

GOLD CANYON RESOURCES INC.

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

**NINE MONTH PERIOD ENDED
AUGUST 31, 2008**

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, 2008.

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

	August 31, 2008	November 30, 2007 (Audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 1,971,077	\$ 849,723
Receivables	46,014	98,759
Marketable securities, at fair value (Note 3)	145,000	270,000
Prepaid expenses	<u>4,350</u>	<u>25,690</u>
	2,166,441	1,244,172
Equipment (Note 4)	3,400	2,801
Reclamation bond (Note 5)	14,772	14,772
Mineral properties and deferred exploration costs (Note 5)	<u>17,477,290</u>	<u>15,543,787</u>
	<u>\$ 19,661,903</u>	<u>\$ 16,805,532</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities	\$ 19,687	\$ 234,353
Due to related parties (Note 6)	<u>10,183</u>	<u>8,287</u>

29,870 242,640

Future income tax liability

1,117,000 1,117,000

1,146,870 1,359,640

Shareholders' equity

Capital stock (Note 7)	25,881,691	21,300,492
Contributed surplus (Note 7)	2,892,323	2,742,932
Subscriptions received in advance	-	550,000
Deficit	<u>(10,258,981)</u>	<u>(9,147,532)</u>

18,515,033 15,445,892

\$ 19,661,903 \$ 16,805,532

Nature and continuance of operations (Note 2)

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, 2008	Three month period ended August 31, 2007	Nine month period ended August 31, 2008	Nine month period ended August 31, 2007
ADMINISTRATION EXPENSES				
Amortization	\$ 376	\$ 223	\$ 936	\$ 668
Consulting	3,323	3,525	36,906	9,525
Foreign exchange (gain)	2,914	2,810	2,671	675
Insurance	887	686	14,295	14,969
Interest	-	-	6,893	322
Investor relations	12,710	35,204	141,154	113,637
Management fees	28,017	17,704	66,389	46,546
Office and miscellaneous	11,385	6,660	30,118	25,110
Printing	1,722	1,972	6,965	6,656
Professional fees	38,605	34,735	129,037	128,557
Property investigation	-	-	586	-
Regulatory fees	44	948	13,718	14,613
Salaries	13,378	-	13,378	-
Stock-based compensation (Note 8)	14,198	129,218	291,706	397,990
Telephone	2,277	2,210	6,721	6,434
Transfer agent fees	1,744	3,924	13,327	14,547
Travel and promotion	25,007	14,077	79,462	50,873
Website design and maintenance	840	780	2,420	2,369
	<u>(157,427)</u>	<u>(254,676)</u>	<u>(856,682)</u>	<u>(833,491)</u>
OTHER ITEMS				
Interest income	55,450	2,211	72,439	9,806
Mineral property option income	-	-	65,000	-
Other income	-	-	-	70,000
Unrealized (depreciation) appreciation of marketable securities	(55,000)	(75,000)	(190,000)	92,500
Write-off of mineral property	<u>(202,206)</u>	<u>-</u>	<u>(202,206)</u>	<u>-</u>
	<u>(201,756)</u>	<u>(72,789)</u>	<u>(254,767)</u>	<u>172,306</u>
Net loss for the period	(359,183)	(327,465)	(1,111,449)	(661,185)
Deficit, beginning of period	<u>(9,899,798)</u>	<u>(9,043,317)</u>	<u>(9,147,532)</u>	<u>(8,709,597)</u>
Deficit, end of period	<u><u>\$(10,258,981)</u></u>	<u><u>\$ (9,370,782)</u></u>	<u><u>\$(10,258,981)</u></u>	<u><u>\$ (9,370,782)</u></u>
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	53,723,127	42,827,528	52,527,474	40,775,372

