

GOLD CANYON RESOURCES INC.

FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS SIX MONTH PERIOD ENDED MAY 31, 2009

The following MD&A for *Gold Canyon Resources Inc.* (“the Company”), prepared as of July 9, 2009, should be read together with the unaudited consolidated financial statements for six month period ended May 31, 2009 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, 2008 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. The Company has two wholly owned subsidiaries: Gold Canyon Resources USA Inc., (“GCU USA”) incorporated on June 21, 2001 in the State of Nevada; and Gold Canyon Kratz Spring, LLC., (“Kratz Spring LLC”) incorporated on January 9, 2009 in the State of Colorado.

Presently the Company’s exploration efforts are focused in Ontario, Canada, the States of Nevada and Missouri in the United States. The Company is currently exploring five projects ranging from early through advanced exploration stages. These projects are; Springpole Gold Project; Cordero Gallium Project; Favourable Lake Project (Poly- metallic); Horseshoe Island Gold Project; and Kratz Spring Project. The Springpole, Favourable Lake and Horseshoe Island Projects are under the control of the Company, while the Cordero Gallium Project is controlled by GCU USA and the Kratz Spring Project is controlled by Kratz Spring LLC.

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 30 patented and 192 staked claims and cover approximately 20,000 acres. The Company maintains 100% control of all claims through leasehold interest and direct location. On November 7, 2006, P& E Mining Consultants provided the Company with a National Instrument 43-101 (“NI 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). In April 2007, the Company released the results of the 2007 winter program which consisted of approximately 2,000 meters of diamond drilling. In May 2008, the Company also announced the results of the 2008 winter drill program that consisted of 7 drill holes totalling 2,452 meters of diamond drilling.

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 3,800 acres, is the largest known primary gallium occurrence in North America. On April 20, 2006, *R serva* International LLC provided the Company with a NI 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). Subsequent to the release of this report, the Company completed an additional 18,260 feet (5,566 m) of reverse circulation (RC) drilling in 81 drill holes.

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 consist of 27 mineral claims (428 units) covering roughly 17,120 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”) whereas Shoreham has the option to acquire up to an 80% undivided interest in the property when certain terms and milestones have been achieved as stated in the option agreement. Shoreham has exercised its option to acquire a 60% undivided interest. As a result, the Company and Shoreham formed a joint venture effective April 20, 2009.

Horseshoe Island Gold Project - The Company acquired an assignment of an option to acquire 100% of 10 contiguous mineral claims (79 units) representing the Horseshoe Island gold occurrence held by Vital Resources Corp (“Vital”), on June 21, 2007. Additional ground was also staked which now links the Horseshoe Island property to the Springpole Gold Project totalling 14 claims (129 units) covering 5,160 acres. The Company will focus on the Au (gold) – Pt (platinum) – Pd (palladium) – Ni (nickel) – Cu (copper) potential of the new ground. On February 10, 2009, Carl D. Huston provided the Company with a NI 43-101 compliant technical report. The complete technical report is available on the Company’s website (www.goldcanyon.ca) and SEDAR (www.sedar.com).

Kratz Spring Project – The Company entered into a Joint Exploration Agreement (“JEA”) with Japan Oil, Gas and Metals National Corporation (“JOGMEC”) on January 22, 2009. Under the terms of the agreement, JOGMEC has an option to acquire an 80% interest in the Kratz Spring project by making an initial contribution of US\$75,000 and additional funding by March 31, 2009. The Company and JOGMEC will contribute funds to the exploration program in accordance with their respective equity interest.

Kratz Spring is an identified Iron Oxide Copper Gold +/- REE (IOCG) deposit located in the St. Francois Mountains of southeastern Missouri. This region hosts several iron-oxide +/- apatite +/- Cu-Au-REE deposits. The GCU / JOGMEC joint exploration agreement is directed towards identification of Rare Earth Element (REE) resources.

On May 15, 2009, the Company and JOGMEC agreed to renew its JEA arrangement and have agreed to a US \$460,000 research budget of which JOGMEC will contribute 80% of the funding. This budget is for the April 2009 ~ March 2010 time period.

Overall Performance

The Company incurred a net loss of \$182,435 (2008 - \$752,266) during the six month period ended May 31, 2009. The decrease in the loss is attributed to an unrealized appreciation of marketable securities of \$270,000 compared to a depreciation of \$135,000 in the comparative period and a decrease in the stock-based compensation expense of \$128,403 compared to \$277,508 in the comparative period.

