Canyon Resources

# *Gold Exploration in West Africa*

ASX: CAY

December 2010

Canyon Resources Ltd
ABN: 13 140 087 261

# Company Disclaimer and Competent Person Statement

***Forward Looking Statements***

*Forward-Looking Statements: This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Canyon Resources Ltd’s exploration program and other statements that are not historical facts. When used in this document, the words such as "could," "plan,“ "estimate," "expect," "intend," "may," "potential," "should," and similar expressions are forward-looking statements. Although Canyon Resources Ltd believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.*

***Competent Person Statement***

*The information in this report that relates to Exploration Results has been compiled by Mr. Rhod Grivas and Mr Chris Connell, who are employees of the company. Mr Grivas is a member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. He has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Rhod Grivas and Chris Connell consents to the inclusion of the information in the form and context in which it appears.*

# Company Highlights

*Doing what we said we would do*

In the 6 months since listing Canyon has:

- Secured over 1,100km$^2$ of highly prospective gold tenements in Burkina Faso
  - 2 separate transactions with different vendors to consolidate highly prospective gold exploration ground in north eastern Burkina Faso
- Commenced a 10,000m auger drill programme on its Burkina Faso tenements
- Consistently traded at a premium to its IPO price
- Maintained a very tight capital structure
- Undertaken a successful capital raising

Canyon Resources

# Corporate Snapshot

| Canyon Resources Limited | ASX:CAY |
|---|---|
| Shares on Issue [1,2,3] | 38.6 million |
| **Market Cap @ 45 cents** | **$17.4 million** |
| Options on issue at 30c and 40c | 12.5 million |
| Cash[4] | $5,400,000 |
| Debt | $nil |
| **Enterprise Value** | **$12 million** |

1. Includes 3.25 million shares to be issued to the vendors of Askia Sarl Pty Ltd (or their nominees) in relation to the acquisition of the Tao and Taparko North gold projects in Burkina Faso. Additional shares may be issued to the vendors of Askia Sarl Pty Ltd upon certain milestones
2. Includes 300,000 shares to be issued to the vendor of the Tigou and Tyekobo gold tenements in Burkina Faso. Additional shares may be issued to the vendors of the Tigou and Tyekobo gold tenements upon certain milestones
3. Includes 8 million new shares to be issued at completion of the proposed placement
4. Includes placement proceeds (net of fees)

| Board and Management | |
|---|---|
| Chairman | Rhod Grivas |
| Managing Director | Phillip Gallagher |
| Non Exec. Director | Matt Shackleton |
| Non Exec. Director | Tom Galopoulos |
| Exploration Mgr | Chris Connell |
| Company Secretary | Phil Macleod |

# West Africa: Acquisition Terms

- Canyon has exercised its option with Askia Sarl Pty Ltd to purchase control of the Taparko North and Tao gold projects in Burkina Faso
  - Following the initial payment, and with shareholder approval, Canyon is required, at its election, to issue further shares as follows:
    - 3 million shares to be issued on or before 30 April 2011
    - 2.5 million shares to be issued on or before 30 April 2012
  - In addition to the above, Canyon will issue (via convertible securities)
    - 5 million shares subject to the definition of an inferred 500,000 ounce gold resource; and
    - 10 million shares subject to the definition of an inferred 1 million ounce gold resource
- Canyon has also secured the right to acquire 100% of two tenements contiguous with its Taparko North Project tenements from a local vendor, by payment of US$50,000 and the issue of 750,000 shares over a 3 year period

# About Burkina Faso

- A stable democratic country
- Under explored and highly prospective
- Modern mining code
- Strong Government and local support
- Good infrastructure

| Country | % Greenstone Belt | +1Moz Gold Deposits |
|---|---|---|
| Ghana | 19 | 110 Moz |
| Mali | 10 | 33 Moz |
| **Burkina Faso** | **22** | **12 Moz** |
| Guinea | 11 | 12 Moz |
| Ivory Coast | 35 | 8 Moz |
| Senegal | 3 | 3 Moz |
| **TOTAL** | | **+178 Moz** |

