



31 October 2012

ACTIVITIES REPORT FOR THE QUARTER ENDED 30 September 2012

Highlights for the Quarter

- **Mineralisation extended to over 12km on the Tao Project.**
- **Shallow RAB geochemical drilling at the CS Prospect returns anomalous gold intercepts over 4km of strike tested. Best intercepts include:**
 - **2m @ 12.0g/t Au from surface** **CSRB053**
 - **2m @ 1.35g/t Au from 10m** **CSRB291**
 - **12m @ 0.50g/t Au from 20m** **CSRB262**
- **Option for earn-in agreement for the Derosa project taken up by Rumble Resources.**
- **Exploration to re-commence early November 2012:**
 - **RAB drilling scheduled to commence in November at the Tao Project with RC drilling to follow.**
 - **Auger drilling planned to commence on the Pinarello Project in December.**

Canyon Resources Limited ("Canyon", "the Company") (ASX: CAY) is commencing the new field season in Burkina Faso in early November progressing the next round of exploration at each of its core projects, Tao, Taparko North and Pinarello. Exploration in the coming season will include RC, RAB and auger drilling.

The previous field season ended in August 2012 and results further highlight the potential of each of these projects. In July 2012 Canyon announced the extension of mineralisation on the Tao project to over 12km. The extension was following significant RAB and auger drilling campaigns that extended the previously announced strike length of 3.1km to over 12km, as well as the identification of a parallel mineralised structure. More recently, Canyon announced results of wide spaced reconnaissance RAB drilling at the CS Prospect, which returned anomalous gold intercepts over 4km of strike tested, with the best results including 2m @12g/t Au.

Rumble Resources announced in August 2012 that it had completed its due diligence on the Company's Derosa project and exercised its option to proceed with the joint venture on the project.

In addition to preparing for the upcoming field season, in recent months Canyon has been reviewing a number of advanced and greenfield project acquisition opportunities both in Burkina Faso and other countries in the region.

At 30 September 2012, Canyon had cash reserves of \$2.45 million.

