

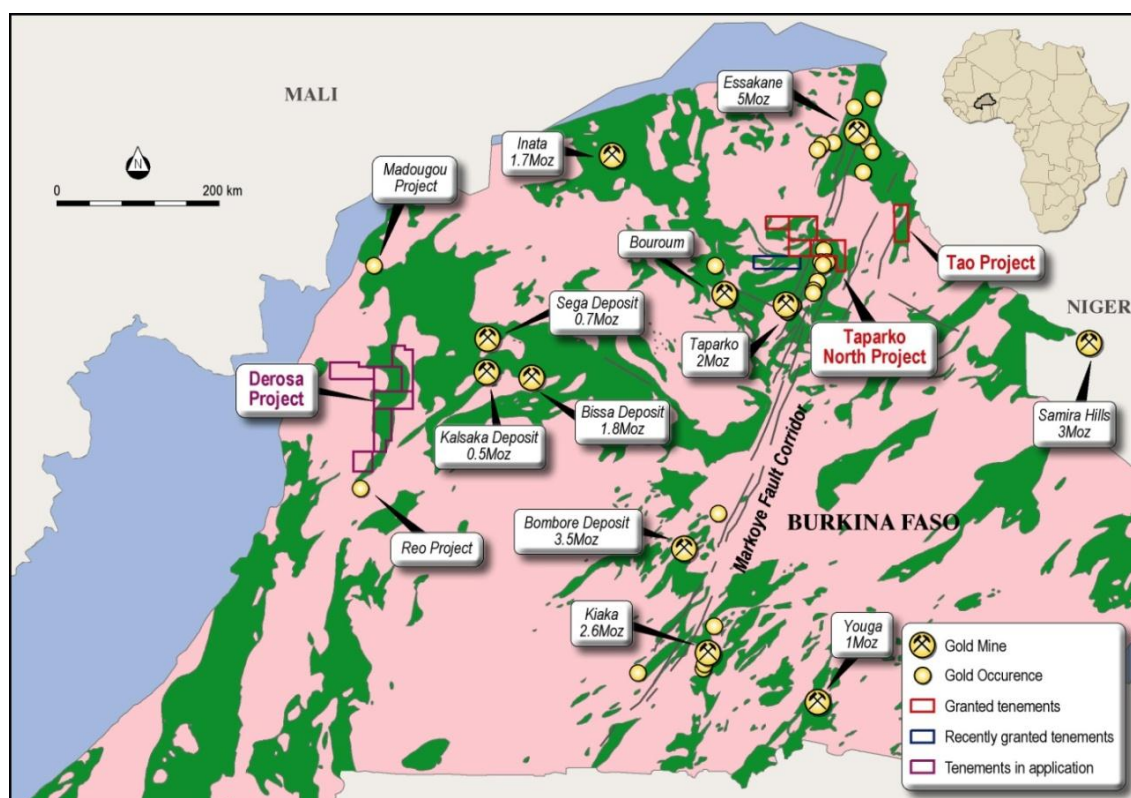
29 July 2011

ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2011

Highlights

- Over 7,000 metres of RC drilling completed on the Tao Project
- Over 27,000 metres of auger drilling completed on the Taparko North Project during the Quarter
- Over 50,000 metres of auger drilling completed this year
- Two contiguous permits added to the Derosa Project
- The Tyekobo permit on the Taparko North Project granted by the Ministry of Mines
- Canyon's total project area increased from 2,128km² to a very significant 2,513km²

In the June 2011 quarter Canyon Resources has continued its aggressive exploration campaign on its projects in north eastern Burkina Faso with the completion of a reverse circulation (RC) drilling campaign for a total of 7,005 metres on the Tao Project and continuation of its soil sampling program on the Taparko North Project. The Company has also increased the size of its Derosa Project located in north western Burkina Faso with the signing of an agreement to purchase two additional permits contiguous to its existing 4 permits.



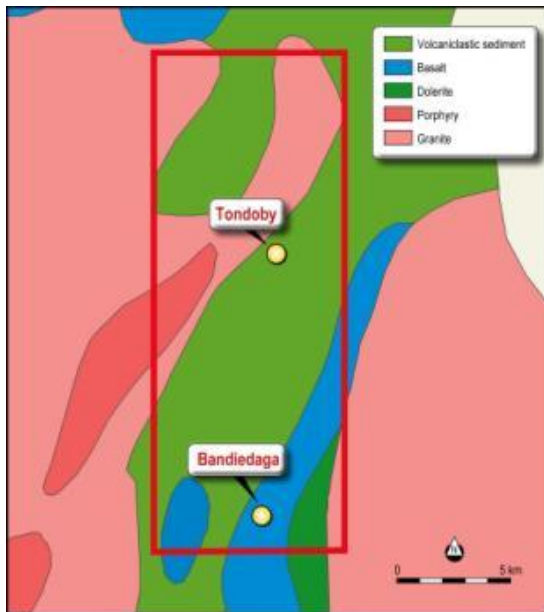
Regional interpreted geology map highlighting Canyon's project areas.