***Source: Ampella Mining Limited***

Canyon Resources

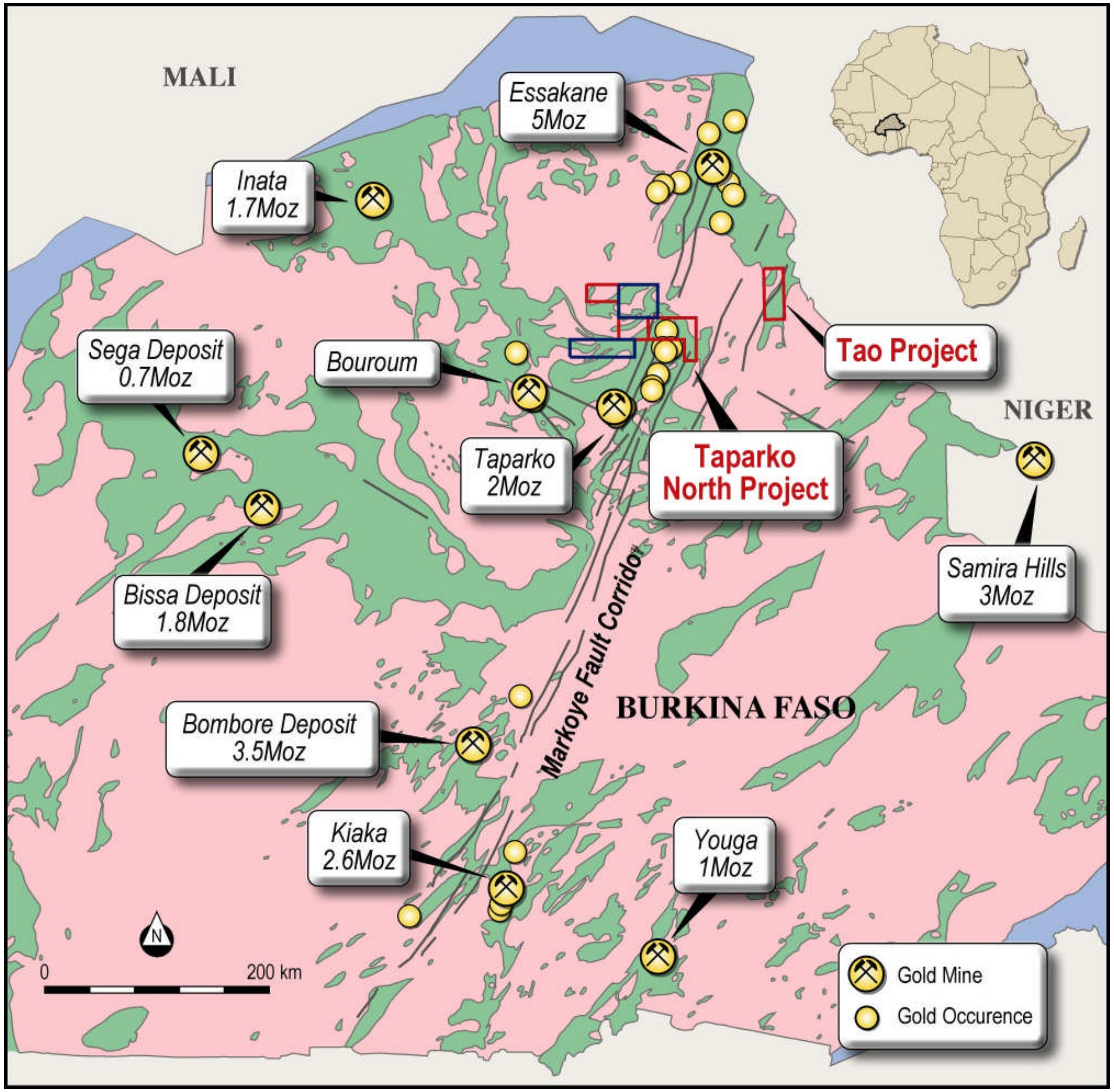
# Burkina Faso Projects

- Canyon has purchased two highly prospective gold projects in the North East of Burkina Faso
  - Taparko North Project
  - Tao Project
- Canyon has recently expanded its land holding at the Taparko North Project by acquiring 2 new contiguous tenements
- Canyon's projects are along strike from operating multi million ounce gold mines;
  - Taparko (2MozAu)
  - Essakane (5MozAu)
- A total of six permits over 1,124km$^2$
- Both projects cover the Birimian Greenstones of West Africa in favourable geological and structural positions
- Strong relationships with successful explorers in Burkina Faso
- Currently assessing a number of other West African gold opportunities

