Canyon Resources Limited

ABN 13 140 087 261

Interim Financial Report
31 December 2011

CORPORATE INFORMATION

Canyon Resources Limited

ABN 13 140 087 261

Directors

Rhoderick Grivas

Phillip Gallagher

Matthew Shackleton

Company Secretary

Phillip MacLeod

Registered office and principal place of business

Level 3 West, 10 Outram Street

West Perth WA 6005

PO Box 270

West Perth WA 6872

Tel: +61 8 9413 7300
Fax: +61 8 9324 1502
Web: www.canyonresources.com.au

Share Register

Computershare Limited

Level 2, 45 St Georges Terrace

Perth WA 6000

Tel: +61 8 9323 2000
Fax: +61 8 9323 2033
Web: computershare.com.au

Solicitors

Steinepreis Paganin

Level 4, 16 Milligan Street

Perth WA 6000

Auditors

HLB Mann Judd

Level 4, 130 Stirling Street

Perth WA 6000

Securities Exchange Listing

ASX Limited

ASX Code: CAY

Contents

DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated entity (or Group) comprising Canyon Resources Limited ("the Company") and the entities it controlled for the half-year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Rhoderick Grivas	Non-executive Chairman
Phillip Gallagher	Managing Director
Matthew Shackleton	Non-executive Director

Review of Operations

Canyon is a West African focussed minerals exploration Company with five projects in Burkina Faso. The projects are over 20 permits with a total area of 4,100km².

The Company has been actively exploring in Burkina Faso over the period and has continued to develop its exploration projects in the country.

A summary of the exploration activities to the date of this report is as follows:

Tao

- 7,000m RC drilling campaign completed in July 2011.
- 5,000m RC campaign completed in February 2012.
- 10,000m RAB drilling campaign commenced in January 2012.

Taparko North

- Completed a Moving Loop Electro Magnetic survey in February 2012.
- Commenced RAB drilling in March 2012.

Wilier Project

- Acquired the 490km² Wilier project comprised of two contiguous tenements in August 2011.
- Commenced Auger soil geo chemical drilling in November 2011.

Pinarello Project

- Acquired the 1,104km² Pinarello project comprised of six permits in South West Burkina Faso in November 2011.
- Commenced Auger soil geo chemical drilling in December 2011.

Corporate

The Company conducted capital raisings in August 2011 to raise $1,400,000 before issue costs via the issue of 4 million shares at an issue price of $0.35 each and in November 2011 to raise $3,700,000 before issue costs via the issue of 7.95 million shares at an issue price of $0.47 each.

DIRECTORS' REPORT (continued)

Review of Operations (continued)

Operating result for the period

The consolidated entity's operating loss for the half-year ended 31 December 2011 was $1,843,454 (2010: $678,542).

Review of financial condition

At 31 December 2011, the consolidated entity had $5,865,372 in cash and term deposit balances (30 June 2011: $3,532,919).

Significant Events Subsequent to Balance Date

Subsequent to the balance date no matter or circumstance has arisen which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years other than as disclosed below:

Subsequent to the balance date the Company signed a contract for the sale of its Cue exploration project to a private company, Western Mining Pty Ltd. The Company will receive a total of $400,000 in staged payments over 12 months.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 7 and forms part of this directors' report for the half-year ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

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Matthew Shackleton

Director

Perth, 15 March 2012

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Canyon Resources Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
15 March 2012