Tao Project

The Tondoby prospect forms part of the Tao Project, located in the Gorouol Greenstone Belt that hosts the country's largest deposit, the 5 million ounce Essakane gold mine.

RC Drilling

During the quarter, Canyon Resources completed an initial RC drill program on the Tondoby prospect of 7,005 metres in 73 holes.



Location of Tondoby Prospect on the Tao Project

The RC drill program was designed to follow up RC and rotary air blast (“RAB”) drilling where previous explorer's RC drilling returned significant strong shallow gold intersections*, including:

- **9m @ 3.09g/t Au from 36m** (hole DTD-003)
- **5m @ 4.98g/t Au from 33m** (hole DTD-004)
- **4m @ 8.07g/t Au from 25m** (hole DTD-006)
- **9m @ 4.00g/t Au from 60m** (hole DTD-009)

* For detailed information on historical results refer to announcement on [11 November 2010](#).

Composite samples have been collected and submitted for gold fire assay and first results are expected to be returned over the coming weeks.



The RC drilling rig on the Tondoby Prospect on the Tao Project

Taparko North Project

The Taparko North Project is situated in the Yalogo Belt. This greenstone belt hosts the 2 million ounce Taparko gold mine and the 1.7 million ounce Inata gold mine.

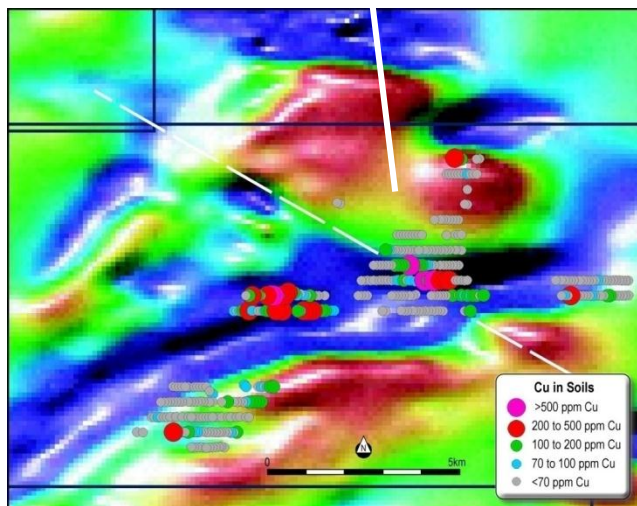
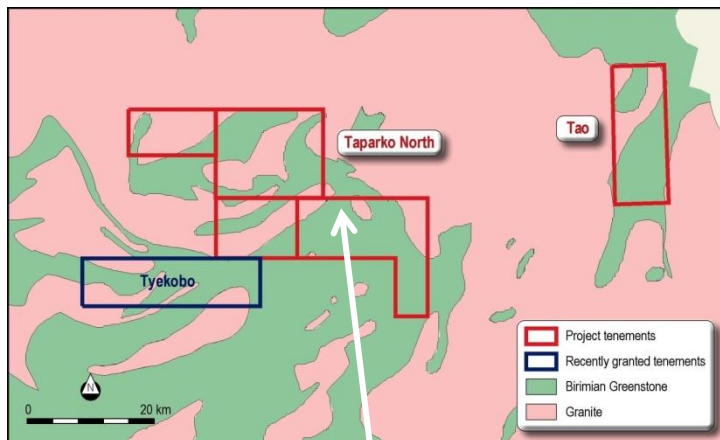
Auger Drilling

An auger soil sampling program has been underway on the Taparko North Project since November 2010 and has continued right up to the commencement of the wet season. A total of 27,362 metres of auger drilling was completed in the June quarter, with over 50,000 metres of auger drilling undertaken in the program to date.