Canyon Resources

# Burkina Faso Projects

Blue outline demonstrates new tenements, Tigou and Tyekobo

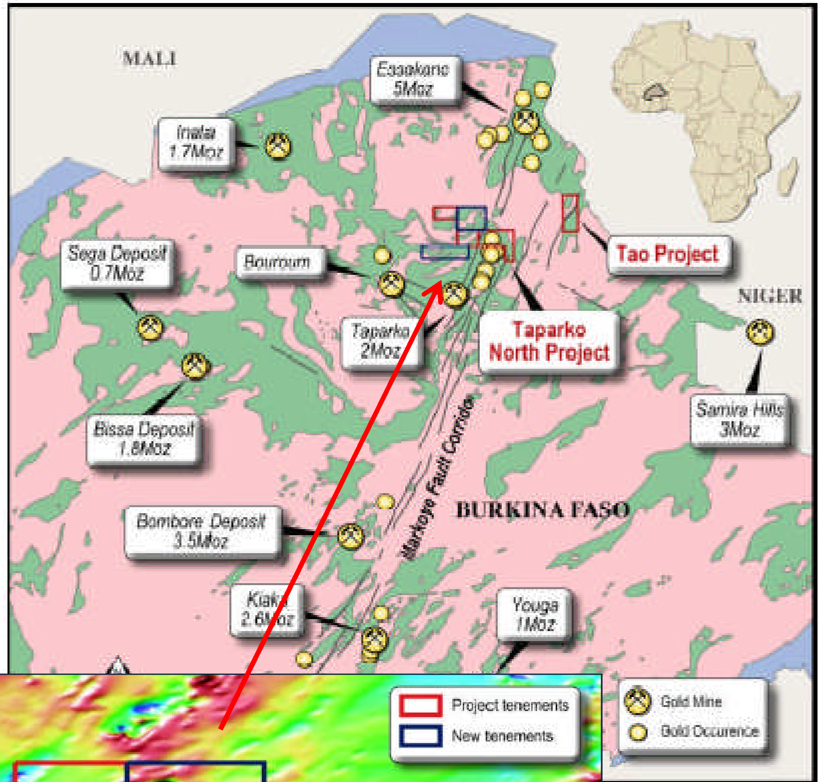


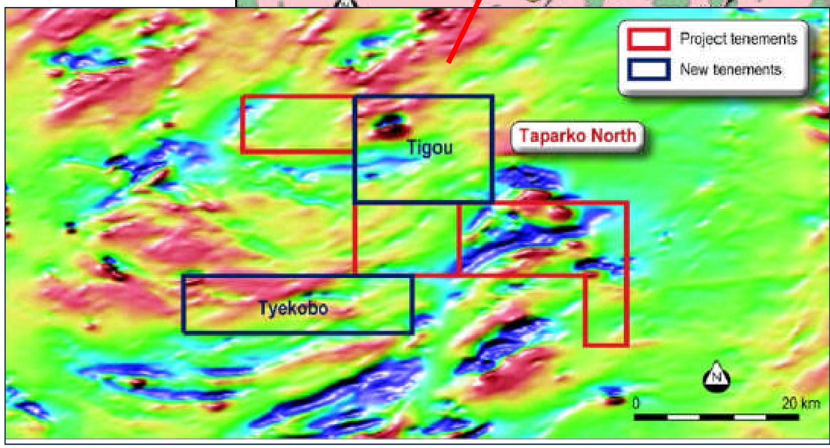

Canyon Resources

# Burkina Faso Projects

## Taparko North Project

- Located on the richly endowed Markoye Fault
- Ground holding recently expanded to include the Tigou and Tyeboko tenements
- Along strike from the 2Moz AU Taparko Gold mine
- Active artisanal mining
- Auger drilling, soil sampling  and rock chip analysis is underway
- Capital raising will allow Canyon to expand the current work programme
- RC drilling to commence in Q1 2011
- Located along the main sealed road
- Access to water and power



