

31 July 2014

## ACTIVITIES REPORT FOR THE QUARTER ENDED 30<sup>th</sup> JUNE 2014

### HIGHLIGHTS:

- ◀ Initial drilling program completed on the Birsok Bauxite Project, Cameroon. A total of 329 holes for 3,563m of drilling have been completed on 19 plateau targets over the 4 main prospects within the Birsok permit.
- ◀ Thick, very high grade  $\text{Al}_2\text{O}_3$  and low total silica intersections have been returned from across the Birsok Project.
- ◀ The strength of the results is highly encouraging, and supports Canyon's strategy of defining a DSO resource, with a mining operation supported by existing rail and port infrastructure.

The Directors of **Canyon Resources Ltd** (ASX:CAY) are pleased to report on the Company activities for the quarter ending 30 June 2014.

During the quarter Canyon Resources commenced and completed the maiden drilling program on its Birsok Bauxite Project in Cameroon. Following an extensive geological mapping and rock chip program over the project area, a total of 329 holes for 3,563m of drilling were completed on 19 plateau targets over the 4 main prospects on the Birsok permit (figure 1).

Assay results from the drilling program have shown **high-grade, thick intersections from surface**, in all the prospects targeted in this first round of reconnaissance drilling. The Company is commencing further analysis to prioritise prospect areas for follow up testing and future drilling. Samples from the identified prospects will be sent for further laboratory analysis and metallurgical testwork, which will include testing for available alumina and reactive silica contents.

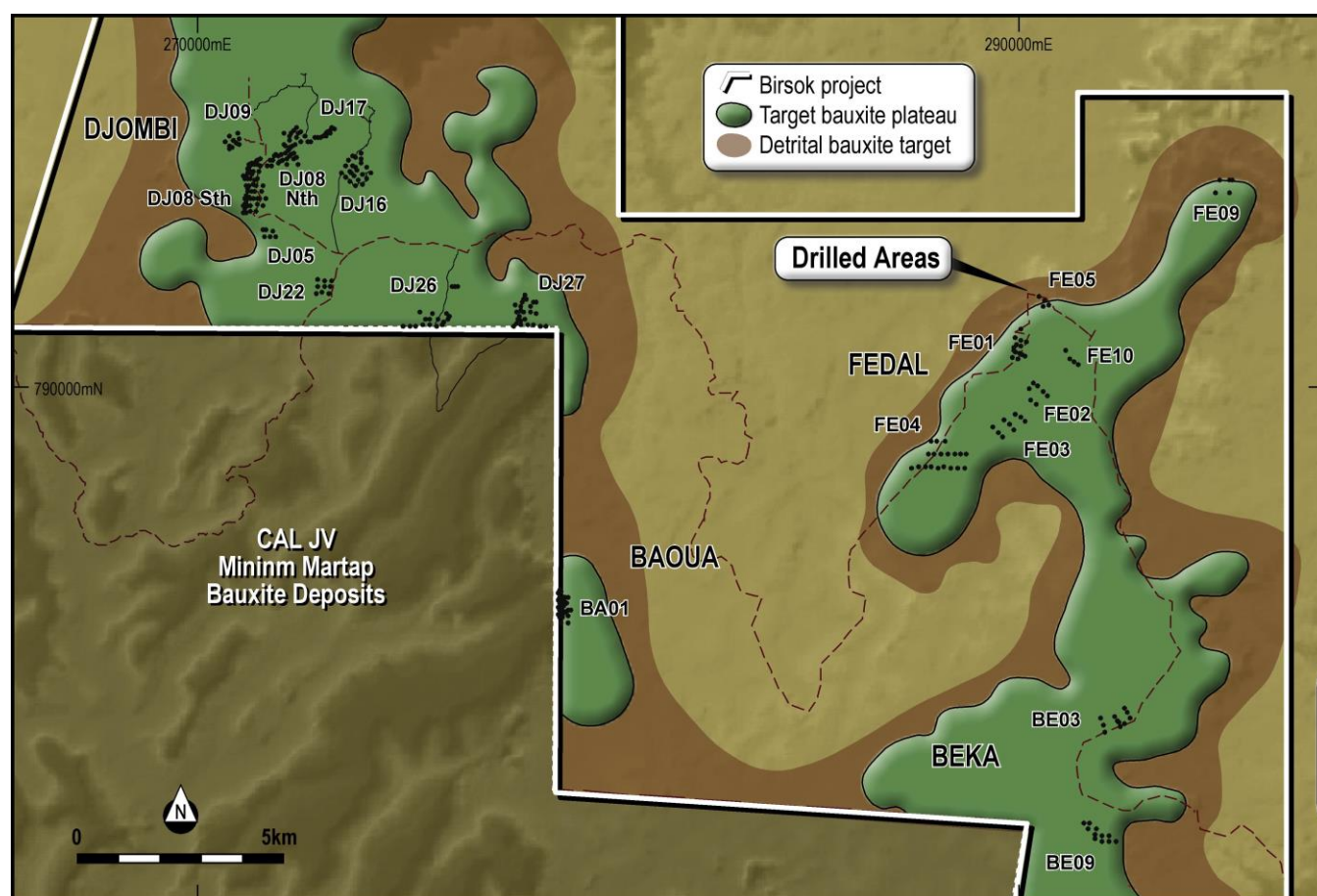
Significant results received from the Birsok drilling program to date are:

