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30 October 2013

ACTIVITIES REPORT FOR THE QUARTER ENDED 30 September 2013

Highlights for the Quarter

- **Planning and preparation for further exploration in the new field season on the Pinarello and Konkolikan Projects.**
- **Analysis of Karga multi-element soil and geophysical anomaly.**
- **Continued focus on cost saving measures to conserve cash.**

The September quarter coincides with the height of the 'wet' season and so the focus for Canyon Resources Limited ("Canyon", "the Company") (ASX: CAY) has been the planning of exploration activities for the upcoming field season, the review of previous exploration results on the Karga prospect and continued work on business development and growth opportunities.

With the commencement of the new field season in Burkina Faso approaching, Canyon is planning a targeted exploration program, with an initial focus on:

- Continuing exploration on the Pinarello Projects on the southern Houndé Gold Belt, targeting extensions of the previously identified Eastern Corridor and follow up RAB drilling on the extensions of the Soukoura auger grid, targeting an extension of the mineralised Tankoro Gold corridor;
- Commencing auger drilling on the Konkolikan Project on the northern Houndé Gold Belt;
- Conducting field reconnaissance on the Karga multi-element prospect situated on the Taparko North Project along the Markoye Fault Corridor.

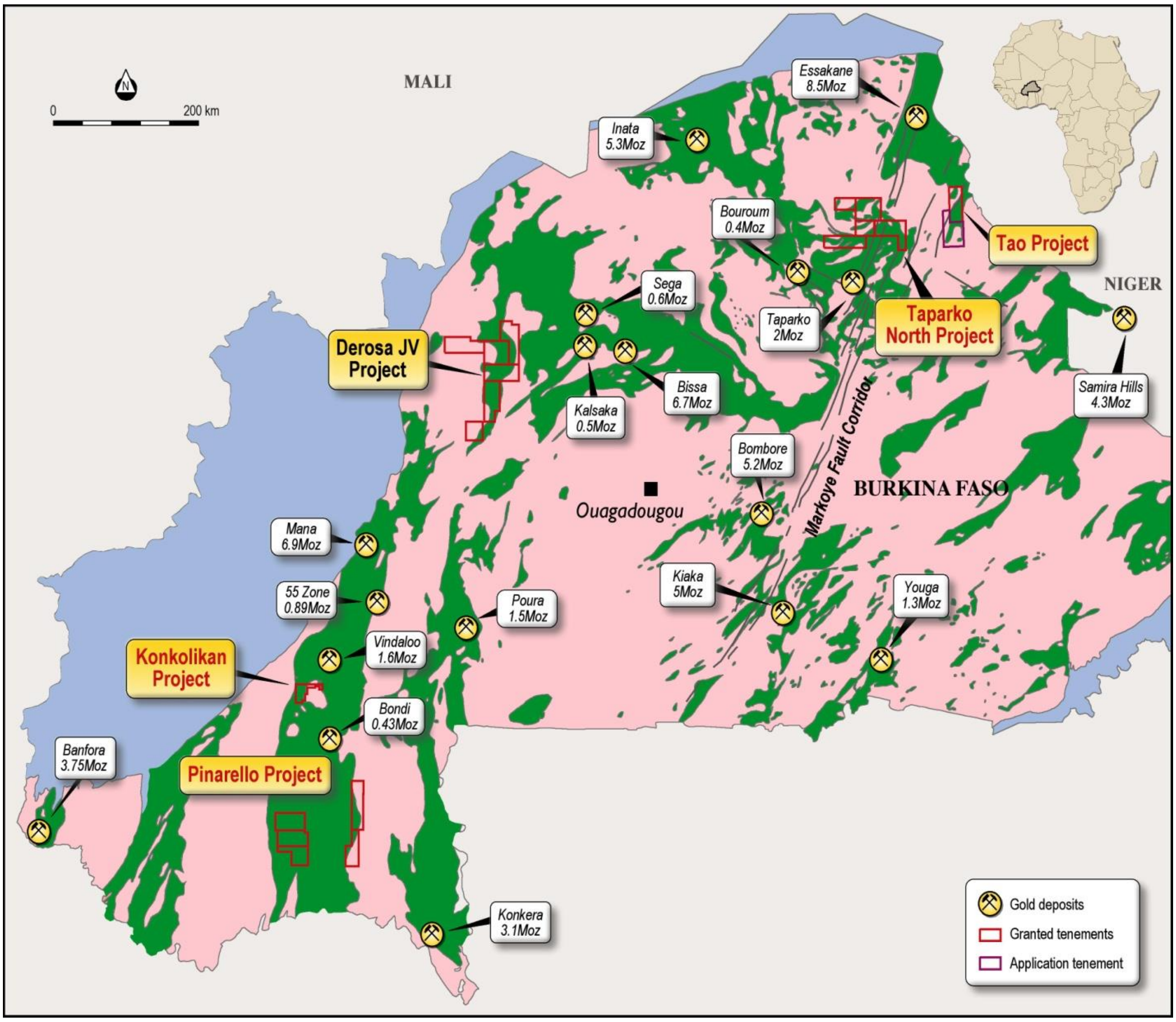

Figure 1: Canyon Resources project areas over Burkina Faso regional interpreted geology map

Pinarello Project

The Pinarello Project is situated in the Houndé Greenstone Belt in southwest Burkina Faso and comprises five permits covering approximately 1,000km². The Project is contiguous to the south with TSX-V listed Sarama Resources Limited's ("Sarama") Tankoro Permit, which hosts their MM, Phantom and MM East prospects, and ASX listed Orbis Gold Limited's ("Orbis") Dynikongolo permit, hosting their Bantou and Tankoro prospects. Soil geochemistry results from these companies exploring along the Tankoro mineralised corridor have demonstrated good continuity, and that the mineralisation at Sarama's MM prospect is disseminated in feldspar porphyry dykes, which may also continue into Canyon's permit.

Previously announced results from an auger geochemistry program at the Soukoura prospect in the northern part of the Pinarello Project have highlighted the south west striking continuation of the Tankoro mineralised trend over the 7 kilometres tested by the auger program (Figures 2 & 3). Follow up drilling on the Soukoura prospect and testing of the Eastern Corridor is planned for the upcoming field season.