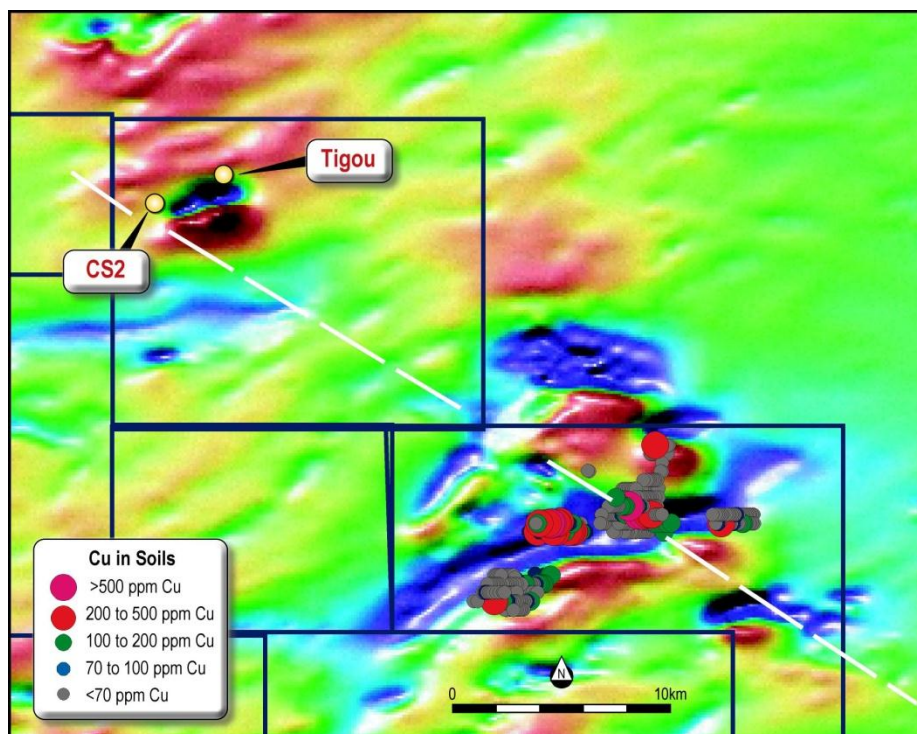
The Taparko North area is mostly characterised by surficial, transported laterite and alluvial and aeolian deposits, some 2 – 10metres thick. Two auger drills are being used to collect samples from either residual soils or saprolite beneath this masking cover, with samples being collected from an average depth of 5 – 7 metres over the project area.

Initial auger sample results have included coincident, very strongly anomalous copper (to 0.3%), zinc (to 0.21%), gold (28 ppm) and molybdenum (20 ppm) with associated anomalous nickel and cobalt which resemble the multi-element association in mineralised rock samples taken from the Tigou CS2 prospect. The auger soil anomalies appear to delineate a north-west south-east trend which is consistent with structures interpreted from geophysical data. These anomalies cover an area up to 2.6km in length and open along strike. Additional auger assays are pending.

The remainder of the samples are with a local laboratory that is experiencing delays in processing due to the high volume of samples being submitted.



Aeromagnetic image with copper (Cu) in soil results, displaying a northwest trending 2.6km long Cu anomaly open in both directions. Peak Cu in soil result of 0.33% Cu.



Regional image showing the locations of the auger soil anomalies and the CS2 and Tigou gold and base metal prospects.

Reconnaissance rock chip sampling

Reconnaissance mapping and rock chip sampling on the Tigou permit identified two new prospects, Tigou village and CS2, both of which host artisanal workings. Rock chip samples taken from these two prospects consistently returned results over 1.0 g/t Au with the average result from the 39 samples being 1.07 g/t Au. These samples were also submitted for multi element assay, which were returned during the quarter.

At CS2, the prospect that had previously returned the highest gold values, several very significant coincident gold, silver, copper, zinc and lead assays were returned with highly anomalous molybdenum, sulphur, cadmium, antimony and sodium associations. Anomalies of this nature are characteristic of VMS style mineralisation. Peak rock chip values are tabulated below.

Assay	WGS84_E	WGS84_N	Prospect
0.96% Cu, 0.83g/t Au, 22.9g/t Ag, 0.79% Pb, 0.76% Zn	792260	1547177	CS2
0.85% Cu, 0.87g/t Au, 20.5g/t Ag, 0.71% Pb, 0.67% Zn	792227	1547133	CS2
0.84% Cu, 0.46g/t Au, 19.9g/t Ag, 0.69% Pb, 0.68% Zn	792230	1547180	CS2
9.28g/t Au	792231	1547177	CS2
2.93g/t Au	792254	1547180	CS2
2.48g/t Au	792223	1547172	CS2
Samples were submitted to ALS in Ouagadougou for 30g Au fire assay with AA finish Pulps were sent to Vancouver Canada for 35 element Aqua Regia ICP-AES			

Peak rock chip assay results from the CS2 Prospect.

New Permits Granted and Acquired

Tyekobo

During the quarter, the Tyekobo permit on the Taparko North Project was granted by the Burkina Faso Ministry of Mines. This permit is on the south west end of the Project area along the Markoye Fault corridor and was the final permit on the project that was under application. Under the terms of the purchase agreement Canyon subsequently paid the local vendor US\$10,000 and issued 50,000 ordinary shares.