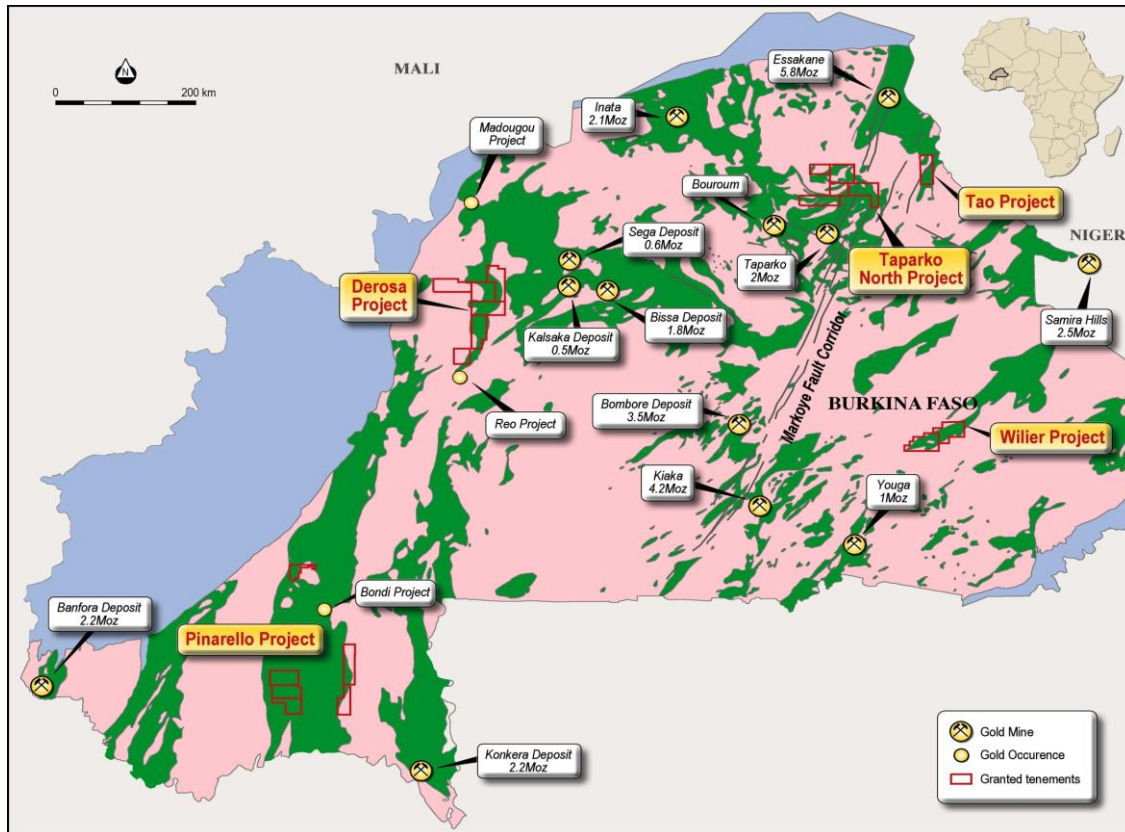


Figure 1: Canyon Resources project areas over Burkina Faso regional interpreted geology map

Tao Project

The Tao project lies in the Gorouol Greenstone Belt which hosts the country's largest deposit, the major Essakane gold mine. [Previous](#) RC drilling by Canyon at Tao has intersected high grade gold mineralisation including;

- 8m @ 30.04 g/t Au from 56m, incl 4m @ 58.7 g/t Au
- 8m @ 10.31 g/t Au from 100m
- 12m @ 2.47 g/t Au from 84m
- 4m @ 4.62 g/t Au from 88m

The Company believes there is great potential to significantly grow the extent of known gold mineralisation and add considerable value to the Tao project. RAB and auger drill rigs have been contracted to commence work in November at the Tondoby prospect. The RAB rig will focus on testing the previous season's anomalous gold in soil anomaly whilst the auger rig will continue first pass geochemical exploration along strike to the southwest and northeast of last year's soil grid. An RC rig is also scheduled to follow up results from this RAB drilling campaign.

As per the announcement on 17 July 2012, Canyon undertook a significant campaign of RAB and auger drilling on its Tao project to test the extensions of the 3.1km of gold mineralisation at the Tondoby prospect. During last exploration season, 171 RAB holes were drilled for more than 6,000m, focussing on testing the strike to the north and south of the Tondoby prospect. An auger soil sampling program of over 6,000m was also completed over areas to the south of Tondoby to provide additional targets for drilling.

Results from the programs indicate that the gold anomalism extends to over 12km and remains open along strike in both directions on the main Tondoby structure. In addition, a second parallel structure has been delineated by the auger drilling, with gold anomalism extending over the 5km tested.