L DI GIALLONARDO
Partner, HLB Mann Judd

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	31 December 2011 $	31 December 2010 $
Interest received	95,270	76,306
Employee expenses	(74,082)	(165,757)
Consultants and contractors	(112,494)	(56,245)
Director fees	(158,050)	(51,421)
Legal and professional fees	(22,559)	(42,086)
Occupancy	(51,915)	(16,481)
Depreciation	(18,508)	(1,645)
Compliance and regulatory	(27,425)	(12,429)
Administration	(120,474)	(43,020)
Finance expenses	(92)	-
Foreign exchange losses on translation	(27,765)	-
Exploration expensed as incurred	(1,325,360)	(365,764)
Loss before income tax	**(1,843,454)**	**(678,542)**
Income tax expense	-	-
Net loss after tax	**(1,843,454)**	**(678,542)**
Other comprehensive loss		
Movement in foreign exchange on translation	**(4,775)**	**-**
Total other comprehensive loss	**(4,775)**	**-**
Total comprehensive loss for the period	**(1,848,229)**	**(678,542)**
Basic loss per share (cents per share)	**(4.06)**	**(2.50)**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Notes	31 December 2011 $	30 June 2011 $
Assets			
Current Assets			
Cash and cash equivalents		4,365,372	1,463,220
Trade and other receivables		107,177	56,078
Term deposit investments		1,500,000	2,069,699
Other current assets		85,724	152,250
Total Current Assets		6,058,273	3,741,247
Non-Current Assets			
Plant and equipment		162,284	128,160
Deferred exploration expenditure	3	3,767,391	3,271,757
Total Non-Current Assets		3,929,675	3,399,917
Total Assets		9,987,948	7,141,164
Liabilities			
Current Liabilities			
Trade and other payables		392,917	569,499
Provisions		105,621	66,369
Total Current Liabilities		498,538	635,868
Total Liabilities		498,538	635,868
Net Assets		9,489,410	6,505,296
Equity			
Issued capital	2	13,831,908	8,999,565
Reserves		803,774	808,549
Accumulated losses		(5,146,272)	(3,302,818)
Total Equity		9,489,410	6,505,296

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Issued capital	Accumulated losses	Foreign currency reserve	Option reserve	Total Equity
	$	$		$	$
Balance at 1 July 2010	**3,408,204**	**(509,886)**	**-**	**573,942**	**3,472,260**
Loss for the period	-	(678,542)	-	-	(678,542)
Total comprehensive loss for the period	**-**	**(678,542)**	**-**	**-**	**(678,542)**
Balance at 31 December 2010	**3,408,204**	**(1,188,428)**	**-**	**573,942**	**2,793,718**
Balance at 1 July 2011	**8,999,565**	**(3,302,818)**	**61,460**	**747,089**	**6,505,296**
Loss for the period	-	(1,843,454)	-	-	(1,843,454)
Movement in foreign exchange on translation	-	-	(4,775)	-	(4,775)
Total comprehensive loss for the period	**-**	**(1,843,454)**	**(4,775)**	**-**	**(1,848,229)**
Purchase of tenements	48,000	-	-	-	48,000
Shares issued for cash	5,138,300	-	-	-	5,138,300
Share issue costs	(353,957)	-	-	-	(353,957)
Balance at 31 December 2011	**13,831,908**	**(5,146,272)**	**56,685**	**747,089**	**9,489,410**

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	31 December 2011	31 December 2010
	$	$
Cash flows from operating activities		
Payments to suppliers and employees	(529,929)	(205,492)
Interest received	112,827	21,792
Net cash outflow from operating activities	(417,102)	(183,700)
Cash flows from investing activities		
Proceeds from term deposit investments	569,699	-
Payments for exploration and evaluation	(1,497,971)	(471,092)
Payments for acquisition of projects	(480,703)	-
Payments for plant and equipment	(52,632)	(52,230)
Net cash outflow from investing activities	(1,461,607)	(523,322)
Cash flows from financing activities		
Proceeds from share issues	5,138,300	-
Payments for share issue costs	(353,957)	-
Refund of oversubscriptions	-	(53,000)
Net cash inflow/(outflow) from financing activities	4,784,343	(53,000)
Net increase/(decrease) in cash held	2,905,634	(760,022)
Cash and cash equivalents at the beginning of the period	1,463,220	3,218,512
Effect of foreign exchange on cash balances held	(3,482)	-
Cash and cash equivalents at the end of the period	4,365,372	2,458,490

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The condensed consolidated financial statements are for the consolidated entity consisting of Canyon Resources Limited and its' subsidiaries.

