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2 November 2011

New Project Acquisition in South West Burkina Faso

- **Canyon to acquire the Pinarello Project in south west Burkina Faso, comprising six granted permits**
- **The Pinarello Project is located in the Hounde greenstone belt, which hosts the 3.3Moz Au Mana mine and the 400,000oz Au Bondi deposit**
- **Project area is in the gold endowed southwest region of Burkina Faso**

Canyon Resources Limited ("Canyon" or "the Company") (ASX:CAY) is pleased to announce that it has entered into an agreement with a local vendor to purchase the Pinarello Project which comprises six granted exploration permits in southwest Burkina Faso.

This acquisition is consistent with Canyon's previously announced strategy of continuing to selectively grow its exploration portfolio in Burkina Faso whilst actively exploring its existing projects.

Canyon's Managing Director, Mr Phillip Gallagher said,

"*Since first entering Burkina Faso 12 months ago with the acquisition of our flagship Tao and Taparko North Projects, Canyon has spent significant time in-country developing the key relationships required to grow a successful West African gold business.*

The addition of the Derosa Project (April 2011), the Wilier Project (August 2011) and now the Pinarello project, and consolidation of tenements around our existing projects has established a footprint of over 4,000km^2 in Burkina Faso on highly prospective tenements that the Company will continue to aggressively explore.

We look forward to re-commencing drilling in the coming weeks to follow-up our highly successful maiden RC drilling programme which returned wide and high grade intercepts such as 20m @ 11g/t Au at the Tao Project, and also to undertake the first round of drill testing on these new project areas".

The Company has commenced logistical planning and plans to initiate a first pass exploration program on the Pinarello Project in December.

