

## **GOLD CANYON RESOURCES INC.**

### **FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS SIX MONTH PERIOD ENDED MAY 31, 2006**

The following MD&A for *Gold Canyon Resources Inc.* (“the Company”), prepared as of June 27, 2006, should be read together with the unaudited consolidated financial statements for the six month period ended May 31, 2006 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

The Company was incorporated on August 20, 1985 pursuant to the *Company Act* of British Columbia.

Additional information related to the Company is available for view on the Company’s website at [www.goldcanyon.ca](http://www.goldcanyon.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Description of Business**

Gold Canyon Resources Inc.’s primary business is the acquisition, exploration and development of properties containing or thought to contain valuable minerals. Presently the Company’s exploration efforts are focused in Ontario, Canada and the State of Nevada in the United States. The Company is currently exploring three projects ranging from early through advanced exploration stage projects. These projects are; the advanced stage Springpole Gold Project; the intermediate stage Cordero Gallium Project; and the early stage Favourable Lake silver – poly metallic project.

**Springpole Gold Project** - The Company’s “flagship” project is the Springpole Gold Project. It is located about 70 miles (115 km) northeast of the town of Red Lake, in the Red Lake Mining District, in the district of Kenora in northwestern Ontario. The Company is in the exploration stage with respect to its interests in this mineral property which consist of 220 claims and cover approximately 20,000 acres. The Company maintains 100% control of all claims through leasehold interest and direct location. The Company successfully completed an aggressive 30,000 foot core drilling campaign confirming the presence of a high-grade, structurally controlled gold system during the 2004-05 winter drilling season. In addition, the Company has identified multiple new areas of mineralization including mineralization hosted in banded iron formations together with newly identified large areas of surface alteration very similar to that seen over known mineralization elsewhere on the property. The Company has commissioned a detailed three dimensional computer model being constructed in Gemcom to build a resource inventory, and to assist in the future exploration and development efforts. The 2006 winter program commenced February 27, 2006 which consisted of approximately 10,000 feet of diamond drilling. Drill results were released in April and May 2006.

**Cordero Gallium Project** – The Company controls a 100% interest in the Cordero Gallium Project by leasehold interest and direct location through its 100% owned subsidiary Gold Canyon Resources USA Inc. The project, located in north-central Nevada covering over 1,800 acres, is the largest known primary gallium occurrence in North America. The Company has completed Phase I of advanced metallurgical testing and has commenced Phase II of the studies. On April 20, 2006, Reserva International LLC provided the Company with a National Instrument 43-101 compliant technical report and resource estimate. The complete technical report is available on the Company’s website ([www.goldcanyon.ca](http://www.goldcanyon.ca)) and SEDAR ([www.sedar.com](http://www.sedar.com)).

**Favourable Lake Project** - The Company acquired 100% interest in the Favourable Lake; silver-poly-metallic property in August 2005. The property is approximately 120 miles (200 km) north of Red Lake, Ontario and consists of 268 individual claims units covering roughly 10,590 acres in the highly mineralised Favourable Lake Greenstone Belt. On December 22, 2005, the Company entered into a mineral property option agreement with Shoreham Resources Ltd (“Shoreham”). This agreement received regulatory approval on March 8, 2006.

## Performance Summary

The following is a summary of significant events and transactions that occurred during the quarter ended May 31, 2006:

1. On December 6, 2005, the Company recovered \$14,273 of share issue costs related to private placements completed in the 2005 fiscal year.
2. On December 8, 2005, 275,000 options exercisable at \$0.36 per share expired unexercised.
3. On December 29, 2005, 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 \$44,000 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.

4. On December 29, 2005, the Company granted 275,000 stock options to directors, officers and consultants exercisable at \$0.25 until December 29, 2007.
5. On January 16, 2006, 269,000 options exercisable at \$0.43 per share expired unexercised.
6. On January 18, 2006, the Company granted 411,000 stock options to directors, officers and consultants exercisable at \$0.35 until January 18, 2008.
7. On January 27, 2006, the Company paid US\$40,000 and reimbursed \$23,500 of costs to amend the Caley property lease agreement (See Note 4).
8. On February 27, 2006, the Company commenced its 10,000 foot winter drill program on the Springpole Gold Project. The drill program was specifically designed to address two principle objectives. The first, to conduct additional drilling in specific areas to fill gaps in the existing drill pattern identified during 3D computer modeling. This drilling will include work in the Main, Vein and Camp Zones as well as exploring the East Extension Bonanza along trend, down rake and down dip. The second objective was to explore promising new targets identified by the Company as a result of its ongoing property-wide exploration modeling and field work completed during the 2005 Summer Field Season. These areas include significant new targets situated both within, and external to, the Core Area. The first set of results on 8 holes were release on April 13, 2006 with bonanza grade results on the Core Area which included 8.0 feet at 1.518 ounces per ton gold in hole BL06-356. The second and final set of results were released on May 16, 2006.
9. In March 2006, completed and closed private two placements for a total of 2,684,825 units at (US)\$0.25 per unit for gross proceeds of (US)\$671,206. Each unit consists of one common share and one non-transferable share purchase warrant entitling the holder to purchase another common share at (US)\$0.40 for two years (1,050,000 expiring March 13, 2008 and 1,634,825 expiring March 31, 2008).
10. On March 1, 2006, the Company received \$25,000 and 250,000 common shares of Shoreham Resources Ltd. ("Shoreham"). pursuant to the mineral property agreement for the Favourable Lake property.
11. On March 8, 2006, the Company was notified by Shoreham that it 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 would 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.
12. On April 6, 2006 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.