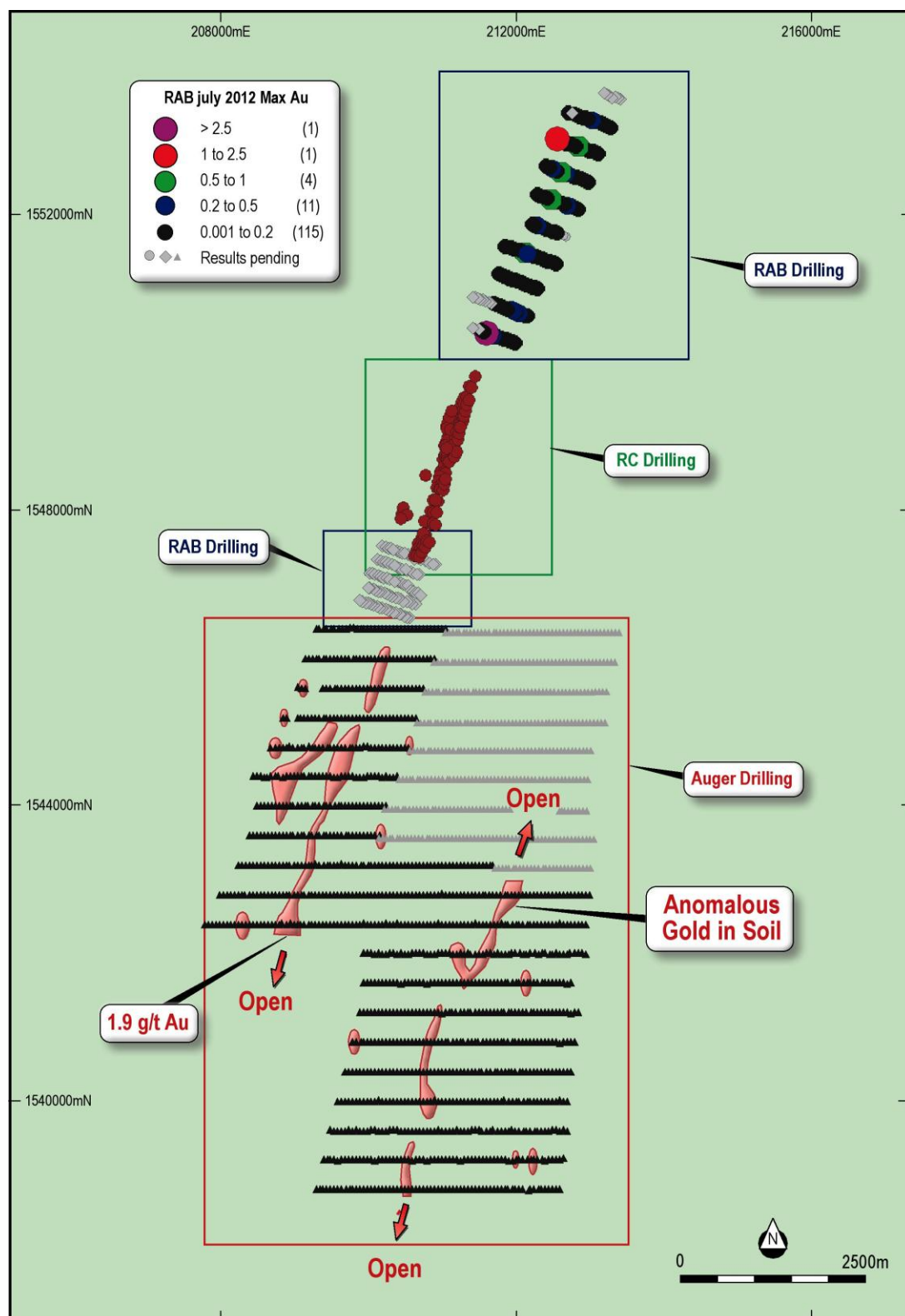


Figure 2: Exploration conducted at the Tao project's Tondoby prospect to the end of May 2012

The results of the auger drilling are particularly encouraging, delineating a very strong coherent gold in soil anomaly along strike to the southwest of the Tondoby prospect with a peak soil result of 1.9 g/t Au. This anomaly represents a high priority drill target in the coming field season's exploration campaign. Whilst further results are pending, the auger soil anomaly identified parallel to the main Tondoby structure will also form a priority future drill target.