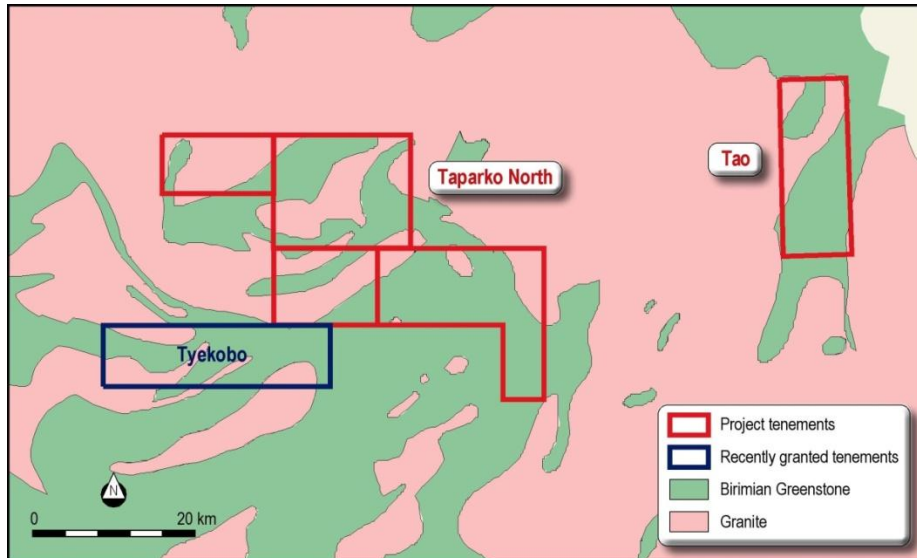


Image highlighting the recently granted Tyekobo permit on the Taparko North Project

Derosa

The Derosa Project is a package of permits currently under application. The permits are along the structure from Middle Island Resources Limited's Reo Project and offer an early stage exploration opportunity in an area that has active artisanal mining and significant exploration potential.

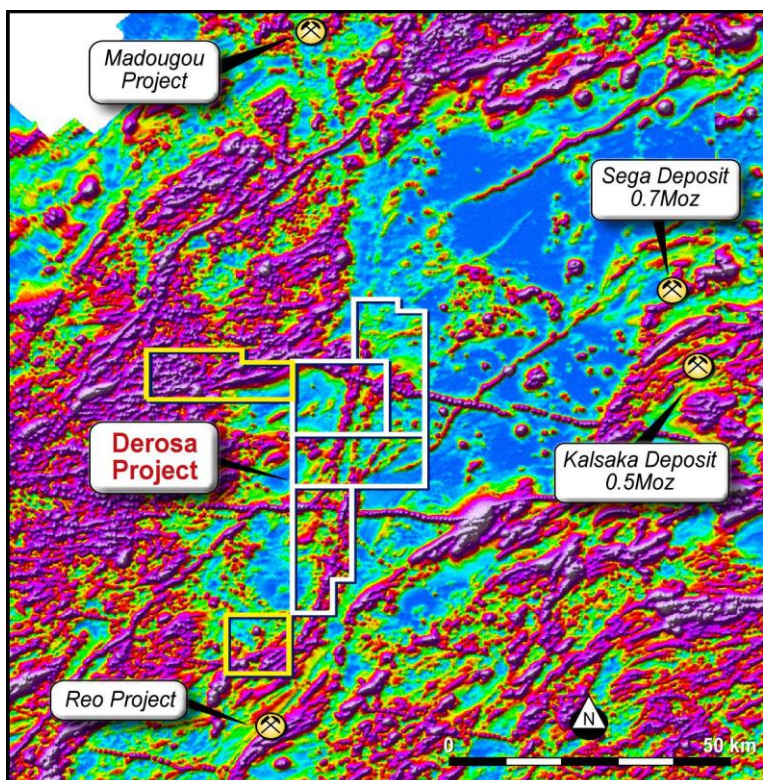


Image highlighting the Bompela and Sapala permits in yellow on the Derosa Project

The Company announced during the quarter that it had entered into an agreement to buy two new permits, Bompela and Sapala. The permits are currently under application and are contiguous to the existing Derosa Project permits. The new permits cover an area of 385km². The total project area is now 1,389km².

Enquiries:

Phil Gallagher

Managing Director

T: +61 8 9413 7300

E: pgallagher@canyonresources.com.au

Rhod Grivas

Chairman

T: +61 419 919 321

The information in this report that relates to Exploration Results has been compiled by Mr Chris Connell who is an employee of the Company. Mr Connell is a member of 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. Chris Connell consents to the inclusion of the information in the form and context in which it appears.