13. On April 20, 2006, the Company announced that Timothy Carew of *réserva* INTERNATIONAL LLC delivered an independent National Instrument 43-101 compliant Technical Report and resource estimate for its Cordero Gallium Project located in Humboldt County, Nevada. Based on 82 drill holes completed by the Company, Mr. Carew estimates resources at Cordero to contain 337,360 kilograms of gallium in an indicated category and 384,640 kilograms of gallium in an inferred category.
14. Held its Annual General Meeting on April 27, 2006. All proposed resolutions were passed, including the newly adopted shareholder 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.
15. On May 16, 2006, the Company announces that it appointed Douglas B. Buchanan as a legal and strategic advisor to the Company. Mr. Buchanan is the National Managing Partner of Davis & Company LLP, a major Canadian law firm with offices in 8 cities including Vancouver, Toronto, Montreal, Calgary and Tokyo. Mr. Buchanan practices in the area of mergers and acquisition, project development and project financing, with emphasis on the infrastructure and natural resource sectors in Canada and internationally.
16. On May 30, 2006, the Company closed a non-brokered private placement has issued 920,667 common share units at \$0.40 (US\$0.36) per unit for gross proceeds of \$367,898 (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 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.

## Selected Annual Information

The following table provides a brief summary of the Company’s financial operations. For more detailed information, refer to the Financial Statements.

|   | Three months<br>ended<br>May 31, 2006 | Three months<br>ended<br>May 31, 2005 | Six months<br>ended<br>May 31, 2006 | Six months<br>ended<br>May 31, 2005 |
|---|---------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|
| Total revenues                              | \$ 2,655                              | \$ 16,510                             | \$ 3,374                            | \$ 16,745                           |
| Net loss before extraordinary items         | (244,925)                             | (273,675)                             | (558,458)                           | (424,523)                           |
| Net income (loss)                           | (244,925)                             | (273,675)                             | (558,458)                           | (424,523)                           |
| Basic and diluted earnings (loss) per share | (0.01)                                | (0.01)                                | (0.02)                              | (0.02)                              |
| Total assets                                | 14,012,751                            | 11,613,439                            | 14,012,751                          | 11,613,349                          |
| Total long-term liabilities                 | -                                     | -                                     | -                                   | -                                   |
| Cash dividends                              | -                                     | -                                     | -                                   | -                                   |

The Company earns interest revenue from cash held in banks. It continued its exploration work on the Springpole property. Current period operating expenses were higher when compared to the previous year because there was a non-cash charge to operations of \$143,063 resulting from the stock based compensation expense in the current period that significantly increased the net loss for the period.

The Company has no present intention of paying dividends on its common shares as it anticipates that all available funds will be invested to finance the growth of its business.

## Results of Operations

The Company incurred a net loss of \$558,458 (2005 - \$424,429) during the period. The expenses incurred are as follows:

Consulting fees of \$22,982 (2005 - \$19,504)  
Insurance expense of \$17,107 (2005 - \$8,680)  
Interest expense of \$11,727 (2005 - \$Nil)  
Investor relations costs of \$88,701 (2005 - \$99,780)  
Management fees of \$20,442 (2005 - \$15,000)  
Office and miscellaneous costs of \$42,509 (2005 - \$12,160)  
Professional fees of \$97,419 (2005 - \$107,648)  
Regulatory fees of \$11,190 (2005 - \$11,903)  
Stock-based compensation costs of \$208,132 (2002 - \$88,709)  
Tax expense \$Nil (2005 - \$24,996)  
Telephone \$5,220 (2005 - \$6,930)  
Transfer agent fees of \$11,121 (2005 - \$7,080)  
Travel and promotion costs of \$21,673 (2005 - \$34,511)  
Website design and maintenance \$2,364 (2005 - \$Nil)

Management fees are paid or accrued to two directors. One director is paid \$2,500 / month. The second director is paid US\$800 / month.