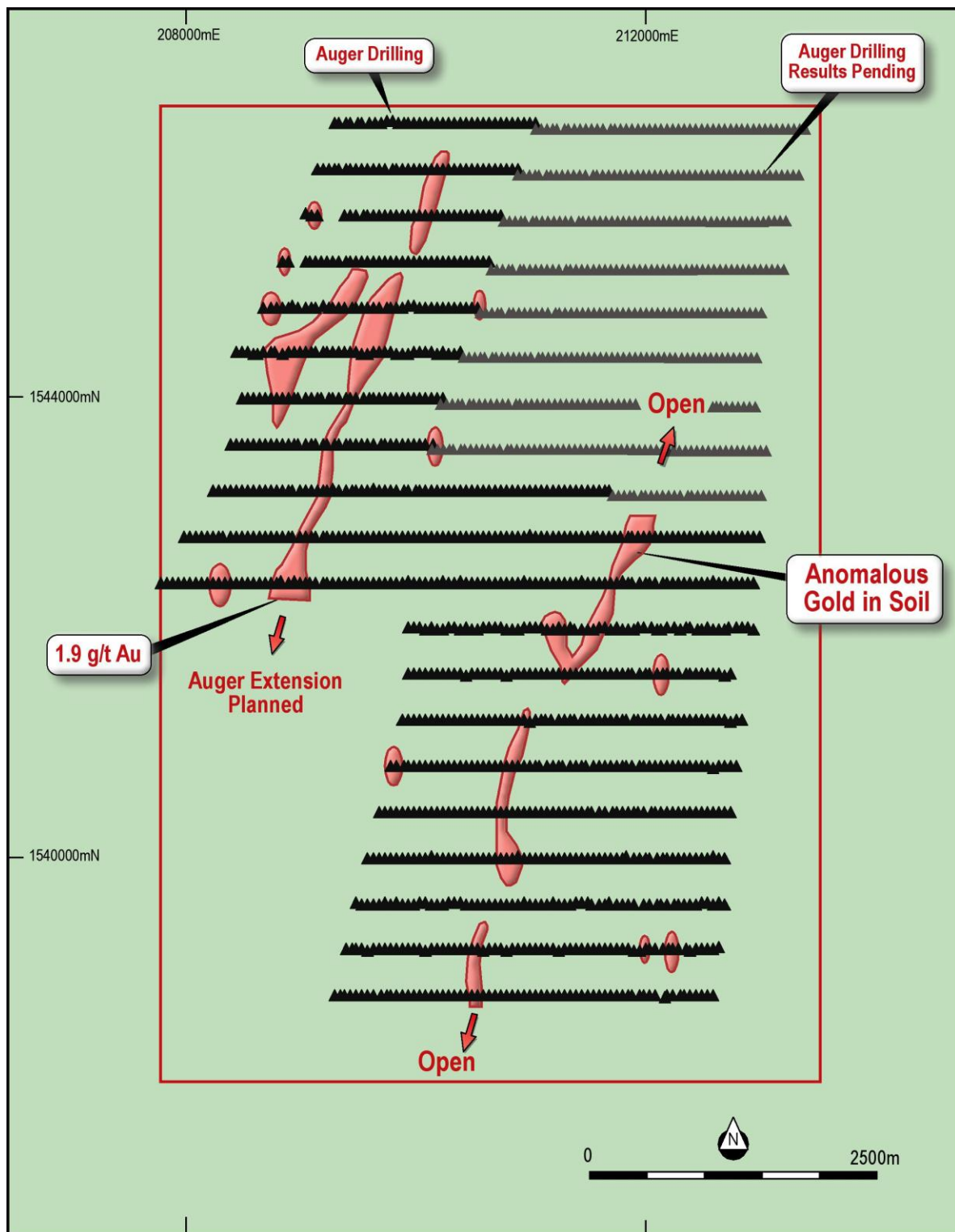


Figure 3: Auger drilling on the Tondoby prospect

Taparko North

Subsequent to the end of the quarter, the Company announced the results from the 6,019m RAB drilling program completed on the CS prospect's gold in soil anomaly. The wide spaced reconnaissance RAB drilling tested 4km of the 10km strike length of the previously identified auger anomaly and returned encouraging results (refer Table 1).

