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, 2007	Three month period ended August 31, 2006	Nine month period ended August 31, 2007	Nine month period ended August 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss) for the period	\$ (327,465)	\$ (277,674)	\$ (661,185)	\$ (836,132)
Items not affecting cash:				
Amortization	223	307	668	858
Gain on recovery of mineral property acquisition costs	-	(26,740)	-	(26,740)
Stock-based compensation	129,218	157,352	397,990	365,484
Marketable securities received pursuant to a mineral property option agreement	-	-	(45,000)	-
Unrealized depreciation of marketable securities	75,000	-	(92,500)	-
Unrealized appreciation of marketable securities	-	-	(92,500)	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(1,743)	19,801	(32,687)	13,144
(Increase) decrease in prepaids	(2,415)	12,730	(8,240)	(8,740)
Increase (decrease) in accounts payable and accrued liabilities	21,893	41,207	(79,448)	6,842
Decrease in amounts due to related parties	(388)	(3,914)	(62,420)	(24,953)
Net cash used in operating activities	<u>(105,677)</u>	<u>(76,931)</u>	<u>(582,822)</u>	<u>(510,237)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Common shares issued	342,042	-	2,264,342	2,347,967
Finder's fees	-	-	(63,296)	-
Share issue costs	(4,381)	-	(36,794)	(174,074)
Share subscriptions received in advance	-	-	(116,200)	-
Net cash provided by financing activities	<u>337,661</u>	<u>-</u>	<u>2,048,052</u>	<u>2,173,893</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of equipment	-	-	-	(830)
Reclamation bond	(477)	(17,300)	33	(17,300)
Mineral property acquisition, net	(25,000)	(50,000)	(25,000)	(139,512)
Recovery of acquisition cost	-	-	-	25,000
Deferred exploration costs	(450,894)	(595,977)	(1,205,695)	(1,617,481)
Net cash used in investing activities	<u>(476,371)</u>	<u>(663,277)</u>	<u>(1,230,662)</u>	<u>(1,750,123)</u>
Change in cash for the period	(244,387)	(740,208)	234,568	(86,467)
Cash, beginning of the period	<u>646,732</u>	<u>1,250,194</u>	<u>167,777</u>	<u>596,453</u>
Cash, end of the period	\$ 402,345	\$ 509,986	\$ 402,345	\$ 509,986
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, 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 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.

	August 31, 2007	November 30, 2006
Working capital	\$ 621,999	\$ 67,136
Deficit	(9,370,782)	(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

	August 31, 2007	November 30, 2006
Shoreham Resources Ltd.	\$ 210,000	\$ 72,500

The Company holds 750,000 shares of 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

	August 31, 2007			November 30, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 3,824	\$ 1,792	\$ 2,032	\$ 3,824	\$ 1,203	\$ 2,621
Office furniture and fixtures	680	237	443	680	159	521
	\$ 4,504	\$ 2,029	\$ 2,475	\$ 4,504	\$ 1,362	\$ 3,142

GOLD CANYON RESOURCES INC.
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6. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

	Springpole Gold Project	Bear Head Uranium Project	Horseshoe Island Gold 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>46,000</u>	<u>-</u>	<u>83,300</u>
	2,690,792	66,000	46,000	114,678	2,917,470
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	-	12,285	44,256	81,094
Camp costs	5,013	-	73,975	-	78,988
Camp geotech	140,602	-	-	-	140,602
Drilling	212,977	-	-	55,682	268,659
Equipment rental	31,570	-	16,950	-	48,520
Geological consulting	136,996	-	32,350	62,728	232,074
Geophysics and air borne surveying	15,626	15,626	-	-	31,252
Land royalty payments	74,469	-	-	17,464	91,933
Maps	39	-	-	283	322
Material and supplies	9,676	-	4,835	1,262	15,773
Meals and lodging	29,953	-	9,419	3,496	42,868
Metallurgy	-	-	-	2,458	2,458
Sample storage	938	-	-	4,092	5,030
Staking and maintenance fees	2,537	-	-	14,447	16,984
Telephone and communications	5,492	-	737	123	6,352
Travel, transport and shipping	<u>89,408</u>	<u>-</u>	<u>19,883</u>	<u>8,495</u>	<u>117,786</u>
	<u>779,849</u>	<u>15,626</u>	<u>170,434</u>	<u>214,786</u>	<u>1,180,695</u>
Total, deferred exploration costs	<u>10,150,775</u>	<u>17,026</u>	<u>170,434</u>	<u>1,930,733</u>	<u>12,268,968</u>
Total, mineral properties and deferred exploration costs	\$ 12,841,567	\$ 83,026	\$ 216,434	\$ 2,045,411	\$ 15,186,438

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 (Paid)	30,000 (Issued)
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 8, 2006, the Company was notified by Shoreham that Shoreham received regulatory approval for its option agreement. During the year ended November 30, 2006, the Company received \$25,000 and 500,000 common shares of Shoreham pursuant to the mineral property agreement for the Favourable Lake property.

On March 29, 2007, the Company received \$25,000 in cash and 250,000 common shares of Shoreham pursuant to the terms of a December 22, 2005 mineral property option agreement.

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. The 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.