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, 2008	Three month period ended August 31, 2007	Nine month period ended August 31, 2008	Nine month period ended August 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	\$ (359,183)	\$ (327,465)	\$ (1,111,449)	\$ (661,185)
Items not affecting cash:				
Amortization	376	223	936	668
Mineral property option income	-	-	(65,000)	-
Marketable securities received pursuant to a mineral property option agreement				(45,000)
Stock-based compensation	14,198	129,218	291,706	397,990
Unrealized (appreciation) depreciation of marketable securities	55,000	75,000	190,000	(92,500)
Write-off of mineral property	202,206	-	202,206	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(6,583)	(1,743)	52,745	(32,687)
(Increase) decrease in prepaids	8,855	(2,415)	21,340	(8,240)
Increase (decrease) in accounts payable and accrued liabilities	(3,012)	21,893	(170,588)	(79,448)
Decrease in amounts due to related parties	(11,811)	(388)	1,896	(62,420)
Net cash used in operating activities	(99,954)	(105,677)	(586,208)	(582,822)
CASH FLOWS FROM FINANCING ACTIVITIES				
Common shares issued	-	342,042	3,965,420	2,264,342
Finder's fees	-	-	-	(63,296)
Share issue costs	-	(4,381)	(86,736)	(36,794)
Share subscriptions received in advance	-	-	-	(116,200)
Net cash provided by financing activities	-	337,661	3,878,684	2,048,052
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of equipment	-	-	(1,536)	-
Reclamation bond	-	(477)	-	33
Mineral property acquisition	-	(25,000)	(115,000)	(25,000)
Deferred exploration costs	(439,233)	(450,894)	(2,054,586)	(1,205,695)
Net cash used in investing activities	(439,233)	(476,371)	(2,171,122)	(1,230,662)
Change in cash and cash equivalents for the period	(539,187)	(244,387)	1,121,354	234,568
Cash and cash equivalents, beginning of the period	2,510,264	646,732	849,723	167,777
Cash and cash equivalents, end of the period	\$ 1,971,077	\$ 402,345	\$ 1,971,077	\$ 402,345
Cash paid during the period for interest and income taxes				
Interest	\$ -	\$ -	\$ -	\$ -
Income taxes	-	-	-	-

Supplemental disclosures with respect to cash flows (Note 10)

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

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
AUGUST 31, 2008

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, 2007. 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, 2008	November 30, 2007
Working capital	\$ 2,136,571	\$ 1,001,532
Deficit	(10,258,981)	(9,147,532)

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
AUGUST 31, 2008

3. MARKETABLE SECURITIES

The Company holds 1,000,000 (November 30, 2007 – 750,000) shares with a cost of \$182,500 (November 30, 2007 - \$117,500) 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, 2008			November 30, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 5,908	\$ 2,676	\$ 3,232	\$ 4,373	\$ 1,989	\$ 2,384
Office furniture and fixtures	<u>680</u>	<u>512</u>	<u>168</u>	<u>680</u>	<u>263</u>	<u>417</u>
	\$ 6,588	\$ 3,188	\$ 3,400	\$ 5,053	\$ 2,252	\$ 2,801

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
AUGUST 31, 2008

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

	Springpole Project	Bear Head Project	Horseshoe Island Project	Cordero Gallium Project	Total
Acquisition costs	\$ 2,690,792	\$ 66,000	\$ 53,500	\$ 114,678	\$ 2,924,970
Additions	<u>40,200</u>	<u>-</u>	<u>35,000</u>	<u>50,000</u>	<u>125,200</u>
Total acquisition costs	<u>2,730,992</u>	<u>66,000</u>	<u>88,500</u>	<u>164,678</u>	<u>3,050,170</u>
Deferred exploration					
Opening balance	<u>10,224,398</u>	<u>53,486</u>	<u>\$ 255,445</u>	<u>2,085,488</u>	<u>12,618,817</u>
Assays	24,806	-	3,063	50,248	78,117
Drilling and related	266,407	-	-	494,919	761,326
Camp costs	4,762	-	-	-	4,762
Camp geotech	112,677	5,100	27,575	62,377	207,729
Equipment rental	17,235	390	3,470	18,535	39,630
Field surveying	-	-	9,646	5,068	14,714
Geological consulting	120,572	5,900	10,040	245,831	382,343
Land royalty payments	71,145	-	-	16,000	87,145
Maps and reproduction	74	-	43	1,525	1,642
Materials and supplies	11,314	275	1,210	19,523	32,322
Meals and lodging	17,470	346	4,326	20,159	42,301
Metallurgy	-	-	-	23,465	23,465
Sample storage	738	-	-	17,269	18,007
Staking and maintenance fees	2,264	70,000	-	88,362	160,626
Telephone and communications	3,261	-	310	266	3,837
Travel, transport and shipping	<u>115,572</u>	<u>709</u>	<u>6,819</u>	<u>29,443</u>	<u>152,543</u>
	<u>768,297</u>	<u>82,720</u>	<u>66,502</u>	<u>1,092,990</u>	<u>2,010,509</u>
Total, deferred exploration costs	<u>10,992,695</u>	<u>136,206</u>	<u>321,947</u>	<u>3,178,478</u>	<u>14,629,326</u>
Write-off of mineral property costs	<u>-</u>	<u>(202,206)</u>	<u>-</u>	<u>-</u>	<u>(202,206)</u>
Total, mineral properties and deferred exploration costs	<u>\$ 13,723,687</u>	<u>\$ -</u>	<u>\$ 410,447</u>	<u>\$ 3,343,156</u>	<u>\$ 17,477,290</u>

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

Springpole Project

The Company controls a 100% interest, in certain properties, as well as an option to earn a 100% interest in other properties, in the Springpole Project located in the Red Lake Mining Division of Ontario. The properties are subject to certain underlying agreements with the following obligations:

- a) Minimum annual advance royalty payments totalling approximately US\$123,500. These payments will vary from year to year due to escalation clauses and changes in gold prices.
- b) Net smelter returns royalty (“NSR”) payments varying from 1-5% on each of the underlying agreements upon production.