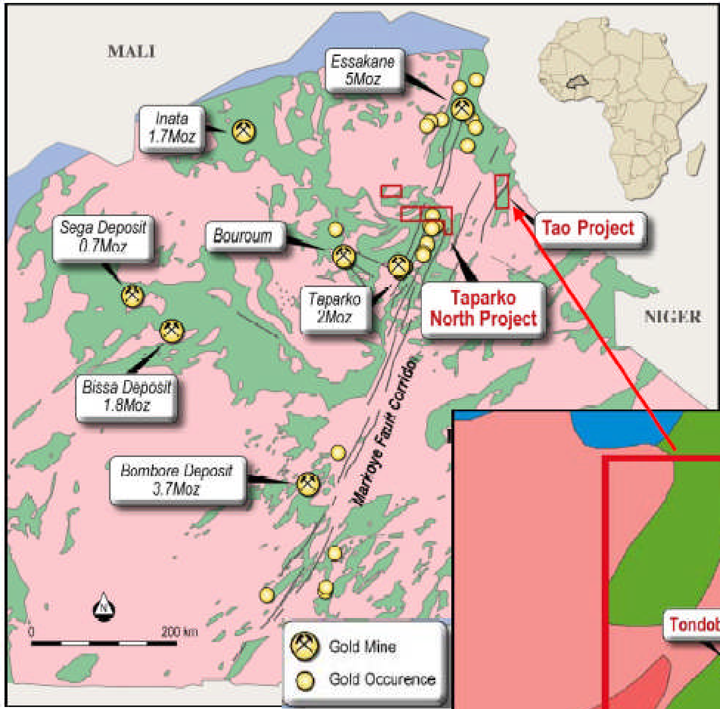




Canyon Resources

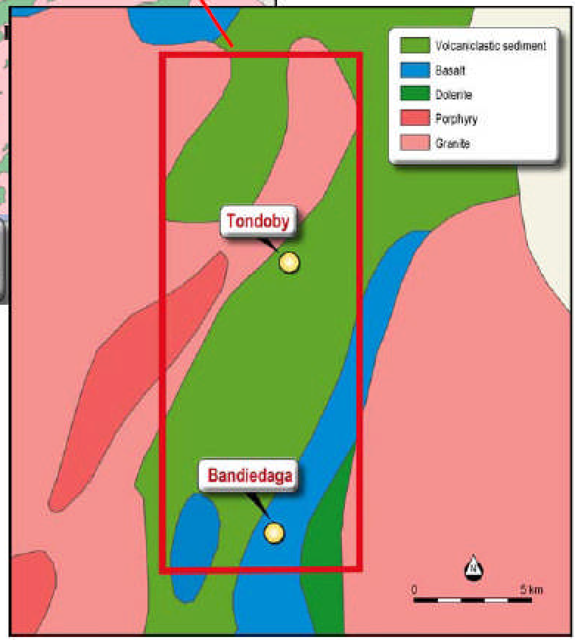
# Burkina Faso Projects

## Tao Project

- Located in the same greenstone belt as the 5Moz Au Essakane Gold mine and situated along a parallel  structure
- Active artisanal mining
- Evaluation of historical drill data has identified 2 prospects:
  - Tondoby Prospect
  - Bandiedaga Prospect
- RAB drilling indicates that gold anomalism at the Tondoby prospect extends over an area greater than 2km in length
- Better historical RC drill results include:
  - 9m @ 4.00 g/t Au from 60m
  - 9m @ 3.09 g/t Au from 36m
  - 4m @ 8.07 g/t Au from 25m




