

GOLD CANYON RESOURCES INC.

FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS SIX MONTH PERIOD ENDED MAY 31, 2007

The following MD&A for *Gold Canyon Resources Inc.* (“the Company”), prepared as of July 6, 2007, should be read together with the unaudited consolidated financial statements for the six month period ended May 31, 2007 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.

The reader should also refer to the annual audited consolidated financial statement statements for the year ended November 30, 2006 and the Management Discussion and Analysis for that year.

Additional information related to the Company is available on SEDAR at www.sedar.com.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. 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.

Description of Business

The Company was incorporated on August 20, 1985 pursuant to the *Company Act* of British Columbia. 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 four projects ranging from early through advanced exploration stages. These projects are; Springpole Gold Project; Cordero Gallium Project; Favourable Lake Project (Poly-metallic); and the Bear Head Uranium Project.

Springpole Gold Project - The Springpole Gold Project 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 225 claims and cover approximately 20,000 acres. The Company maintains 100% control of all claims through leasehold interest and direct location. A summer program commenced in June 2006 with the intention of following up work in areas which yielded promising geological, geophysical and geochemical results from past programs. On November 7, 2006, P& E Mining Consultants 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) and SEDAR (www.sedar.com). The 2007 winter program commenced on February 20, 2007 which consisted of approximately 2,000 meters of diamond drilling. The drill results were released in April 2007.

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 1,900 acres, is the largest known primary gallium occurrence in North America. 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) and SEDAR (www.sedar.com). The Company commenced the Stage 1 resource conversion drilling program of approximately 15,000 feet in August 2006. Drill results were announced in October, November 2006 and March 2007. Analytical results for selected rare metals and rare earth elements (REEs) were announced on May 2, 2007. Drilling resumed on May 9, 2007

Favourable Lake Project - The Company acquired a 100% interest in the Favourable Lake; 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”).

Bear Head Uranium Project – The Company acquired a 100% interest in 30 claims covering approximately 7,770 hectares (19,200 acres) in the Favourable Lake Area located approximately 120 miles (200 km) north of Red Lake, Ontario. An

airborne radiometrics survey covering a 7 mile (11 km) strike length over the area where the exploration team recently discovered significant uranium mineralization commenced in June 2007.

Performance Summary

The following is a summary of significant events and transactions that occurred during the six month period ended May 31, 2007:

1. Completed a non-brokered private placement for 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 in the capital of the Company and one non-transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$0.40 per share for a period of 2 years. Regulatory approval was received on December 13, 2006
2. 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 the 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.
3. Granted 1,075,000 stock options to certain directors, senior officers and consultants exercisable at \$0.35 per share until December 29, 2008.
4. Issued 590,000 common shares for gross proceeds of \$177,500 pursuant to the exercise of stock options.
5. On January 3, 2007, the Company announced that a contract had been awarded to major Drilling International for a minimum of 2,000 meters (6,562 feet) of drilling at the Springpole Gold Property. The drilling program commenced by the end of January 2007. The program will focus on the north-west extension to the Core Area resources and also on the new Southwest Target Area several kilometres away.
6. On January 8, 2007, announced drill results from 25 reverse circulation drill holes in the C-15 zone continue to expand the known high grade gallium mineralization (greater than 100 g/t). Drill holes C-115, C-128 and C-116, each containing gallium intercepts greater than 100 g/t.
7. On February 14, 2007, announced the appointment of Mr. Vic Weckerle to provide investor relations and administrative services to the Company. Ms. Elaine Einarson, who had previously been retained by the Company in a capacity similar to Mr. Weckerle, has moved on to further develop her career.
8. On March 15, 2007, announced the results from the Stage 1 delineation drilling at the Cordero Gallium Project. Drill results received for 15 reverse circulation drill holes in the North Bradley area indicated a broad low grade halo of gallium mineralization (greater than 30 g/t (grams per tonne) Ga, less than 80 g/t Ga) similar to those surrounding the high grade intercepts at the C-15 zone and the Corderito/SW Extension areas. Analytical results for selected rare metals and rare earth elements (REEs) were announced on May 2, 2007.
9. On April 12, 2007, announced a new gold zone discovered at the Springpole Gold Project. Hole BL07-383 tested a significant new style of gold mineralization outside of the Core Resource Estimate Area and hit 0.245 ounces per ton gold ("opt Au") over 14 feet, (i.e. 8.4 grams per tonne gold ("gpt Au") over 4.26m) within a broader 20 foot (6 m) zone of bedded, cherty sulphides with minor banded iron formation. This is a new sediment hosted discovery that remains open at depth and along strike to the north. The drill remains on the property in anticipation of continued drilling.
10. Held its Annual General Meeting on April 26, 2007 in Vancouver, British Columbia, Canada. All proposed resolutions were passed.
11. On May 9, 2007, the Company announced the resumption of drilling to complete the Stage 1 resource conversion and delineation program at the Cordero Gallium Project.
12. On May 23, 2007, completed and closed 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.