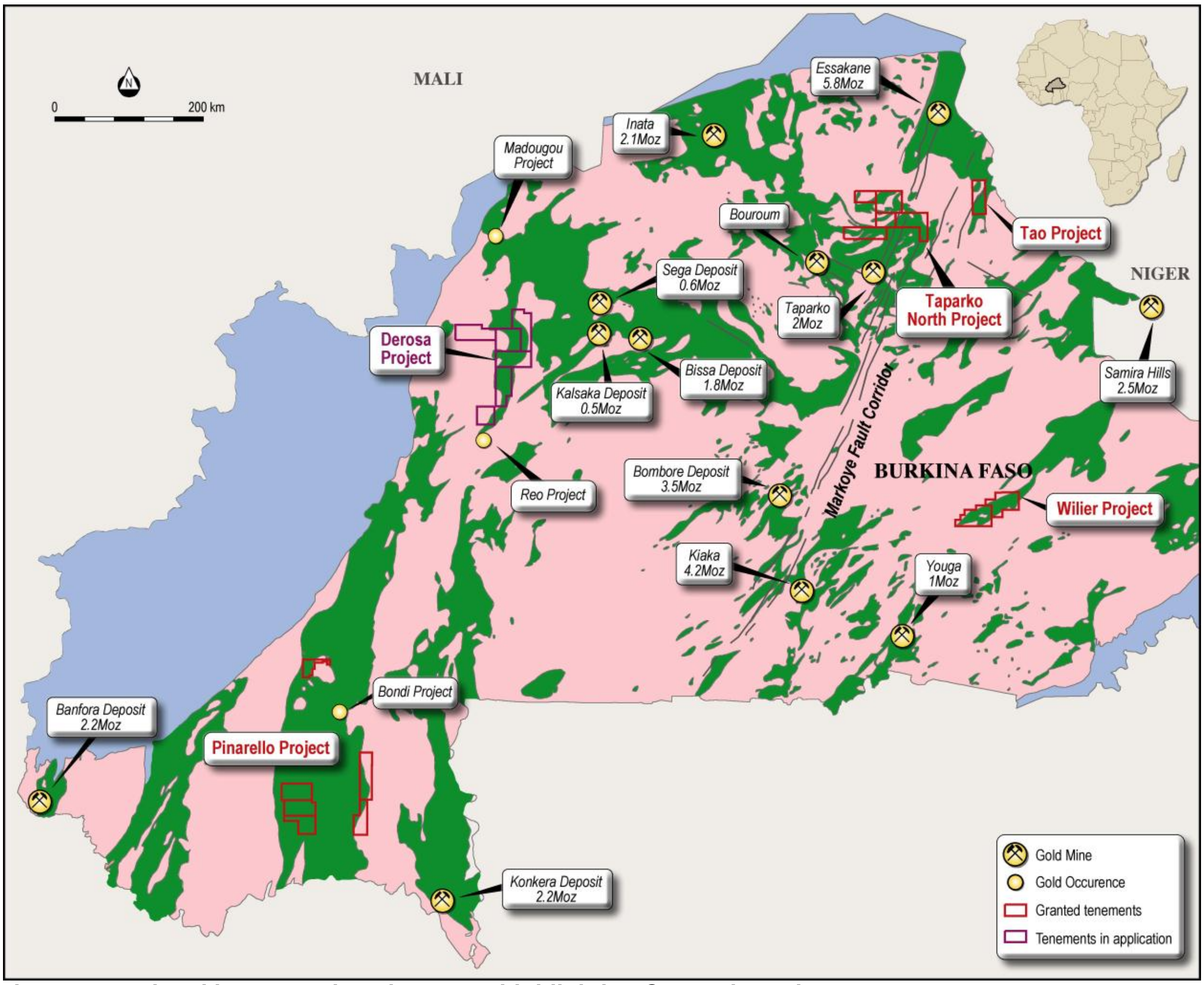

Figure 1: Regional interpreted geology map highlighting Canyon's project areas.

About the Pinarello Project

The Pinarello Project comprises six granted exploration permits, Sokorani, Noifera, Konkolikan, Baniera, Sokorani 2 and Soukoura 2 with a combined area of 1,104km^2. With the addition of the Pinarello Project, Canyon now has exploration permits totalling 4,114 km² in five separate project areas; Taparko North, Tao, Derosa, Wilier and Pinarello projects (see figure 1).

The Pinarello permits are located approximately 260 kilometres to the southwest of the country's capital city, Ouagadougou, and occur within the Hounde Greenstone Belt.

The Hounde Greenstone Belt hosts a number of significant gold deposits including the 3.3Moz Mana gold mine and the 400,000oz Bondi Project. The geology of the Hounde is characterised by north-northeast and northwest-trending gold endowed shear zones and intrusive units. Equivalents to the younger Tarkwaian Group sediments are typically proximal to major structures and spatially coincident with numerous major gold deposits.

Canyon is planning a comprehensive first pass exploration program to test the prospectivity of the Pinarello Project. Activities will include extensive auger drilling, rotary air blast drilling, field reconnaissance mapping and rock chip sampling.