RC Drilling planned to commence on Tao in Feb/March 2011




Canyon Resources

# Burkina Faso

Evidence of significant brittle deformation at the Tao Project

Active Tao underground shaft

Artisanal mining shafts at Tao stretch on for several kms

Fine gold mined by artisanal miners on the Tao Project

Canyon Resources

# Burkina Faso

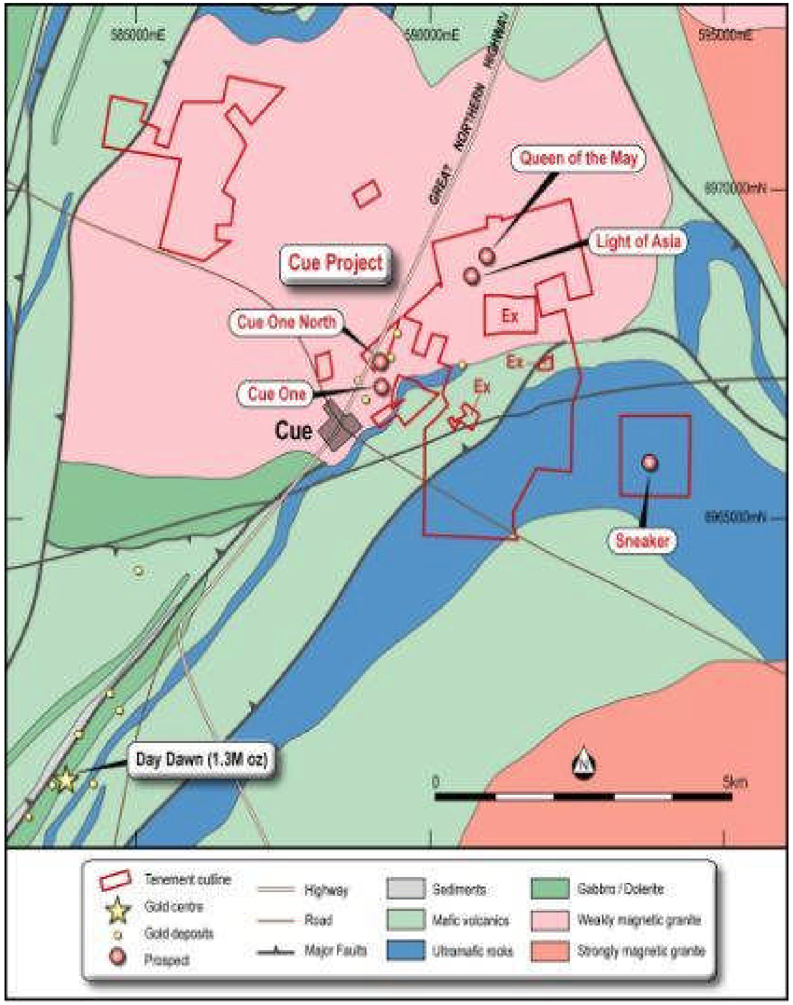
Taparko North workings about 400m long

Ancient site of gold mining, the holes were made to grind the quartz

Active artisanal trench at Taparko North

# Cue Goldfields Projects

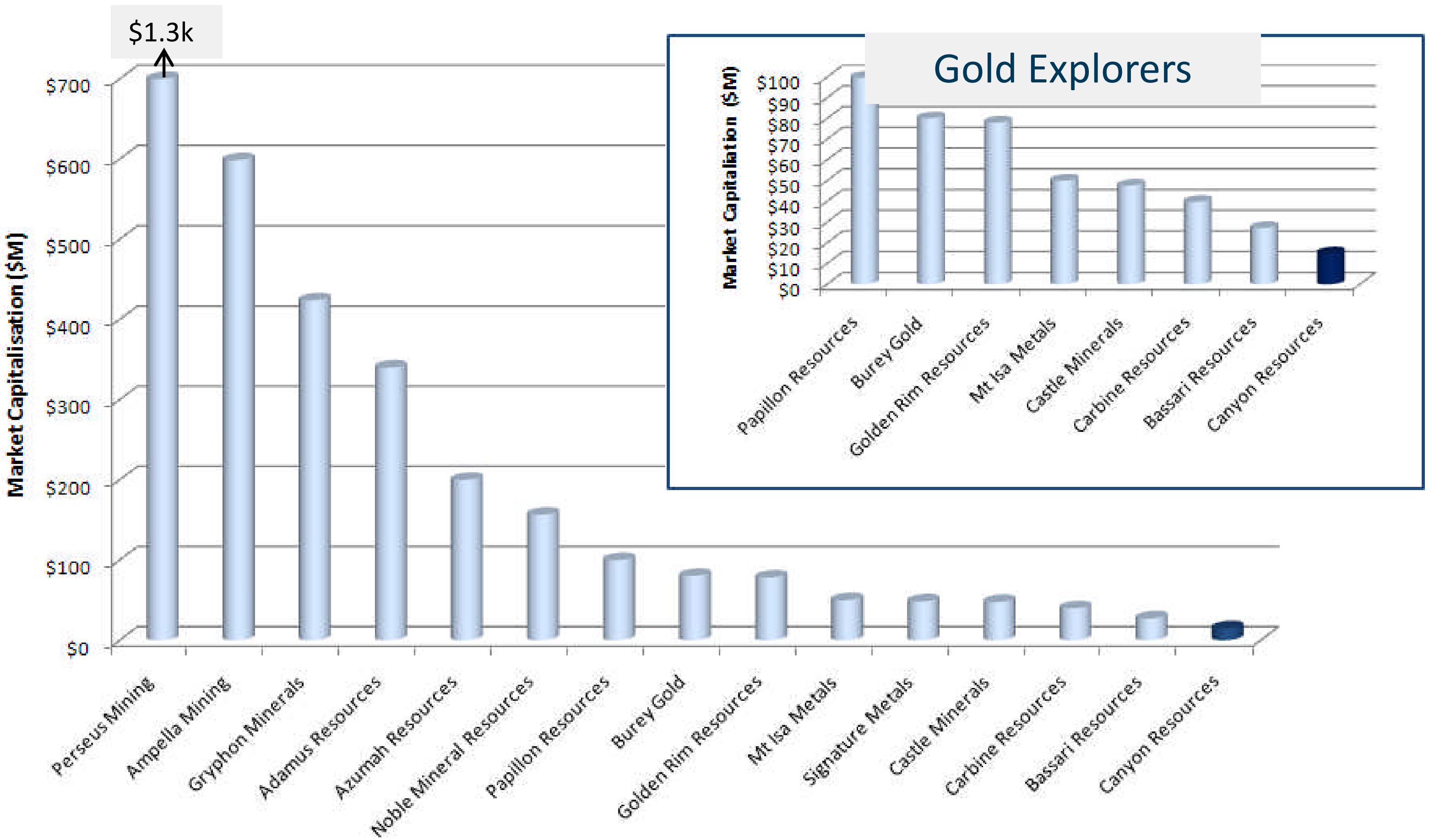
- Canyon has a highly prospective and contiguous package of land around the historic gold Cue goldfields which has historically produced in excess of 2Moz gold
- Significant previous drilling results on Canyon's Cue Projects include:
  - **Light of Asia Prospect**
    - 6m @ 33.8 g/t Au
    - 1m @ 67.6 g/t Au
  - **Sneaker Prospect**
    - 5m @ 2.49 g/t Au
  - **Cue One North Prospect**
    - 8m @ 13.7 g/t Au
    - 3m @19.2 g/t Au
- Recent RC drilling by Canyon returned positive gold intercepts confirming the down plunge continuity of the Light of Asia prospect. Best intercepts included:
  - 4m @ 5.96 g/t Au from 44m, and
  - 4m @ 2.4 g/t Au from 120m




Canyon Resources

# West Africa Peer Comparison

*Canyon is undervalued relative to other junior West African gold explorers*




Canyon Resources

# Company Highlights

*Opportunity for strong share price growth with excellent leverage to exploration success in West Africa*

Canyon has:

- Acquired control of two highly prospective gold projects in Burkina Faso along strike from operating multi million ounce gold mines;
  - Taparko (2MozAu)
  - Essakane (5MozAu)
- A very tight capital structure;
  - Only 38.6m shares on issue following completion of the placement and initial issue of shares pursuant to Burkina Faso project acquisitions
  - Top 20 shareholders hold 40% of the Company
- $5.4m cash in the bank post the placement, which fully funds an accelerated Burkina Faso gold exploration programme, and provides funds for new project opportunities
- A low cost and efficient operating structure
- An experienced Board with a strong resource focus and significant commercial and technical experience
- A strong relationship with key technical personnel in Burkina Faso
- A near term focus to develop its West African projects whilst reviewing other opportunities in the area

Canyon Resources

# Contact Details


*ASX:CAY*
*www.canyonresources.com.au*

*Phil Gallagher*
*Managing Director*
*Mob: +61 (0)417 980 690*
*Email: pgallagher@canyonresources.com.au*

*41 Stirling Hwy*
*Nedlands*
*WA 6009*
*Tel: +61 8 96389 8100*


Canyon Resources