- On May 29, 2007, completed and closed 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.

The following events occurred subsequent to May 31, 2007:

- Granted 700,000 stock options to various directors, officers and consultants exercisable at \$0.40 until June 8, 2009.
- Paid \$25,000 and issued 30,000 common shares pursuant to a May 9, 2005 agreement with 1544230 Ontario Inc. on the Springpole Gold Property.
- Commenced an airborne radiometrics survey on its Bear Head Uranium Project, covering an 11 kilometre strike length over the area where the exploration team recently discovered significant uranium mineralization.
- 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 will pay to Vital the sum of \$25,000 and to issue an aggregate of 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. Completion is subject to the receipt of TSX Venture Exchange acceptance. 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.

- Issued 701,928 common shares for gross proceeds of \$316,742 pursuant to the exercise of warrants ranging in price from \$0.40 to \$0.50 per share.

Summary of Quarterly Results

	Three Months Ended			
	May 31, 2007	February 28, 2007	November 30, 2006	August 31, 2006
Total assets	\$ 15,685,286	\$ 14,988,314	\$ 14,203,216	\$ 13,945,721
Mineral property costs	14,677,244	14,244,684	13,922,443	13,302,208
Working capital	958,733	657,861	67,136	527,356
Shareholders' equity	14,323,464	13,590,764	12,678,021	13,850,312
Interest revenues	6,154	1,441	7,488	5,265
Net income (loss)	63,068	(396,788)	(62,484)	(277,674)
Earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)

	Three Months Ended			
	May 31, 2006	February 28, 2006	November 30, 2005	August 31, 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	11,097,268	12,275,295
Interest revenues	2,655	719	6,317	9,287
Net loss	(244,925)	(313,533)	(278,713)	(154,455)
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)

Significant changes in key financial data from 2005 to 2007 can be attributed to the Company increasing its mineral property costs each year by incurring exploration related expenditures on its Springpole Gold Property and its Cordero Gallium Project. Funding for the properties has been accomplished through the completion several equity financings.

The Company earns interest revenue from cash held in banks. It continued its exploration work on the Springpole and Cordero properties. Current period operating expenses are comparable to the previous year when a non-cash charge to

operations of \$268,772 (2006- \$208,132) resulting from the stock based compensation expense is excluded from 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 \$333,720 (2006 - \$558,458) during the six month period ended May 31, 2007. The expenses incurred are as follows:

Consulting fees of \$6,000 (2007 - \$22,982)
Foreign exchange (gain) loss of (\$2,135) (2006 - \$26,743)
Insurance expense of \$14,283 (2006 - \$17,107)
Interest expense of \$322 (2006 - \$11,727)
Investor relations costs of \$78,433 (2006 - \$88,701)
Management fees of \$28,842 (2006 - \$20,442)
Office and miscellaneous costs of \$18,450 (2006 - \$15,766)
Professional fees of \$93,822 (2006 - \$97,419)
Regulatory fees of \$13,665 (2006 - \$11,190)
Stock-based compensation costs of \$268,772 (2006 - \$208,132)
Telephone \$4,224 (2006 - \$5,220)
Transfer agent fees of \$10,623 (2006 - \$11,121)
Travel and promotion costs of \$36,796 (2006 - \$21,673)
Website design and maintenance \$1,589 (2006 - \$2,364)

Management fees are paid or accrued to three directors. One director is paid \$2,500 / month (increased to \$4,000 / month effective May 2007). The second director is paid US\$800 / month and a third director is paid US\$1,000 / month.

During the current period, the Company incurred \$14,283 (2006 - \$17,107) in insurance expense, most of which relates to directors' and officers' liability insurance.

The Company incurred interest expense of \$322 (2006 - \$11,727). The expense was much higher during the previous comparative period because of an interest penalty paid on the flow-through private placements from June 2004 and December 2004.

During the current period, the Company incurred \$78,433 (2006 - \$88,701) in investor relations expenses 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 February 14, 2007, the Company retained the services of Mr. Vic Weckerle to provide investor relations and administrative services to the Company. The Company pays Mr. Weckerle a monthly fee of \$5,000 plus GST, and reimburses Mr. Weckerle for other miscellaneous expenses incurred in providing services. Mr. Weckerle replaces Ms. Elaine Einarson, who has moved on to further develop her career.