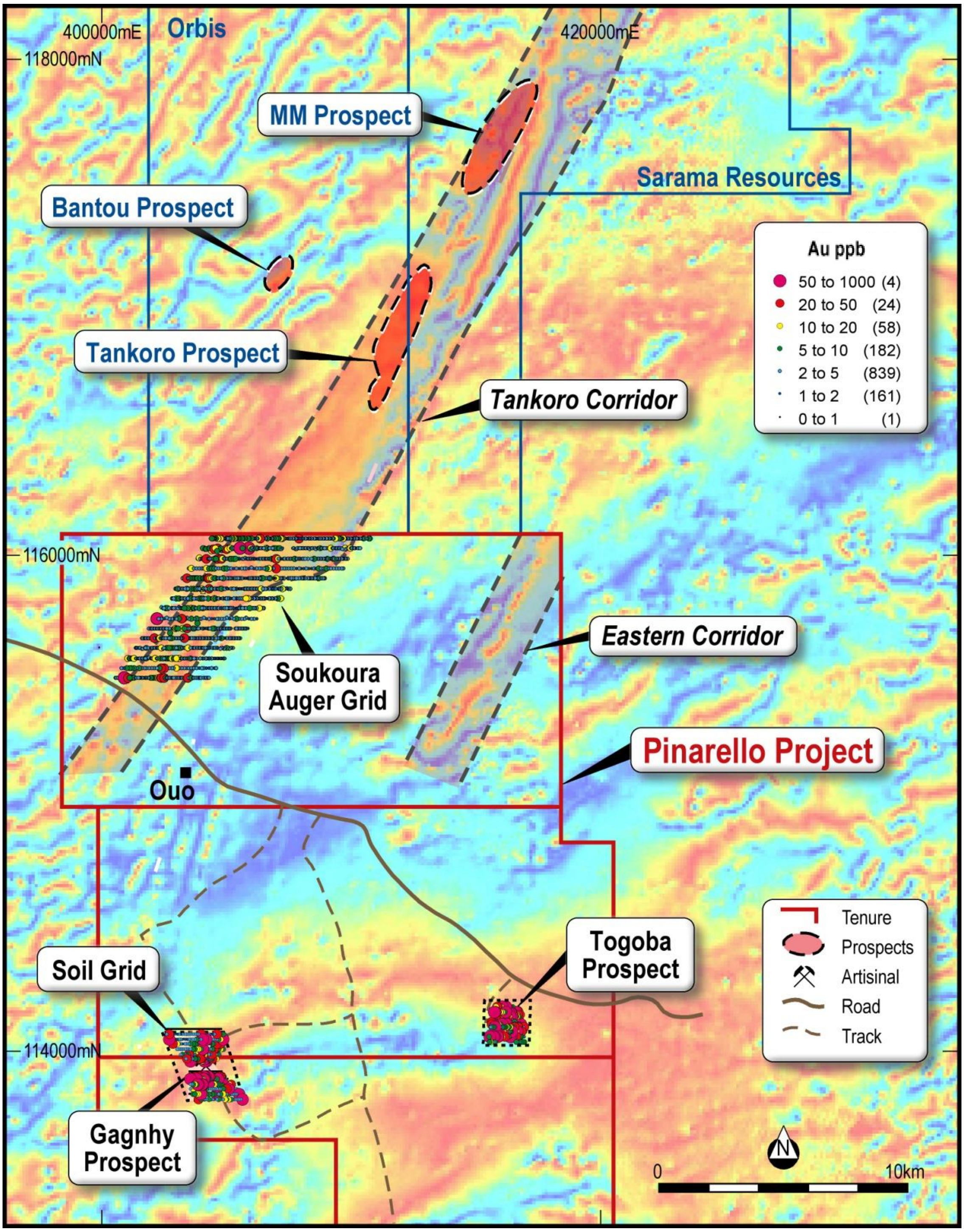

Figure 2: Pinarello Project western permit package and prospects

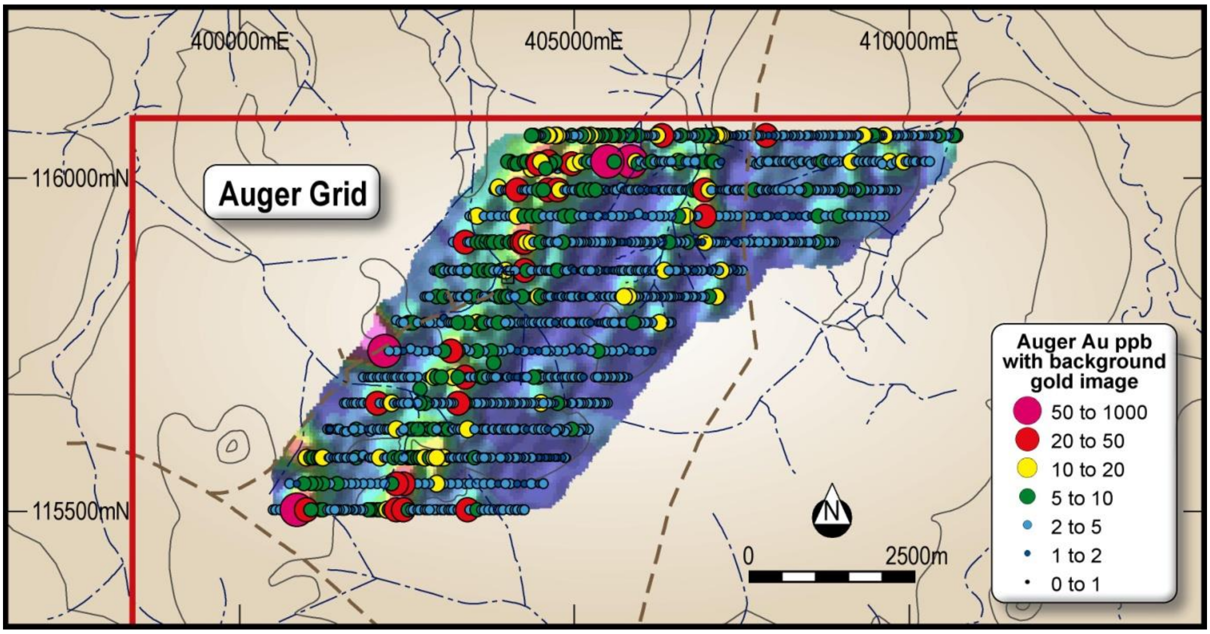

Figure 3: Results from Soukoura auger geochemical grid on the Soukoura prospect

Konkolikan Project

Canyon's Konkolikan Project is a single permit of 100.1km² situated in the Houndé Greenstone Belt. The project is situated on the same regional mineralised structure that hosts Endeavour Mining Corporation's Houndé Project (indicated resource of 1,456,000oz @ 1.91g/t Au and inferred resource of 752,000oz @ 1.91 g/t Au) and Rox Gold Inc.'s Yaramoko Project (indicated resource of 679,000oz @ 15.7 g/t Au and an inferred resource of 215,811oz @ 8.9 g/t Au).

The central area of the Houndé Greenstone Belt, where Canyon's Konkolikan Project is situated, is known to host high grade gold deposits. The Konkolikan Project is located on a granite intrusion that is a similar geological type and age as Rox Gold's high grade Zone 55 deposit located at the Yaramoko Project.

A program of detailed regolith mapping and soil & rock chip sampling was completed on the Project and results are currently being analysed and utilised in the design of the exploration program to commence in the up coming season.