As at May 31, 2009, the Company had \$1,115,082 (November 30, 2008 - \$1,661,470) in cash and cash equivalent and working capital was \$1,384,113 (November 30, 2008 - \$1,593,147).

Other Events and Transactions

1. On December 29, 2008 it was announced that Garry Smith resigned as a Director and Vice President of Exploration. Subsequently, a total of 275,000 stock options previously granted to Mr. Smith at various exercise prices were allowed to expire.
2. On January 22, 2009 the Company announced that it had signed a Joint Exploration Agreement (“JEA”) with Japan Oil, Gas and Metals National Corporation (“JOGMEC”). Under the terms of the agreement, JOGMEC has an option to acquire an 80% interest in the Kratz Spring project by making an initial contribution of US\$75,000 and additional funding by March 31, 2009. The Company and JOGMEC will contribute funds to the exploration program in accordance with their respective equity interest. For the purposes of the JEA, the Company incorporated a subsidiary in the state of Colorado, USA, Kratz Spring LLC., on January 9, 2009.
3. Attended and exhibited in January 2009 at the Vancouver Resource Investment Conference held by Cambridge House.
4. On February 10, 2009, released the first National Instrument 43-101 compliant Technical Report for the Horseshoe Island Project. The Technical Report was received from Carl D. Huston, P.Eng., an independent mining consultant and Qualified Person.
5. Granted 2,350,000 stock options to certain directors, senior officers and consultants exercisable at \$0.10 until February 13, 2011.
6. Attended and exhibited at the PDAC Conference 2009 in Toronto, Ontario from March 1 to 4, 2009.

7. The Company was notified by Shoreham that it plans to exercise its option to acquire a 60% undivided interest in the Favourable Lake property. As a result, the Company and Shoreham formed a joint venture on terms set out in the joint venture agreement dated April 20, 2009, with respect joint venture interests equal to the initial interest of each party in the Favourable Lake property, subject to adjustment in accordance with the terms of the joint venture.
8. Held its Annual General Meeting on April 23, 2009 in Vancouver, BC at 2:00 p.m. All proposed resolutions were passed.
9. Kratz Spring LLC entered into an 18 month option agreement to evaluate and lease tailings and mine dumps originating from Iron Mountain IOCG+/-REE deposit in the State of Missouri.
10. Reached an agreement with JOGMEC, pursuant to the JEA from January 22, 2009, for the April 2009 ~ March 2010 fiscal work program and budget whereby JOGMEC approved a US \$460,000 research budget.

The following events occurred subsequent to May 31, 2009:

1. 600,000 stock options exercisable at \$0.40 expired unexercised on June 8, 2009.
2. Granted an aggregate of 975,000 stock options to certain directors, senior officers and consultants at an exercise price of \$0.10 per share expiring June 12, 2011.

Property Updates

Springpole Gold Project

The 2008 winter drill program commenced in March 2008. Results from the 2,452 meter program of 7 drill holes were released in April 2008. This program focused on step-out drilling to test the strike and dip potential of the new sedimentary hosted semi-massive sulphide intersection that returned 0.25 opt gold over 14 feet (8.4 g/t over 4.26 m) from last year's hole BL07-383. The Company is currently reviewing and updating the geological model of Springpole for planning of possible future drilling targets.

On April 30, 2009, the Company amended the original Mining Claim Option Agreement dated May 9, 2005 with 1544230 Ontario Inc. with regards to claims bordering the Springpole Project. The amendment requires the Company to pay \$22,500 on the 4th anniversary (paid) and pay another \$22,500 on March 1, 2010. The original agreement had required the Company to pay \$45,000 on the 4th anniversary of the agreement.

Cordero Gallium Project

On October 10, 2008, the Company announced, due to the turmoil in the global financial markets, the uncertainty of near term gallium prices, and the recent sharp rise in the prices of the key chemicals needed to produce gallium, that it has elected to suspend, at this time, the preparation of a preliminary feasibility study at the Cordero Gallium Project. The Company will continue to monitor and carry out various options at Cordero.

Favourable Lake Project

The Company was notified by Shoreham on the commencement of its winter 2008 Geophysics and drilling program on the Borland Lake Silver target, Favourable Lake Project, Red Lake District, Ontario.

The Company received an update on the winter 2008 program on its Favourable Lake Poly-metallic Project from the project operator, Shoreham. The operators' field team collected 11 one-metre diamond saw cut samples. Five of these samples returned assays values as over silver limit values exceeding the analytical limits of over 300 grams per tonne.

