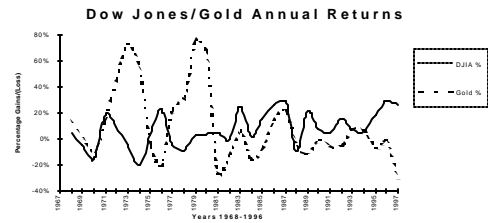




Gold

& Technology Stocks



Weekly Hotline Message

(Now in our 25th Year)

April 15, 2006

Stock Pick of the Week

Gold Canyon Resources Inc.



Traded TSX Venture: GCU
 Pink Sheet Symbol: GDCRF
 Shares Outstanding: 34,382,357
 Initial Recommendation on 2/18/05: US\$0.50
 Price 4/12/06: US\$0.35
 Business: Gold & Gallium
 Exploration
 Progress Rating: "C"
 Telephone: 604-682-3234
 Web: www.goldcanyon.ca

Gold Canyon is a good example of what happens in a gold bull market. Companies that are totally obscure and of zero interest suddenly start to appear on the radar screens of hungry investors who, having just scored a double or triple, are looking for the next wealth-building candidate. Back in the winter of 2004, Gold Canyon announced a 20-foot drill hole from its Springpole Lake Project in the Red Lake district of Ontario that scored an exceptionally high gold assay that brought about zero response to the company's share price. That told me how dead and out of favor the junior gold stocks were at that point in time. Specifically, the company announced a 20-ft. intersection that graded 3 ounces of gold per ton! That it didn't move the price of GCU at all is a testimony to the lack of interest in gold shares at that time.

Contrast that announcement with the April 13 press release that disclosed an 8ft. intersection grading 1.518 oz. gold per ton. The chart above shows how that drill hole drove this company's shares dramatically higher to over C\$0.50 on the heaviest volume in one year. Also in that specific drill hole BL06-356, another 3.2-ft. intercept graded 3.7 ounces of gold.

Springpole Lake is a property held by Gold Canyon for more than a decade. In more recent times, new management looked for reasons to try to condemn the project and move on. Previously, it had been viewed as a low-grade bulk tonnage open-pit project that would have required Springpole Lake to be drained. It would have caused an environmental nightmare and it would have been highly uneconomic, even at today's higher gold prices. But in looking at the data, management found a large number of very high-grade drill intercepts that suggested Springpole may indeed have the potential to evolve into a high-grade underground mine that would have a good chance to be economic with minimal environmental concerns. When one thinks of high-grade underground mines at Red Lake, one automatically thinks Goldcorp, because it was Rob McEwen's view of that project's potential that was the core company asset that has made Goldcorp what it is today.

We are not suggesting you bank on Gold Canyon's ever being a Goldcorp, because companies with that level of success don't come around very often. But we think in the months and years to come, if Gold Canyon keeps pulling high-grade intercepts like those frequently announced, this market is going to start taking note and these shares could have a very substantial ride to higher levels. Not only has the company registered some very high-grade intercepts, but also, the strike length of prospective exploration ground is enormous, meaning that it could indeed come up with some substantial numbers of high-grade ounces on this property. In talking to CEO Robert Carrington on April 14, I learned of his excitement about the fact that the latest high-grade hole was discovered on the southwest portion of the property. This was the first high-grade intercept pulled outside of the main zone, and thus demonstrated the potential for this property to host high-grade gold values over a much greater area of this large-scale property.

How deep does this deposit go? At this stage, little is known, but mineralization begins at fairly shallow levels of 300 feet. That's important, because mining in this area, with its flat-lying topography, is likely to require the sinking of a shaft. If a payload can be pulled at a relatively shallow level, it would mean that the initial cost for sinking a shaft would be a lot lower than if the company needed to go down thousands of feet. Yet, there is the possibility that mineralization does extend to great depths on this property. In fact, the deepest hole drilled to date has resulted in the highest-grade gold intercept, that being an astounding 6-oz. gold per ton intersection at approximately 1,500 ft. below surface.