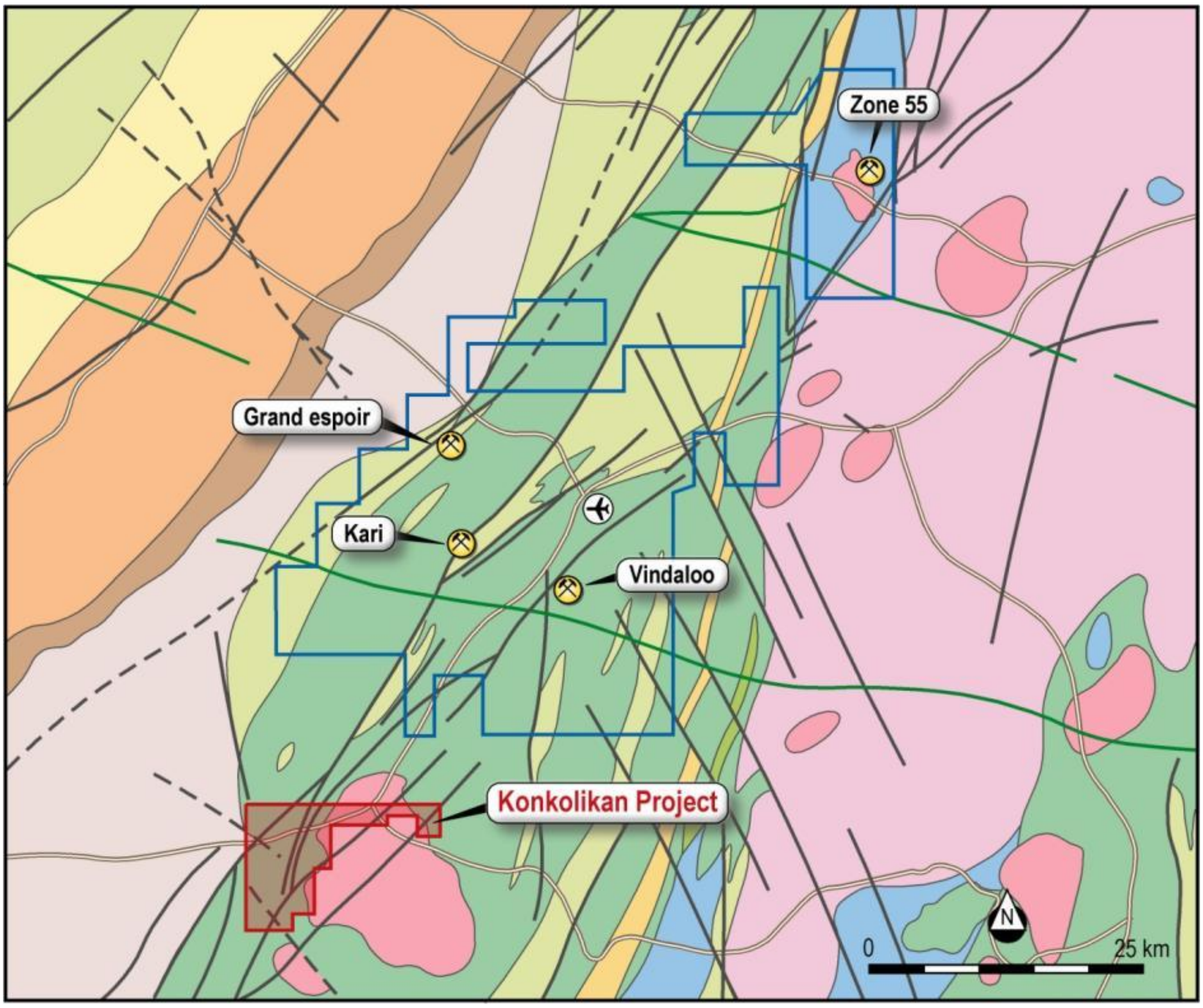

Figure 4: Regional geology map highlighting Konkolikan Project

Figure 5: Sheared volcanoclastic rocks along the contact of the granite intrusion on the Konkolikan Project

Taparko North Project

Canyon has previously conducted a broad auger geochemistry campaign that identified two multi-element copper-zinc rich soil anomalies over 4km. A follow up Moving Loop ground EM (Electro Magnetic) survey identified conductors consistent with a potential VMS (Volcanic Massive Sulphide) deposit.

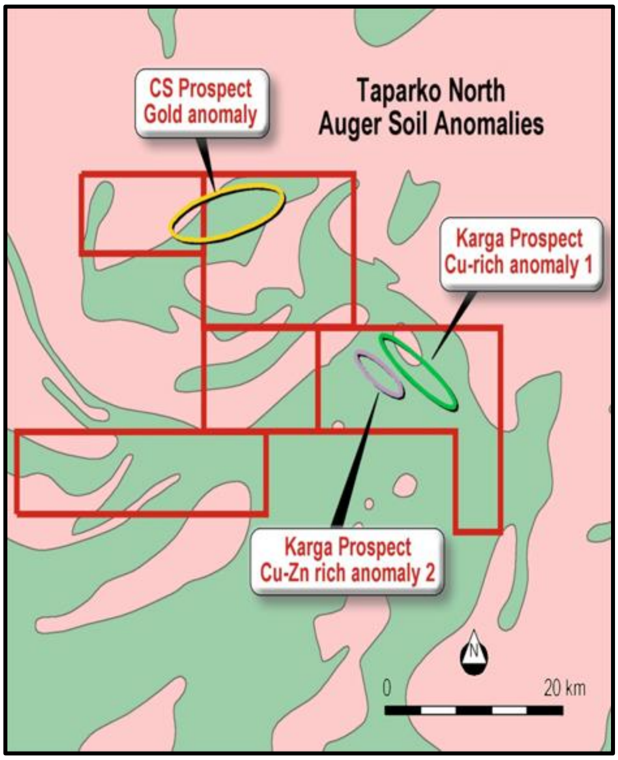

Figure 6: Location of Karga prospect auger geochemical anomalies

A review of the EM survey results was conducted over the previous quarter and the analysis of the data has identified targets that the Company believes warrant further testing.

With the rebel activity last year in neighbouring Mali, proximate to the Taparko North Project, Canyon focussed exploration elsewhere. Relative safety has returned to this part of Burkina Faso and the Company is planning to conduct field reconnaissance to determine the geological significance of the target and if drilling the target is warranted.