This condensed consolidated interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that the interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Canyon Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The interim report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2011.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2011, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 2: ISSUED CAPITAL

	CONSOLIDATED 31 December 2011 $	30 June 2011 $
Ordinary shares		
Issued and fully paid	13,831,908	8,999,565

	2011 No.	2010 No.	2011 $	2010 $
Movements in ordinary shares on issue				
At 1 July	41,047,002	27,147,002	8,999,565	3,408,204
Share-based payments	150,000	-	48,000	-
Shares issued for cash	11,953,830	-	5,138,300	-
Cost of share issues	-	-	(353,957)	-
At 31 December	53,150,832	27,147,002	13,831,908	3,408,204

NOTE 3: DEFERRED EXPLORATION EXPENDITURE

	CONSOLIDATED 6 months to 31 December 2011 $	Year to 30 June 2011 $
Acquisition of tenements – at cost		
Exploration and evaluation phase		
Balance at beginning of the period	3,271,757	330,000
Purchase of tenements - cash	480,703	40,257
Purchase of tenements - shares	48,000	2,901,500
Effect of exchange rates on exploration assets	(33,069)	-
Total	**3,767,391**	**3,271,757**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 4: SEGMENT REPORTING

The following table presents the revenue and loss information regarding the segment information provided to the Board of Directors for the half-year periods ended 31 December 2011 and 31 December 2010.

CONSOLIDATED

	Cue Project (Western Australia) $	Project Generation (Africa) $	Unallocated (Corporate) $	Total $
31 December 2011				
Segment revenue	-	-	95,270	95,270
Segment result	(23,537)	(1,319,999)	(518,094)	(1,861,630)
Included within segment results:				
Depreciation	-	(15,772)	(2,736)	(18,508)
Financial income	-	-	95,270	95,270
Segment assets	445,012	3,645,492	5,897,444	9,987,948
Segment liabilities	-	(317,176)	(181,362)	(498,538)
31 December 2010				
Segment revenue	-	-	76,306	76,306
Segment result	(219,142)	(146,622)	(312,778)	(678,542)
Included within segment results:				
Depreciation	-	(802)	(843)	(1,645)
Financial income	-	-	76,306	76,306
Segment assets	330,000	143,094	2,567,045	3,040,139
Segment liabilities	-	-	(246,421)	(246,421)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 5: COMMITMENTS

The following commitments arose as a result of transactions entered into during the half-year.

In August 2011 the consolidated entity acquired the Wilier project in Burkina Faso. Under the agreement consideration comprises the following cash payments:

- US$120,000 upon signing the agreement
- US$100,000 on the first anniversary of signing the agreement
- US$100,000 on the second anniversary of signing the agreement
- US$80,000 on the third anniversary of signing the agreement

The payments are to be made at Canyon's election and if Canyon choses not to make any of the payments it will relinquish ownership of the tenements resulting in the full impairment of carried forward costs at that time.

In November 2011 the consolidated entity acquired the Pinarello project in Burkina Faso. Under the agreement consideration comprises the following:

Cash payments

- US$170,000 upon signing of the agreement
- US$50,000 3 months after the signing of the agreement
- US$180,000 on the first anniversary of the signing of the agreement
- US$240,000 on the second anniversary of the signing of the agreement
- US$310,000 on the third anniversary of the signing of the agreement

Issue of shares

The following shares are to be issued subject to shareholder approval:

- 300,000 shares following shareholder approval
- 300,000 shares on the first anniversary of the signing of the agreement
- 300,000 shares 18 months after the signing of the agreement

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, resulting in the full impairment of carried forward costs at that time.

NOTE 6: EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the balance date no matter or circumstance has arisen which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years other than as disclosed below:

Subsequent to the balance date the Company signed a contract for the sale of its Cue exploration project to a private company, Western Mining Pty Ltd. The Company will receive a total of $400,000 in staged payments over 12 months.

DIRECTORS' DECLARATION

In the opinion of the directors:

1 the financial statements and notes set out on pages 8 to 15 are in accordance with the *Corporations Act 2001*, including:

(a) complying with Accounting Standards, AASB 134 *"Interim Financial Reporting"* and the Corporations Regulations 2001; and

(b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date of the consolidated entity; and

2 there are reasonable grounds to believe that Canyon Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Matthew Shackleton
Director

Perth, 15 March 2012

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Canyon Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Canyon Resources Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

HLB Mann Judd

Accountants | Business and Financial Advisers

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the consolidated entity for the half-year ended 31 December 2011 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Canyon Resources Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

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Perth, Western Australia
15 March 2012

L DI GIALLONARDO
Partner