During the current period, the Company incurred \$17,107 (2005 - \$8,680) in insurance expense, most of which relates to directors' and officers' liability insurance. The coverage was increased during the current period resulting in an increase in the annual premium.

The Company incurred interest expense of \$11,727 (2005 - \$Nil) during the current period relating to an interest penalty paid on the flow-through private placements from June 2004 and December 2004.

During the period, the Company incurred \$88,701 (2005 - \$99,780) in investor relations which were costs for attendance at investment conferences, advertising, promotional packages, fax dissemination of news releases to shareholders and the maintenance of a website. Effective September 1, 2005, the Company retained the services of Elaine Einarson to provide investor relations and administrative services for a period of one year. The Company has been paying Ms. Einarson a monthly fee of \$4,500 plus GST, and reimburse Ms. Einarson for other miscellaneous expenses incurred in providing services.

Professional fees are comprised of \$27,339 (2005 - \$35,648) for legal, \$19,820 (2005 - \$11,280) for audit related costs and \$50,260 (2005 - \$60,720) was for accounting and administration fees to a company, which a director is president.

During the year ended November 30, 2005, the Company was assessed and paid \$24,808 in Corporate Capital Tax relating to the 1997 to 2000 fiscal years. The Company filed an appeal to get this amount re-assessed and significantly reduced. During the current period, the Company received a refund of \$23,371.

## Summary of Quarterly Results

|                        | Three Months Ended |                      |                      |                    |
|------------------------|--------------------|----------------------|----------------------|--------------------|
|                        | May 31,<br>2006    | February 28,<br>2006 | November 30,<br>2005 | August 31,<br>2005 |
| Total assets           | \$ 14,012,751      | \$ 12,595,133        | \$ 12,227,788        | \$ 12,485,194      |
| Mineral property costs | 12,643,493         | 12,089,938           | 11,583,175           | 11,234,540         |
| Working capital        | 1,307,387          | 397,838              | 527,616              | 1,040,755          |
| Shareholders' equity   | 13,954,635         | 12,491,838           | 12,114,268           | 12,275,295         |
| Revenues               | 2,655              | 719                  | 6,317                | 9,287              |
| Net loss               | (244,925)          | (313,533)            | (82,834)             | (154,455)          |
| Loss per share         | (0.01)             | (0.01)               | (0.01)               | (0.01)             |

|                        | <b>Three Months Ended</b> |                      |                      |                    |
|------------------------|---------------------------|----------------------|----------------------|--------------------|
|                        | May 31,<br>2005           | February 28,<br>2005 | November 30,<br>2004 | August 31,<br>2004 |
| Total assets           | \$ 11,613,439             | \$ 11,109,901        | \$ 10,172,272        | \$ 10,144,907      |
| Mineral property costs | 10,519,197                | 8,742,875            | 8,347,055            | 7,702,956          |
| Working capital        | 244,675                   | 2,198,362            | 1,731,719            | 2,354,007          |
| Shareholders' equity   | 10,763,872                | 10,941,237           | 10,078,774           | 10,058,138         |
| Revenues               | 16,510                    | 270                  | 13,534               | 2,222              |
| Net loss               | (273,675)                 | (150,754)            | (63,160)             | (428,186)          |
| Loss per share         | (0.01)                    | (0.01)               | (0.03)               | (0.02)             |

Significant changes in key financial data from 2004 to 2006 can be attributed to the Company adopting a new accounting treatment of using the fair value based method of accounting for all stock-based compensation starting in the 2003 fiscal year end. This results in a higher reported net loss figure whenever the Company grants stock options. The Company has also been increasing its mineral property costs each year by incurring exploration related costs on its Springpole Gold Property. Funding for the property has been accomplished through the completion several equity financings starting in December 2003.

## Liquidity

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing in the future.

|                 | May 31,<br>2006 | November 30,<br>2005 |
|-----------------|-----------------|----------------------|
| Working capital | \$ 1,307,387    | 527,616              |
| Deficit         | (8,173,560)     | (7,615,102)          |

Net cash used in operating activities for the period consists primarily of the operating loss and a change in non-cash working capital.

Net cash used by operating activities during the period was \$433,304 compared to net cash provided by operating activities of \$395,910 during the previous comparable period.

Financing activities provided net cash of \$2,173,893 during the current period and \$1,020,818 during the previous comparable period from the issuance of common stock.

Net cash used in investing activities was \$1,086,848 during the current period and \$2,172,142 in the previous comparable period. Cash was expended primarily on exploration work on the Springpole and Cordero properties and the acquisition of the Favourable Lake claims.

## Capital Resources

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.