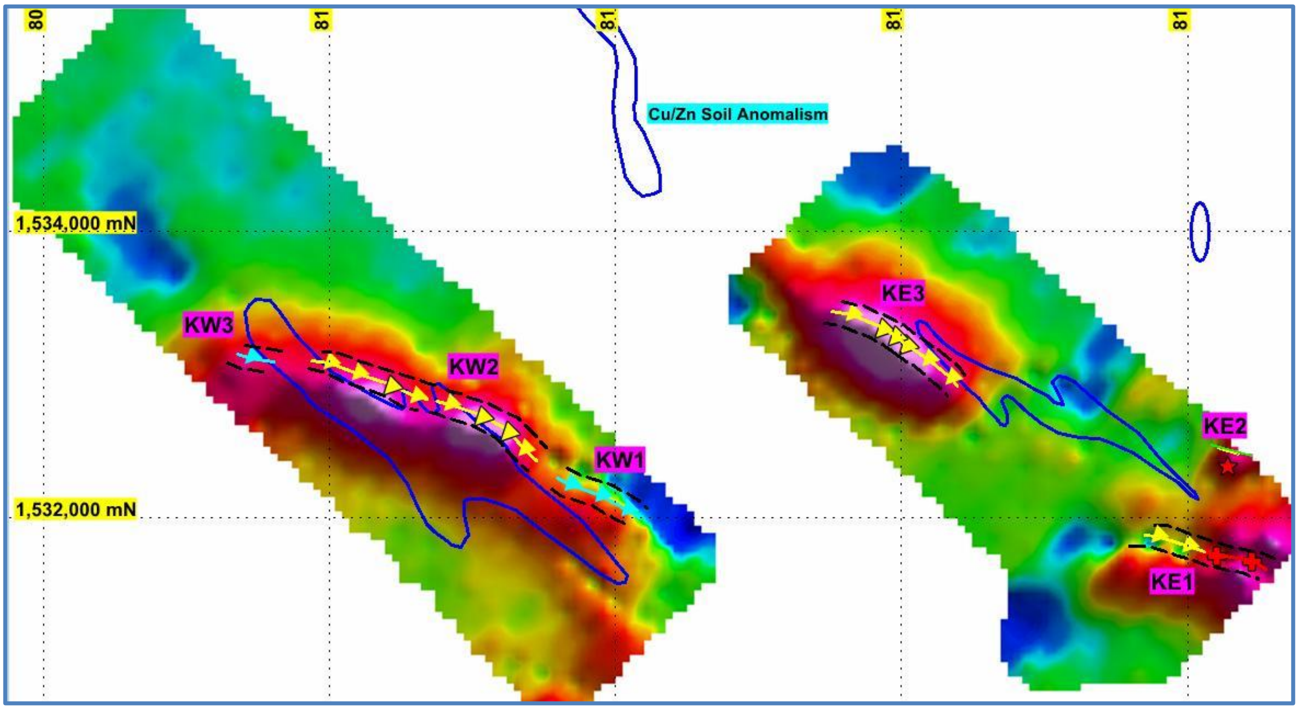

Figure 7: Cu-Zn auger geochemical anomalies (blue) over EM image showing Karga East (KE) and Karga West (KW) electromagnetic trend lines in coloured triangles and dashed lines.

Tao Project

With the current focus on the Pinarello and Konkolikan Projects, and the further exploration on Karga prospect on the Taparko North Project, there is no exploration planned for the Tao Project in the upcoming quarter.

Corporate

Canyon ended the quarter with $1,598,000 cash at bank which fully funds Canyon's planned exploration. Canyon continues to monitor all expenditure to identify opportunities to make savings where possible, while still planning to complete a targeted exploration campaign in Burkina Faso.

Canyon has had a focus on business development that will create value for shareholders and differentiate the Company from its peers. The Board is considering a number of opportunities for growth, whilst remaining focused on progressing its existing exploration projects in Burkina Faso.

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The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Rhoderick Grivas, an employee of the Company and a Competent Person who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Grivas has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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'. Mr Grivas consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.