The most significant results include;

- **2m @ 12.00g/t Au from surface** **CSRB053**
- **2m @ 1.35g/t Au from 10m** **CSRB291**
- **12m @ 0.50g/t Au from 20m incl 2m @ 1.32g/t Au** **CSRB262**
- **4m @ 1.02g/t Au from 30m** **CSRB259**
- **2m @ 1.01g/t Au from 8m** **CSRB166**

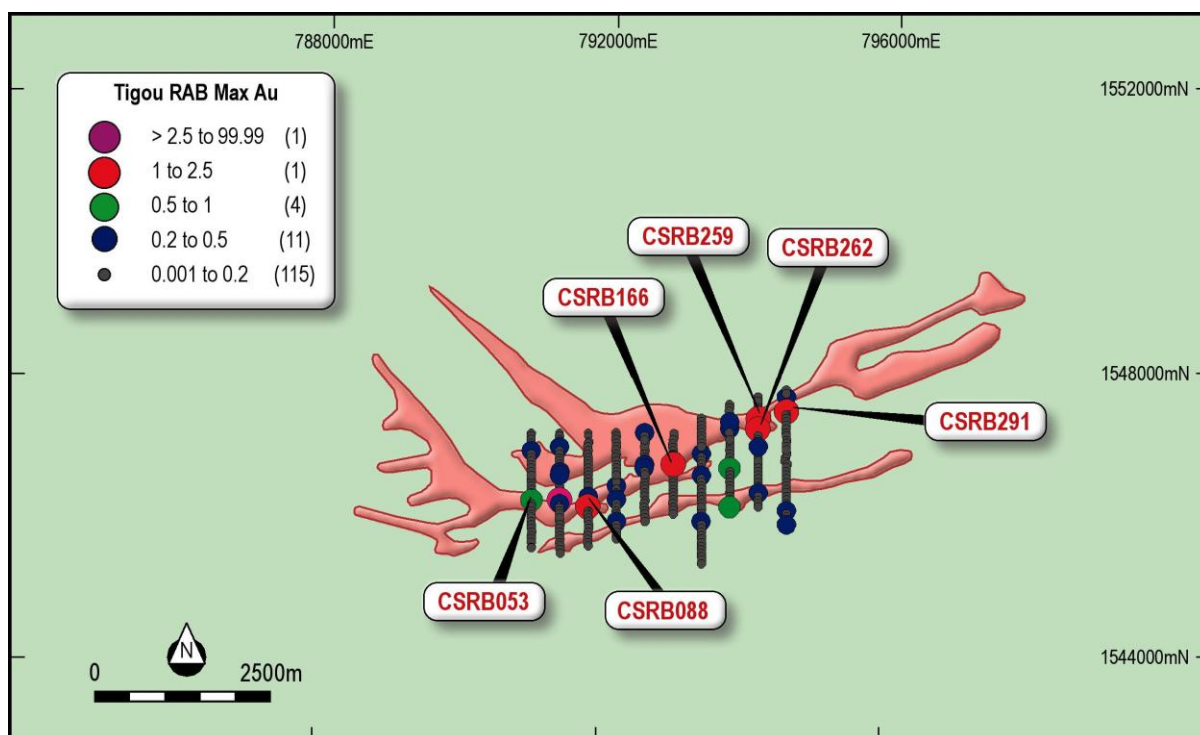


Figure 4: CS prospect showing RAB results over auger geochemistry anomaly/

Only 4km of the 10km long gold in soil anomaly was tested by last season's RAB program and the lines were spaced at 400m centres. This prospect requires a lot more drill testing to realise the potential of the area to host economic mineralisation. Additional infill and extensional drilling is planned leading to RC drilling to test this prospect at deeper levels.

Pinarello Project

Additional infill auger drilling is planned for the Pinarello Project after receipt of final interpreted results. This work is scheduled to commence in December, dependant on crop harvesting times and community liaison.