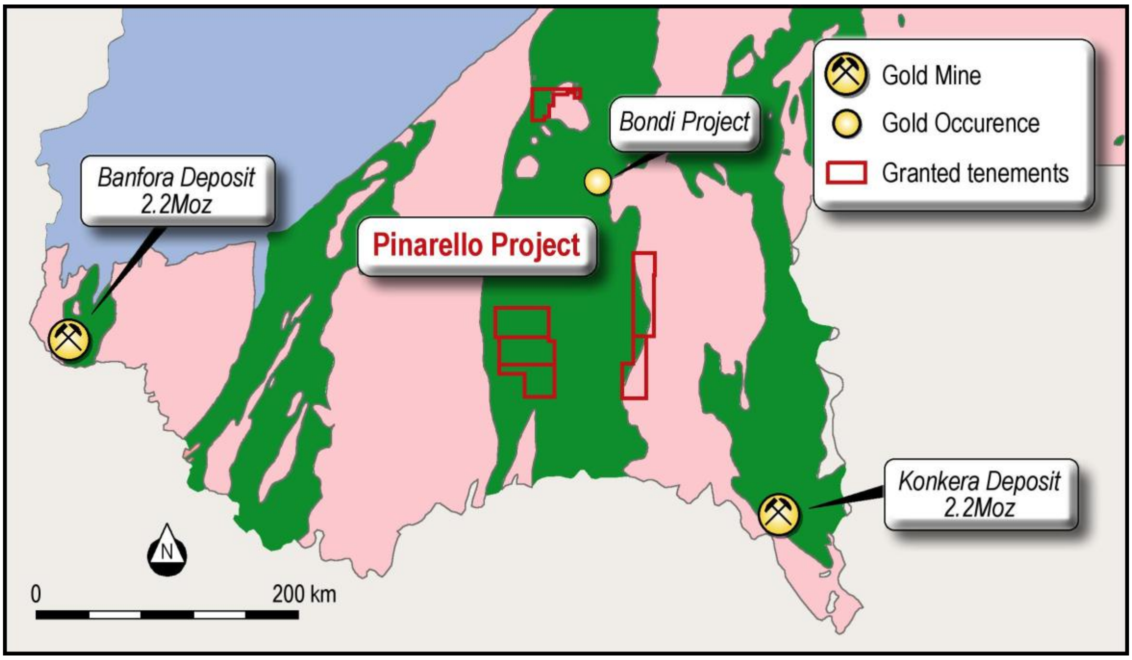

Figure 2: Image showing the regional geology and location of the Pinarello Project

Summary of the Purchase Agreement

Canyon will acquire 100% of the Pinarello Project through making an initial payment of $170,000 on signing of the Agreement, a series of payments over a three year period, and the issue of up to 900,000 Canyon shares. At any time after the first payment, Canyon may elect not to proceed with the acquisition, in which case Canyon would not be liable for any further cash payments or share issues to the vendor.

To gain 100% ownership of the tenements Canyon is required to pay the following:

- US$170,000 upon the signing of the Agreement;
- US$50,000 3 months after the signing of the Agreement;
- US$180,000 on the 1st anniversary of the signing of the Agreement;
- US$240,000 on the 2nd anniversary of the signing of the Agreement; and
- US$ 310,000 on the 3rd anniversary of the signing of the Agreement.

The following share payments will be paid subject to shareholder approval:

- 300,000 shares following shareholder approval
- 300,000 shares on the 1st anniversary of the signing of the Agreement;
- 300,000 shares 18 months after the signing of the Agreement.

About Canyon's Burkina Faso Projects

In addition to the 1,104km² Pinarello Project, Canyon's existing mineral exploration projects in Burkina Faso cover an area of 3,010km² over 14 permits in the Birimian Greenstone Belts of the West African craton. These permits comprise three project areas known as the Taparko North Project, the Tao Project, the Wilier Project and the Derosa 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.

The Tao Project lies in the Gorouol Greenstone Belt which hosts the country's largest deposit, the 5.8 million ounce Essakane gold mine.

Significantly, both the Tao and Taparko north projects are situated along north east striking structures. The major gold endowed northeast/southwest trending Markoye Fault is recognised as hosting both the Taparko and Essakane gold deposits and the 3.5 million ounce Bomboré gold deposit, situated along strike to the south west. Numerous artisanal gold occurrences have also been located along the trend of the Markoye Fault within the Taparko North Project.

The Wilier Project is comprised of two contiguous tenements in the Fada N'Gourma greenstone belt. Extensions of this greenstone belt host the 1.9 million ounce Samira Hill gold mine and the 1.1 million ounce Youga gold mine.

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 area that has active artisanal mining and significant exploration potential.

Canyon's projects represent a combination of outstanding geological and structural settings in highly gold endowed Birimian Greenstone Belts, with recognised major gold hosting structures traversing the project areas. As such, the five project areas have potential to host significant mineral resources, as demonstrated by recent exploration results.

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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.