The Company has the option to purchase portions of these mining claims for approximately US\$2,000,000.

In an option agreement dated May 9, 2005, with 1544230 Ontario Inc. the Company acquired new mineral units bordering the Springpole Project. Total consideration consists of cash payments totaling \$136,000 and the issuance of 120,000 common shares, payable as follows:

	<u>Cash</u>	<u>Shares</u>
On Exchange Approval	\$ 16,000 (Paid)	30,000 (Issued)
On 1 st anniversary	20,000 (Paid)	30,000 (Issued)
On 2 nd anniversary	25,000 (Paid)	30,000 (Issued)
On 3 rd anniversary	30,000 (Paid)	30,000 (Issued)
On 4 th anniversary	45,000	-

Favourable Lake Project

In August 2005, the Company acquired the Favourable Lake property located in northwestern Ontario. The Company paid \$15,000, and issued 40,000 shares at a value of \$0.57 per share, together with the grant of a 2% NSR, 1% of which may be repurchased by the Company prior to production. The Company has staked additional claim units surrounding the Favourable Lake claims. Pursuant to an agreement with the prospector, the Company has granted a 2% NSR on these surrounding claims.

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

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

Favourable Lake Project (cont'd...)

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

As at August 31, 2008, the Company has received from Shoreham \$50,000 cash and 1,000,000 common shares with original value of \$182,500 (Note 3).

Bear Head Project

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

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

During the nine month period ended August 31, 2008, the Company's management decided not to continue exploration of the project and terminated the mineral property option agreement by paying \$70,000 to the optionor. As a result, all costs associated with the property, totaling \$202,206, have been written off to operations.

Horseshoe Island Project

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

Pursuant to the terms of the June 20, 2007 agreement, the Company paid to Vital the sum of \$25,000 and issued 50,000 common shares in the capital of the Company to Vital at a value of \$0.57 per share. In order to exercise the option and acquire the 100% interest in the claims, the Company will be required to pay an aggregate of \$85,000 (\$35,000 paid) in cash over a 2 year period and incur expenditures in the amount of \$25,000 on or before May 1, 2008. The claims are subject to a 1.5% net smelter royalty in favour of the original optionors. This agreement received regulatory approval on July 3, 2007.

Cordero Gallium Project

i) **Cordero Property**

On June 22, 2001, the Company entered into an Assignment Agreement with Tech Industries Ltd. ("Tech") in which the Company acquired all of Tech's interest with respect to all minerals, except gold and silver, on the Cordero Property, located in Humboldt County, Nevada.

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

Cordero Gallium Project (cont'd...)

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

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

- a) pay Tech US\$5,000 upon execution of the agreement (paid);
- b) grant Tech a NSR of 3%;
- c) assume a 1% NSR payable to Cordero Mine Inc.; and
- d) advance minimum royalties totalling US\$7,000 (paid) on the first anniversary of the agreement, US\$8,000 (paid) on the second anniversary, and US\$10,000 per year throughout the remaining term of the Assignment Agreement which will be credited against future NSR's payable, if any.

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

ii) Caley Property

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

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

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

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

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

Cordero Gallium Project (cont'd...)

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

The amended work commitment schedule is as follows:

<u>Anniversary of Agreement</u>	<u>Work Commitment</u>
On or before the 1 st anniversary	US \$ 50,000
On or before the 2 nd anniversary	100,000
On or before the 3 rd anniversary	150,000
On or before the 4 th anniversary	250,000
On or before November 30, 2006	300,000
In each year thereafter until 2016	300,000

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

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

iii) **Mining Lode and Mill Site Claims**

In March 2008, the Company staked 102 Lode Mining Claims and 48 Mill Site Claims contiguous to its Cordero Gallium Project in Humboldt County, Nevada, USA.

6. DUE TO RELATED PARTIES

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

During the nine month period ended August 31, 2008, the Company entered into transactions with related parties as follows:

- a) Paid or accrued management fees of \$64,383 (2007 - \$46,545) to three directors of the Company.
- b) Paid or accrued \$94,490 (2007 - \$73,795) for accounting, secretarial, rent and administrative services to a company of which a director is president.
- c) Paid or accrued \$7,500 (2007 - \$4,250) for geological consulting fees, which are included in deferred exploration costs, to an officer of the Company.