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

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

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 originally announced on May 4, 2006 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.

The Company has sufficient funds to meet its property maintenance payments for 2006 and cover anticipated administrative expenses throughout the year. It will continue to focus its exploration and development efforts on its Springpole, Cordero/Caley and Favourable Lake Projects.

## **Related Party Transactions**

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

- a) Paid or accrued management fees of \$20,442 (2005 - \$15,000) to two directors of the Company.
- b) Paid or accrued \$58,960 (2005 - \$68,220) for accounting, secretarial, rent and administrative services to a company of which a director is president.
- c) Paid or accrued \$59,617 (2005 - \$61,847) for geological consulting fees, which are included in deferred exploration costs, to a director of the Company.
- d) Paid or accrued \$32,141 (2005 - \$5,500) for geological consulting fees, which are included in deferred exploration costs, to an officer of the Company.
- e) Paid or accrued consulting fees of \$22,982 (2005 - \$19,504) to a director of the Company.
- f) Two of the Company's directors transferred 50,000 (25,000 each) (2005 - Nil) common shares of the Company, on behalf of the Company, valued at \$23,500 pursuant to the amended Caley property agreement (See Note 4).
- g) The Company granted 915,000 (2005 - 285,000) stock options to directors, officers and employees, which have been valued at \$192,493 (2005 - \$85,700) and are recorded as stock-based compensation.

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.

## Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, 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.

## Critical Accounting Policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and form the basis for the following discussion and analysis of critical accounting policies and estimates. The Company makes estimates and assumptions that affect the reported amounts of assets, liabilities and expenses and related disclosure of contingent assets and liabilities during the course of preparing these financial statements. On a regular basis, the Company evaluates estimates and assumptions including those related to the recognition of stock-based compensation.

Estimates are based on historical experience and on various other assumptions that the Company believes to be reasonable. These estimates form the basis of judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

## Outstanding Share Data

### Capital stock

|   | Number<br>of Shares | Capital<br>Stock | Contributed<br>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                   | 30,000              | 16,800           | -                      |
| Stock based compensation                    | -                   | -                | 208,132                |
| Recovery of issue costs                     | -                   | 14,737           | -                      |
| Issue costs                                 | -                   | (197,851)        | -                      |
| As at May 31, 2006                          | 35,344,024          | \$ 20,039,101    | \$ 2,089,094           |

### Stock options

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

| Number<br>Of Shares | Exercise<br>Price | Expiry Date                          |
|---------------------|-------------------|--------------------------------------|
| 744,000             | \$ 0.65           | June 14, 2006 (subsequently expired) |
| 160,000             | 0.75              | September 15, 2006                   |
| 295,000             | 0.55              | May 4, 2007                          |
| 670,000             | 0.50              | October 3, 2007                      |
| 275,000             | 0.25              | December 29, 2007                    |
| 411,000             | 0.35              | January 18, 2008                     |
| 305,000             | 0.30              | March 27, 2008                       |

## Warrants

Warrants outstanding at May 31, 2006 are as follows:

| Number<br>Of Shares | Exercise<br>Price | Expiry Date                          |
|---------------------|-------------------|--------------------------------------|
| 435,000             | \$ 0.85           | June 11, 2006 (subsequently expired) |
| 93,333              | 0.95              | June 22, 2006 (subsequently expired) |
| 311,111             | 1.00              | June 22, 2006 (subsequently expired) |
| 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                         |

## Subsequent Events

The following events occurred subsequent to May 31, 2006:

- a) Granted 200,000 stock options exercisable at \$0.30 expiring June 1, 2008 to two consultants of the Company.
- b) Commenced a summer exploration program on the Springpole Gold Project on June 1, 2006. A summer program is also expected to commence on its Cordero Gallium Project.
- c) Received 250,000 common shares of Shoreham Resources Ltd pursuant to mineral property option agreement on the Favourable Lake Property (Note 5).

*Cautionary Note to United States Investors Concerning Forward Looking Statements - The future conduct of the Company's business and the feasibility of its mineral exploration properties are dependent upon a number of factors, and there can be no assurance that the Company will be able to conduct its operations as contemplated. Certain statements contained in this release using the terms "may", "expects to", "projects", "estimates", "plans", and other terms denoting future possibilities, are forward-looking statements in accordance with the Private Securities Litigation Reform Act of 1995. The accuracy of these statements cannot be guaranteed as they are subject to a variety of risks that are beyond our ability to predict or control and which may cause actual results to differ materially from the projections or estimates contained herein. The risks include, but are not limited to, the risks described in the above press release; those risks set out in the company's disclosure documents and its annual, quarterly and current reports; and the other risks associated with start-up mineral exploration operations with insufficient liquidity, and no historical profitability.*