Wilier Project

An 11,500m first pass auger drilling campaign has been completed on the project area. The area is not considered to be sufficiently prospective to warrant further work. In line with the Company's strategic plan for evaluation and exploration, the project area will not be retained and financial resources and personnel will be focused on more prospective areas.

Derosa Project Joint Venture

Rumble Resources Ltd completed their due diligence on the Derosa project and exercised the option to proceed with the joint venture on the project. Under the terms of the earn-in agreement Rumble Resources must:

- spend a minimum \$250,000 before it can withdraw from the joint venture.
- spend \$1,500,000 to be issued with 51% of Canyon Derosa Pty Ltd; and
- spend \$3,000,000 on exploration of the Derosa Project within 5 years of the commencement of the Agreement (inclusive of vendor payments for the project), to earn a 75% interest in the Derosa Project.
- Issue Canyon with 1,500,000 Rumble shares and pay \$50,000 to cover the cost of previous vendor payments.

Canyon will retain a 25% “free carry” interest in the project up to the decision to do a pre-feasibility report.

Corporate

At 30 September 2012, Canyon has cash reserves of \$2.45 million.

Enquiries:

Phil Gallagher

Managing Director

T: +61 8 9413 7300

E: pgallagher@canyonresources.com.au

Significant RAB Drilling Results						
Hole ID	WGS84_E	WGS84_N	From (m)	To (m)	Interval (m)	Grade (g/t Au)
CSRB053	791197	1546252	0	2	2	12.00
CSRB291	794402	1547499	10	12	2	1.35
CSRB262	793999	1547250	20	32	12	0.50
			20	22	2	1.32
CSRB259	794000	1547399	30	34	4	1.02
CSRB166	792801	1546754	8	10	2	1.03
CSRB088	791599	1546155	16	18	2	1.02
CSRB241	793599	1546698	34	36	2	0.86
CSRB262	793999	1547250	26	28	2	0.68
CSRB252	793600	1546150	14	16	2	0.52
CSRB020	790801	1546248	12	14	2	0.51
<p>All holes drilled at -60deg and drilled toward 180deg. Significant intercept defined as intercept above 0.5 g/t Au Intercept calculated using a 0.5 g/t Au cut. True widths cannot be approximated because of the wide spaced reconnaissance nature of the drilling. Samples collected as 2m composite riffle split samples. 2m composite samples submitted to SGS for a 30g fire assay.</p>						

Table 1: Significant RAB drilling results returned from exploration on the Taparko Project's CS Prospect

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.

About Canyon's Burkina Faso Projects

Canyon's existing mineral exploration projects in Burkina Faso cover an area of over 3,500km² over 18 permits in the Birimian Greenstone Belts of the West African craton. These permits comprise four project areas known as the Taparko North project, the Tao project, the Pinarello project and the Derosa project.

The Tao project lies in the Gorouol Greenstone Belt which hosts the country's largest deposit, the major Essakane gold mine. [Previous](#) RC drilling by Canyon at Tao has intersected high grade gold mineralisation including;

- **8m @ 30.04 g/t Au from 56m, incl 4m @ 58.7 g/t Au**
- **8m @ 10.31 g/t Au from 100m**
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The Taparko North project is situated in the Yalogo Belt. This greenstone belt hosts the Taparko gold mine and the large Inata gold mine.

Significantly, both 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 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 Pinarello project comprises six exploration permits with a combined area of 1,104km². The project area is located on the Hounde Greenstone Belt in the highly prospective south west region of Burkina Faso. The Hounde Greenstone Belt hosts a number of significant gold deposits including the Mana gold mine and the Bondi project.

The Derosa project is a package of six recently granted exploration permits. The permits offer an early stage exploration opportunity in area that has active artisanal mining and significant exploration potential. Rumble Resources Limited is earning up to a 75% interest in the Derosa project from Canyon, which will require Rumble to spend \$3 million on exploration of the project over a 5 year period and meet project acquisition costs.

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 project areas have potential to host significant mineral resources.