During the six month period ended May 31, 2009, the Company was notified by Shoreham that it plans to exercise its option to acquire a 60% undivided interest in the Favourable Lake property. As a result, the Company and Shoreham formed a joint venture on terms set out in the joint venture agreement dated April 20, 2009, with respect joint venture interests equal to the initial interest of each party in the Favourable Lake property, subject to adjustment in accordance with the terms of the joint venture.

Horseshoe Island Gold Project

Conducted the summer exploration program for 2008 on the Horseshoe Island property. Line-cutting and Mobile Metal Ion (MMI) soil geochemistry sampling was completed. The summer program expanded the MMI coverage on the property and follow-up any new zones with prospecting and channel sampling. The summer program continued to explore the property for gold and follow up on the historic occurrences and expand upon MMI soil surveys performed during 2007.

On October 15, 2008, the Company announced positive exploration results. A gold anomaly discovered during 2007 has been extended from 400 meters to 650 meters in strike and a second parallel gold with copper anomaly has also been discovered which covers 800 meters in strike. On February 10, 2009, Carl D. Huston provided the Company with a NI 43-101 compliant technical report. The complete technical report is available on the Company's website (www.goldcanyon.ca) and SEDAR (www.sedar.com). Mr. Huston recommends, "to delve deeper into private sources of the historic drill data in order to retrieve additional valuable data. Contacting the companies that performed work there may yield fruit. From additional information, a better compilation of the drilling could be achieved to avoid costly repeated efforts and to focus exploration dollars." The Company intends to follow Mr. Huston's recommendation in the coming months.

Kratz Spring Project

On January 22, 2009 the Company announced that it had signed a Joint Exploration Agreement ("JEA") with Japan Oil, Gas and Metals National Corporation ("JOGMEC"). Under the terms of the agreement, JOGMEC has an option to acquire an 80% interest in the Kratz Spring project by making an initial contribution of US\$75,000 and additional funding by March 31, 2009. The Company and JOGMEC will contribute funds to the exploration program in accordance with their respective equity interest. For the purposes of the JEA, the Company incorporated a subsidiary in the state of Colorado, USA, Gold Canyon Kratz Spring, LLC., on January 9, 2009.

Summary of Quarterly Results

	Three Months Ended			
	May 31, 2009	February 28, 2009	November 30, 2008	August 31, 2008
Total assets	\$ 19,353,868	\$ 19,410,153	\$ 19,469,650	\$ 19,661,903
Mineral property costs	17,879,023	17,741,576	17,724,782	17,477,290
Working capital	1,384,113	1,491,456	1,593,147	2,136,571
Shareholders' equity	18,325,858	18,296,039	18,379,890	18,515,033
Interest revenues	423	8,725	12,815	55,450
Net income (loss)	23,319	(212,254)	(22,853)	(359,183)
Earnings (loss) per share	0.001	(0.001)	(0.001)	(0.007)

	Three Months Ended			
	May 31, 2008	February 29, 2008	November 30, 2007	August 31, 2007
Total assets	\$ 20,028,861	\$ 20,141,420	\$ 16,805,532	\$ 15,879,505
Mineral property costs	17,247,413	16,282,955	15,543,787	15,186,438
Working capital	2,711,056	3,596,017	1,001,532	621,999
Shareholders' equity	18,860,017	18,779,284	15,445,892	14,496,178
Interest revenues	9,590	7,399	4,189	2,211
Net loss	(328,193)	(424,073)	223,250	(327,465)
Loss per share	(0.006)	(0.008)	0.01	(0.01)

Significant changes in key financial data from 2007 to 2009 can be attributed to the Company increasing its mineral property costs each year by incurring exploration related expenditures on its Springpole Gold, Horseshoe Island, Cordero Gallium and Kratz Spring properties. Funding for the properties has been accomplished through the completion of several equity financings and the exercise of stock options and warrants. The Kratz Spring property specifically is being financed jointly by the Company and JOGMEC pursuant to the terms of the JEA.