Horseshoe Island Gold Property

The Company acquired an assignment of an option to acquire 100% of 10 contiguous mineral claims (79 units) representing the Horseshoe Island gold occurrence currently held by Vital Resources Corp ("Vital").

Pursuant to the terms of the June 21, 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 deemed price per share of \$0.42. All securities to be issued will be subject to a hold period of four months from the closing date in accordance with the rules and policies of the TSX Venture Exchange and applicable Canadian securities laws. 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.

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

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.

The Company has a refundable reclamation bond totalling \$17,267 (US\$14,841) 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.

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

Cordero Gallium Project (cont'd...)

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

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.

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

- a) Paid or accrued management fees of \$46,545 (2006 - \$30,614) to three directors of the Company.
- b) Paid or accrued \$73,795 (2006 - \$85,895) for accounting, secretarial, rent and administrative services to a company of which a director is president.
- c) Paid or accrued \$582 (2006 - \$74,677) for geological consulting fees, which are included in deferred exploration costs, to a former director of the Company.
- d) Paid or accrued \$4,250 (2006 - \$45,891) for geological consulting fees, which are included in deferred exploration costs, to an officer of the Company.
- e) Paid or accrued \$139,571 (2006 - \$Nil) for geological consulting fees and services, 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 - \$24,842) to a former director of the Company.

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

- 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 6).

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

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	590,000	177,500	-
Exercise of warrants	758,928	342,042	-
Private placements	5,500,000	1,744,800	-
Shares for mineral properties	80,000	33,300	-
Stock based compensation	-	-	397,990
Contributed surplus on exercise of stock options	-	87,835	(87,835)
Issue costs	-	(100,090)	-
As at August 31, 2007	43,103,952	\$ 21,275,476	\$ 2,591,484

During nine month period ended August 31, 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 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) 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 in cash.

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

- 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 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 in cash.
- e) Issued 590,000 common shares for gross proceeds for \$177,500 pursuant to the exercise of stock options.
- f) Issued 758,928 common shares for gross proceeds of \$342,042 pursuant to the exercise of warrants.
- g) Issued 80,000 common shares valued at \$33,300 for various mineral properties.

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.

On June 8, 2007, the Company granted 700,000 stock options to directors, officers and consultants exercisable at \$0.40 until June 8, 2009.

Stock options outstanding at August 31, 2007 are as follows:

Number of Shares	Exercise Price	Expiry Date
610,000	\$ 0.50	October 3, 2007 (Subsequently expired)
275,000	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
373,000	0.30	August 4, 2008
200,000	0.30	September 20, 2008
1,075,000	0.35	December 29, 2008
60,000	0.40	February 20, 2009
<u>700,000</u>	0.40	June 8, 2009
4,129,000	Total available	
4,106,500	Fully vested	

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

Warrants

Warrants outstanding at August 31, 2007 are as follows:

Number of Shares	Exercise Price	Expiry Date
937,500	\$ 0.50	October 5, 2007 (See Note 13 (a))
1,066,000	(US)0.60	March 13, 2008
1,634,825	(US)0.60	March 31, 2008
403,333	0.50	May 29, 2008
729,000	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
500,000	0.50	May 23, 2009
1,000,000	0.40	May 29, 2009

9. STOCK-BASED COMPENSATION

During the nine month period ended August 31, 2007, the Company granted 1,835,000 (2006 – 2,109,000) stock options to employees, directors, officers and consultants of which 1,805,000 (2006 – 2,031,500) are fully vested at August 31, 2007. The stock-based compensation is recognized over the vesting period of the options granted. The stock-based compensation expense for the nine month period ended August 31, 2007 is \$397,990 (2006 - \$365,484). 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:

	August 31, 2007	August 31, 2006
Risk-free interest rate	3.98% ~ 4.62%	3.75% ~ 4.13%
Expected life of options	2 years	2 years
Annualized volatility	74.8% ~ 85.70%	70.80% ~ 120.56%
Dividend rate	0.00%	0.00%

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10. SEGMENTED INFORMATION

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

	Equipment	Mineral Properties and Deferred Exploration Costs
August 31, 2007		
Canada	\$ 2,474	\$ 13,141,027
United States	-	2,045,411
	<u>\$ 2,474</u>	<u>\$ 15,186,438</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. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

There significant non-cash transaction during the nine month period ended August 31, 2007 were as follows:

- a) The receipt of 250,000 common shares of Shoreham Resources Ltd. pursuant to the mineral property option agreement on the Favourable Lake Property (Note 6).
- b) Issuance of 30,000 common shares valued at \$12,300 pursuant to a mineral property agreement on the Springpole Property (Note 6).
- c) Issuance of 50,000 common shares valued at \$21,000 pursuant to a mineral property option agreement on the Horseshoe Island Property (Note 6).

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

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12. 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.

13. SUBSEQUENT EVENTS

The following events occurred subsequent to August 31, 2007:

- a) Issued 468,750 common shares at \$0.50 per share for proceeds of \$234,375 pursuant to the exercise of warrants which were part of the 937,500 warrants with an expiry date of October 5, 2007. 468,750 of the remaining warrants expired unexercised.
- b) Granted 591,000 stock options exercisable at \$0.50 until October 4, 2009 to various directors, officers and consultants.