On the negative side of the ledger, it must be pointed out that Springpole is located in a remote area of Ontario and does not have some of the infrastructure advantage that some of our other Quebec and Ontario companies like Northern Star and Pelangio have. Access at this juncture is by aircraft and there are no nearby power lines. But these kinds of obstacles can always be overcome if there is enough high-grade gold ore on the project. So far, there is every reason to believe Gold Canyon has a good shot at outlining a considerable amount of high-grade gold at Springpole. I say that on the basis of several miles of mineralized strike length and the potential for these deposits to extend at great depth. Bull markets make possible the capital to explore such projects, and as hungry investors seek for the next big deposit, assuming this bull market has several more years to run (as I think it does), Gold Canyon has a chance to come up with something big at Springpole.

Cordero Gallium Project

Gold Canyon has the only stand-alone gallium deposit in the U.S. and one of the few sizeable such deposits in the world. Gallium (GA) is a rare metal that is increasingly in demand for a host of high-tech applications. A couple of years ago, about 65% of the gallium consumed was used in integrated circuits. Cell phone and computers are two big applications within this general electronics category. About 34% of gallium is being used in optoelectronic devices, which includes light-emitting diodes (LED's), laser diodes, photodetectors, and solar cells. There are other new technologies coming onstream that are expected to demand gallium in the near future and one of those could virtually double the gallium demand overnight. At this juncture, the scarcity of this very unique metal with a very low melting point has been a hindrance to more widely used applications.

A fair amount of exploration work has taken place on the company's Cordero Gallium Project located in northwestern Nevada, but with the market paying little reward for the company's accomplishments in either the gold patch or on the gallium property, management put its exploration work on the backburner for a couple of years. However, within weeks if not days, management is expected to report a NI 43-101 resource report on the amount of gallium on the Cordero Project. I am led to believe it should be a rather impressive number, but time will tell.

There is another rare earth metal that exists with gallium on this project that the company's metallurgical studies suggest can be extracted along with the gallium. I cannot report to you what this metal is, because management has not yet made it public. But it is my understanding that it could provide a meaningful credit to gallium production assuming this project moves forward.

I wish I could tell you more about the viability of this project, but there isn't an awful lot more I can tell you now, though we should have a lot more to talk about as exploration and development on this project is

reactivated. For starters, we should have a resource number to report very shortly. I can tell you that the price of gallium was running about \$250 per kilo for low-grade material from China and between \$400 and \$500 for high-purity gallium. If my unit conversions are correct, that boils down to something like \$7 per ounce for low grade and up to \$14 per ounce for high grade. In other words, its value ranks somewhere in the neighborhood of silver at present. However, the price has spiked to as high as \$3,500 per kilo in the past when demand severely outstripped supply.

Management will be exhibiting at a high-tech convention in Vancouver over the next few days. It will be the only mining company there, and the reason it will be there is because many present and future users of gallium will be there. Given that the Cordero Project is one of the only substantial gallium projects in the world, the company has received considerable interest from a number of these firms who have been interested in securing a stable supply of this very rare and thinly traded metal in the future. Given the thinness and illiquid nature of the gallium market, I could not imagine the company gaining project financing without a credit worthy buyer entering into a long gallium purchasing contract. For tech companies needing a stable and predictable source of gallium, there are few projects in the world that appear better than the Cordero project.

SUMMARY

Gold Canyon has been a disappointment in terms of the time it has taken to see its two projects advance. In particular, we had expected the gallium project to be fast-tracked toward early production, giving the company some positive cash flows from which it could develop its Springpole gold project. A slump in the junior share market in 2004 and 2005 put a damper on the company's plans to move forward at a faster pace. But now that this sector has come to life and especially as the market responded positively to the latest good drill assays, there is reason to hope funding and thus project development will be forthcoming for both the gallium and gold projects.

Make no mistake—this is a risky stock. It is an exploration stock without cash flow. But if ever there is a time when these kinds of penny stocks with real honest to goodness potential to develop world class projects can be turned into large-scale percentage gainers, it is now. There are some 13 more drill holes from this past winter's work program yet to be reported. If some of those holes come in anything like the last report that contained 8 ft. of 1.5 ounces, and if this gold share market remains hot, this stock could quickly head toward \$1 per share. Stay tuned.

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