The Company earns interest revenue from cash held in banks and financial institutions. In 2009, the Company earned management income of \$31,983 by charging a management fee, through its wholly owned subsidiary, Kratz Spring LLC to JOGMEC to manage the Kratz Spring Project pursuant to the terms of the JEA. The Company also incurred net research costs of \$46,838 on the Kratz Spring Project pursuant to the terms of the JEA. The Company continued its exploration work on its properties. Current period operating expenses are consistent when compared to the previous period when a non-cash charge to operations of \$128,403 (2008- \$277,508), resulting from 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

Six month period ended May 31, 2009

The Company incurred a net loss of \$182,435 (2008 - \$752,266) for the six month ended May 31, 2009. Some of the significant expenses incurred are as follows:

Consulting fees of \$14,926 (2008 - \$33,583) have decreased over the comparative period because the Company had retained the services of a mining consultant to help evaluate the economic feasibility of the Company's various projects. In the current period, a portion of the mining consultant's time is being capitalized and allocated to the Company's mineral exploration projects.

Insurance expense of \$10,520 (2008 - \$13,408) relates to directors' and officers' liability insurance. It has decreased because the Company was able to secure a lower annual premium by switching insurance providers.

During the current period, the Company incurred \$43,260 (2008 - \$128,444) 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. This has decreased significantly as the Company has scaled back its investor relation activities provided by consultants.

Management fees of \$66,575 (2008 - \$38,372) are paid or accrued to three directors. One director is paid \$7,000 per month. In addition to this the Company pays federal payroll taxes on these management fees. A second director is paid US \$800 per month and a third director is paid US \$1,000 per month.

Professional fees of \$77,625 (2008 - \$90,432) are comprised of \$23,250 (2008 - \$17,092) for legal, \$4,500 (2008 - \$13,020) for audit related costs and \$49,875 (2008 - \$60,320) for accounting and administration fees to a company, which a director is president.

Research costs of \$46,838 (2008 - \$Nil) relate to the strategic alliance expenditures incurred by the Company pursuant the JEA that it signed with JOGMEC. Total costs were \$234,193 (2008 - \$Nil), of which \$187,354 (2008 - Nil) were recovered from JOGMEC.

Salaries and benefits of \$23,399 (2008 - \$Nil) relate to the administrative staff salary and payroll taxes.

Stock-based compensation expense of \$128,403 (2008 - \$277,508) was recognized during the current period. This is a non-cash expense which records the fair value of stock options that have vested during the period. The Black-Scholes option pricing model is used to calculate the fair value.

Travel and promotion expenses of \$29,373 (2008 - \$54,455) have decreased over the previous comparative period as fewer trips were made by the Company's directors and others to conduct site visits on the Springpole and Cordero properties.

Interest income of \$9,148 (2008 - \$16,989) was earned on funds invested in interest bearing instruments. This has decreased because the Company made partial redemptions of these instruments. As a result, the interest earned is based on diminished balances.

Management income of \$31,983 (2008 - \$Nil) relates to management fees charged, through its wholly owned subsidiary, Kratz Spring LLC, to JOGMEC to manage the Kratz Spring Project pursuant to the terms of the JEA.

The Company recorded mineral property option income of \$Nil (2008 - \$65,000) pursuant to the terms of a December 22, 2005 mineral property option agreement on the Favourable Lake Property with Shoreham.

During the current period, the Company recognized an unrealized appreciation in marketable securities of \$270,000. This relates to the fair market value adjustment to the 1,000,000 shares of Shoreham that it holds for trading. During the previous comparative period, the Company recognized an unrealized depreciation in marketable securities of \$135,000 on the same 1,000,000 shares of Shoreham.

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, 2009	November 30, 2008
Working capital	\$ 1,384,113	\$ 1,593,147
Deficit	(10,464,269)	(10,281,834)

Net cash used in operating activities during the period was \$342,218. This consists of items not affecting cash of: \$527 as amortization of equipment, \$128,403 as stock based compensation expense and \$270,000 appreciation of marketable securities. The balance of the cash used in operating activities is a net negative change of \$12,213 in non-cash working capital items comprising of \$5,604 as a decrease in receivables, a \$5,094 decrease in accounts payable and a \$1,515 decrease in amounts due to related parties. Net cash used in operating activities during the comparative period was \$486,254.

Financing activities provided net cash of \$Nil. During the previous comparative period, financing activities provided net cash of \$3,878,684, comprising of \$3,965,420 from the issuance of common shares and paid \$86,736 in share issue costs.

Net cash used in investing activities was \$204,170 which is comprised of \$1,288 on the acquisition of equipment, \$83,475 on the acquisition of mineral properties, \$207,275 incurred in deferred exploration costs on its mineral properties and \$87,868 recovered in deferred exploration costs. Net cash of \$1,731,889 was used in investing activities during the comparative period and was comprised of deferred exploration costs of \$1,615,353, acquisition of mineral properties of \$115,000 and the acquisition of equipment of \$1,536.