Professional fees are comprised of \$40,457 (2006 - \$27,339) for legal, \$9,520 (2006 - \$19,820) for audit related costs and \$43,845 (2006 - \$50,260) was for accounting and administration fees to a company, which a director is president.

Effective December 1, 2006, the Company adopted a new accounting policy with respect to marketable securities. The Company will record marketable securities held for trading at fair value on the balance sheet. Any changes in the fair value will be recognized in net income. During the six month period ended May 31, 2007, the Company recognized an unrealized appreciation in marketable securities of \$167,500. This relates to 750,000 shares of Shoreham Resources Ltd that it holds for trading.

Liquidity and Capital Resources

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, 2007	November 30, 2006
Working capital	\$ 958,733	\$ 67,136
Deficit	(9,043,317)	(8,709,597)

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 \$477,145 compared to net cash used of \$433,304 during the previous comparative period.

Financing activities provided net cash of \$1,710,391 during the current period and \$2,173,893 during the previous comparative period from the issuance of common stock.

Net cash used in investing activities was \$754,291 during the current period and \$1,086,848 in the previous comparative period. During the current period, cash was expended primarily on exploration work on the Springpole and Cordero properties.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of gold, silver, base metals or interests related thereto. The economics of developing and producing gold properties are affected by many factors including the cost of operations, variations in the grade of ore mined and the price of gold. Depending on the price of gold, the Company may determine that it is impractical to continue commercial production. The price of gold has fluctuated widely in recent years. Gold prices are affected by many factors beyond the Company's control including anticipated changes in international investment patterns and monetary systems, economic growth rates, political developments, extent of sales of reserves by governments and shifts in the private supply of and demand for gold. The supply of gold consists of a combination of new mine production and existing stocks held by governments, producers, financial institutions and consumers. If the market price for gold falls below the Company's full production costs and remains at such levels for any sustained period of time, the Company will experience losses and may decide to discontinue operations or other development of a project or mining at one or more of its properties.

The Company has sufficient funds to meet its property maintenance payments for 2006 and 2007 and cover anticipated administrative expenses throughout the upcoming new fiscal year. It will continue to focus its exploration and development efforts on its Springpole, Cordero, Favourable Lake and Bear Head Projects.

Related Party Transactions

During the six month period ended May 31, 2007, the Company entered into transactions with related parties as follows:

- Paid or accrued management fees of \$28,842 (2006 - \$20,442) to three directors of the Company.
- Paid or accrued \$52,545 (2006 - \$58,960) for accounting, secretarial, rent and administrative services to a company controlled by a director of the Company.
- Paid or accrued \$Nil (2006 - \$59,617) for geological consulting fees, which are included in deferred exploration costs, to a director of the Company.

- d) Paid or accrued \$3,000 (2006 - \$32,141) for geological consulting fees, which are included in deferred exploration costs, to an officer of the Company.
- e) Paid or accrued \$92,271 (2006 - \$Nil) for geological consulting fees, which are included in deferred exploration costs, to a company controlled by an officer of the Company.
- f) Paid or accrued consulting fees of \$Nil (2006 - \$22,982) to a director of the Company.
- g) Two of the Company's directors, transferred Nil (2006 - 50,000 (25,000 each)) common shares of the Company, on behalf of the Company, valued at \$Nil (2006 - \$23,500) pursuant to the amended Caley property agreement.

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 & Other Instruments

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

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

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.

Change in Accounting Policy

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. During the six month period ended May 31, 2007, the Company recognized an unrealized appreciation in marketable securities of \$167,500. This relates to 750,000 shares of Shoreham Resources Ltd that it holds for trading.

Additional Information

Additional information related to the Company is available for view on the Company's website at www.goldcanyon.ca and on the Canadian Securities Administrator's System for Electronic Document Analysis and Retrieval (SEDAR) database at www.sedar.com.

Additional Disclosure for Venture Issuers without Significant Revenue

Please refer to Note 6 in the unaudited interim consolidated financial statements for the six month period ended May 31, 2007 for description of the capitalized exploration and development costs presented on a property-by-property basis.

Outstanding Share Data

The following table summarizes the outstanding share capital as at July 6, 2007:

Common shares	43,046,952
Stock options	4,129,000
Warrants	9,827,658

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with Canadian GAAP. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

Business Risks

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

- Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.
- Financial risks include commodity prices, interest rates and the Canadian / United States exchange rate, all of which are beyond the Company's control.

- Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the company must meet in order to maintain its exchange listing.

Outlook

The Company's primary focus for the foreseeable future will be on reviewing its financial position and the ability to finance new business ventures in the mineral resource industry.

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, 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.