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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AUGUST 31, 2008

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

- d) Paid or accrued \$106,725 (2007 - \$139,571) for geological consulting fees, which are included in deferred exploration costs, to a company controlled by a director of the Company.
- e) Paid or accrued \$18,846 (2007 - \$Nil) for geological consulting fees, \$16,516 (2007 - \$Nil) for consulting fees and \$586 (2007 - \$Nil) for property investigation costs to a director of the Company.

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, 2007	43,672,702	\$ 21,300,492	\$ 2,742,932
For cash			
Exercise of stock options	646,000	204,600	-
Exercise of warrants	3,194,825	1,310,820	-
Private placements	6,000,000	3,000,000	-
Shares for mineral property	30,000	10,200	-
Finder's shares	179,600	89,500	-
Stock based compensation	-	-	291,706
Contributed surplus on exercise of stock options	-	142,315	(142,315)
Issue costs	-	(176,236)	-
As at August 31, 2008	53,723,127	\$ 25,881,691	\$ 2,892,323

During nine month period ended August 31, 2008 the Company:

- a) Closed a 6,000,000 unit non-brokered private placement at \$0.50 per unit for gross proceeds of \$3,000,000. Each unit is comprised of one common share and one share purchase warrant exercisable at \$0.70 until December 14, 2009. The Company paid a finder's fees of \$60,000 in cash, issued 179,600 units at the same terms as those to be issued pursuant to the private placement and 284,000 warrants exercisable at \$0.70 until December 14, 2009.
- b) Issued 646,000 common shares for gross proceeds for \$204,600 pursuant to the exercise of stock options.
- c) Issued 3,194,825 common shares for gross proceeds for \$ 1,310,820 pursuant to the exercise of warrants.
- d) Issued 30,000 common shares valued at \$10,200 pursuant to a mineral property option agreement with 1544230 Ontario Inc. on the Springpole property (Note 5).

GOLD CANYON RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
AUGUST 31, 2008

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 February 12, 2008, the Company granted 1,200,000 stock options to directors, officers and consultants exercisable at \$0.48 until February 12, 2010.

Stock options outstanding at August 31, 2008 are as follows:

Number of Shares	Exercise Price	Expiry Date
200,000	\$ 0.30	September 20, 2008 (subsequently expired)
1,055,000	0.35	December 29, 2008
700,000	0.40	June 8, 2009
581,000	0.50	October 4, 2009
100,000	0.50	November 6, 2009
225,000	0.50	November 29, 2009
<u>1,200,000</u>	0.48	February 12, 2010
<u>4,061,000</u>		

Warrants

Warrants outstanding at August 31, 2008 are as follows:

Number of Shares	Exercise Price	Expiry Date
729,000	\$ 0.40	November 22, 2008
1,760,000	0.40	December 13, 2008
340,000	0.45	January 2, 2009
400,000	0.22	January 22, 2009
500,000	0.50	May 23, 2009
<u>6,463,600</u>	0.70	December 14, 2009
<u>10,192,600</u>		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
AUGUST 31, 2008

8. STOCK-BASED COMPENSATION

During the nine month period ended August 31, 2008, the Company granted 1,200,000 (2007 – 1,835,000) stock options to employees, directors, officers and consultants of which 1,200,000 (2007 – 1,805,000) are fully vested at August 31, 2008. The estimated fair value of options was \$0.21 (2007 - \$0.22). The estimated total fair value of vested stock options during the period is \$277,508 (2007 - \$397,990). 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, 2008	August 31, 2007
Risk-free interest rate	3.04%	3.98% ~ 4.62%
Expected life of options	2 years	2 years
Annualized volatility	76.41%	74.80% ~ 85.70%
Dividend rate	0.00%	0.00%

9. SEGMENTED INFORMATION

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

	Equipment	Mineral Properties and Deferred Exploration Costs
August 31, 2008		
Canada	\$ 3,400	\$ 14,134,134
United States	-	3,343,156
	<u>\$ 3,400</u>	<u>\$ 17,477,290</u>
November 30, 2007		
Canada	\$ 2,801	\$ 13,343,621
United States	-	2,200,166
	<u>\$ 2,801</u>	<u>\$ 15,543,787</u>

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

The significant non-cash transactions during the nine month period ended August 31, 2008 consisted of:

- a) The issuance of 179,600 common shares valued at \$89,800 for finder's fees pursuant to a private placement completed in December 2007 (Note 7).
- b) Incurring mineral property and deferred exploration costs of \$14,586 through accounts payable.
- c) The issuance of 30,000 common shares valued at \$10,200 pursuant to a May 9, 2005 agreement for acquisition of mineral claims bordering the Springpole Project (Note 5).

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.
- b) Issuance of 30,000 common shares valued at \$12,300 pursuant to a mineral property agreement on the Springpole Property.
- c) Issuance of 50,000 common shares valued at \$21,000 pursuant to a mineral property option agreement on the Horseshoe Island Property.

11. FINANCIAL INSTRUMENTS

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