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 2009 and cover anticipated administrative expenses throughout the next fiscal year. It will continue to focus its exploration and development efforts on its Springpole, Cordero, Favourable Lake, Horseshoe Island and Kratz Spring Projects.

Related Party Transactions

During the six month period ended May 31, 2009, the Company entered into transactions with related parties as follows:

- a) Paid or accrued management fees and employee benefits of \$55,232 (2008 - \$37,871) to three directors of the Company.
- b) Paid or accrued \$60,075 (2008 - \$70,195) for accounting, secretarial, rent and administrative services to a company of which a director is president.

- c) Paid or accrued \$Nil (2008 - \$80,850) for geological consulting fees, which are included in deferred exploration costs, to a company controlled by a former director of the Company.
- d) Paid or accrued \$9,750 (2008 - \$3,750) for geological consulting fees, which are included in deferred exploration costs, to an officer of the Company.
- e) Paid or accrued \$7,094 (2008 - \$9,194) for geological consulting fees, which are included in deferred exploration costs, to a director of the Company.
- f) Paid or accrued \$17,715 (2008 - \$Nil) in labor costs, which are included in deferred exploration costs to a director of the Company.
- g) Paid or accrued \$14,926 (2008 - \$16,194) in consulting fees to a director of the Company.
- h) Paid or accrued \$1,923 (2008 - \$586) in property investigation costs to a director of the Company.
- i) Paid or accrued \$83,489 (2008 - \$Nil) in research costs to a director of the Company.
- j) Paid or accrued \$5,851 (2008 - \$Nil) to a director and \$210 (2008 - \$Nil) to an officer of the Company for investor relations.

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.

The Company entered into a management consulting agreement effective May 1, 2007 with the president of the Company for management services and administration services expiring May 1, 2012. The Company has paid a monthly fee of \$4,000 plus GST and reimbursed all reasonable expenses incurred during the performance of the services up to April 30, 2008. Effective May 1, 2008, the management fee increased to \$7,000 a month and became subject to payroll taxes and deductions.

Financial Instruments

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the balance sheet and arises from the Company's cash and cash equivalents, receivables, marketable securities, restricted cash, and reclamation bonds.

The Company's cash and cash equivalents, marketable securities, and restricted cash are held with high-credit quality financial institutions. The reclamation bonds are held with Nevada Bureau of Land Management. Receivables mainly consist of goods and services tax due from the Federal Government of Canada.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations, and anticipating investing and financing activities. As at May 31, 2009, the Company had cash and cash equivalent of \$1,115,082 to settle current liabilities of \$55,010, which have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market prices, such as interest rates and foreign exchange rates.

i) Interest rate risk

The Company has cash and cash equivalent balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks.

ii) Foreign exchange rate risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in United States by using the US dollar currency from its Canadian dollar bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Sensitivity analysis

The carrying values of cash and cash equivalents, receivables, marketable securities, restricted cash, reclamation bonds accounts payable and accrued liabilities, and due to related parties approximate their fair values due to the relatively short periods to maturities of these financial instruments.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be affected by credit risk, liquidity risk or market risk.

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.

Recent Accounting Pronouncements

Assessing going concern

AcSB amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company is currently assessing the impact of this new accounting pronouncement on its financial statements.

Goodwill and intangible assets

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets.

Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

International financial reporting standards ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to

use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be December 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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 audited consolidated financial statements for the six month period ended May 31, 2009 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 of the date of this Management Discussion and Analysis:

Common shares	53,723,127
Stock options	5,256,000
Warrants	6,463,600

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.

Changeover Plan to International Financial Reporting Standards (“IFRS”)

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standard Board (IASB) will also continue to issue new accounting standards during the conversion period, and as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

For the Corporation, the changeover to IFRS will be required for interim and annual financial statements beginning on November 30, 2011. As a result, the Company has developed a plan to convert its Consolidated Financial Statements to IFRS. The Corporation has also set up IFRS dedicated teams at all levels of the organization. The Company has provided training to key employees and is monitoring the impact of the transition on its business practices, systems and internal controls over financial reporting.

A detailed analysis of the difference between IFRS and the Company's accounting policies as well as an assessment of the impact of various alternatives are in progress. Changes in accounting policies are likely and may materially impact the Company's Consolidated Financial Statements.

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.