- ◀ **6m @ 54.0%  $\text{Al}_2\text{O}_3$  from surface (2.62% total  $\text{SiO}_2$ ) BRRC130**
- ◀ **7m @ 42.7%  $\text{Al}_2\text{O}_3$  from surface (9.7% total  $\text{SiO}_2$ ) BRRC150**
- ◀ **3m @ 55.4%  $\text{Al}_2\text{O}_3$  from surface (4.3% total  $\text{SiO}_2$ ) BRRC166**
- ◀ **6m @ 46.7%  $\text{Al}_2\text{O}_3$  from surface (10.5% total  $\text{SiO}_2$ ) BRRC170**
- ◀ **4m @ 49.1%  $\text{Al}_2\text{O}_3$  from surface (5.8% total  $\text{SiO}_2$ ) BRRC188**
- ◀ **4m @ 54.7%  $\text{Al}_2\text{O}_3$  from surface (1.4% total  $\text{SiO}_2$ ) BRRC212**

*For further details and tables refer to announcements released on ASX dated 24 June 2014 and 22 July 2014.*

The initial drilling program was designed to test as many different plateau targets across the main prospects as possible in the time available before the commencement of the wet season. The drilling was conducted on a nominal 320m x 160m staggered grid pattern and targeted the highest priority areas on the BirsoK Project that were accessible in the time frame for the program. In some areas of stronger looking bauxite, drill spacing was tightened to 80m x 80m to better understand grade continuity and target size. Drilling has identified surficial bauxitic laterite over all prospects and plateaux.

The results to date from the first phase drilling program confirm the potential for the Company to establish a DSO quality bauxite resource with similar characteristics to one of the world's largest undeveloped bauxite projects, Minim Martap, contiguous to Canyon's BirsoK Bauxite Project in central Cameroon.

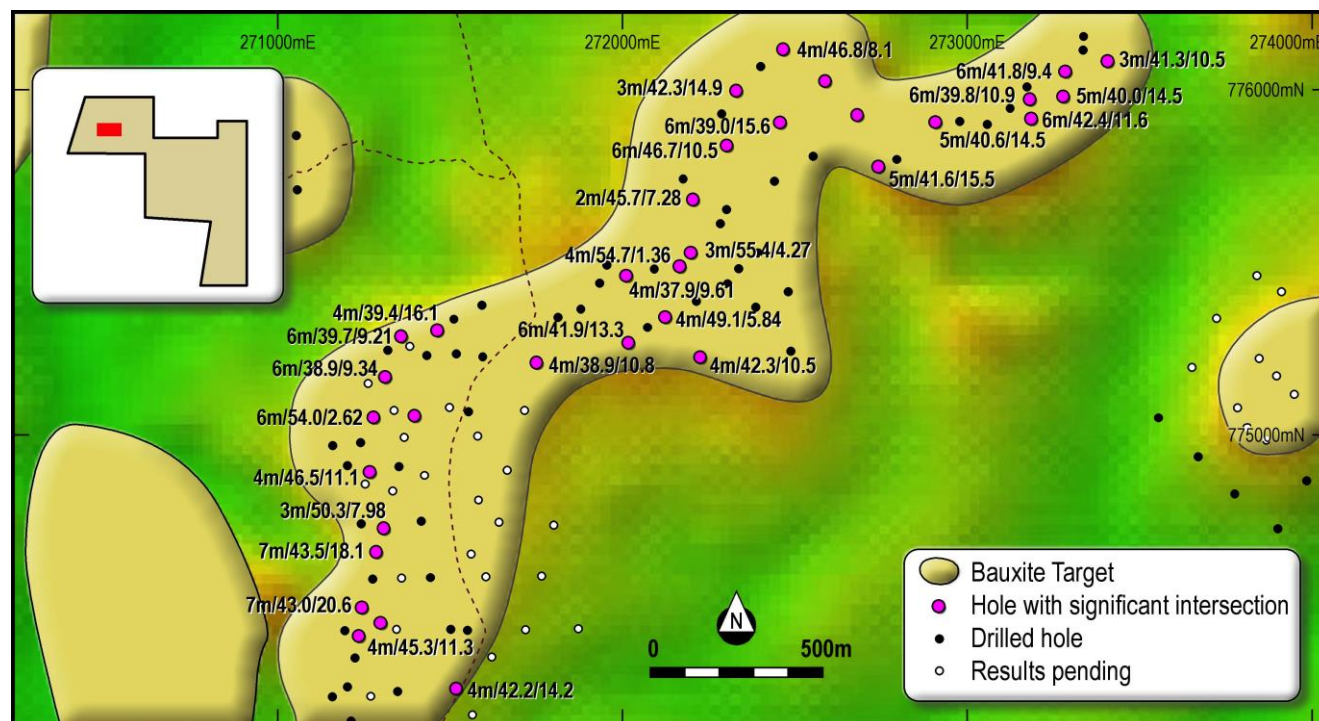


**Figure 1: Drilled plateau, BirsoK Bauxite Project**

Drilling at Djombi targets DJ08 North and South, DJ17 and DJ16 have defined high  $\text{Al}_2\text{O}_3$  grade bauxitic laterite at or near surface.

The plateaux DJ08 Nth and Sth and DJ17 form a continuous 3.5km long and up to 400m wide mineralised zone averaging around 4m thick and 40 - 42%  $\text{Al}_2\text{O}_3$ . DJ16 is a bauxitic plateau just to the south east of DJ17 and around 650m x 550m in area. Results are still pending for some holes in DJ08 Sth and DJ16.

Drilling 19 plateaux in areas of differing geology and elevation has resulted in a better understanding of grade and thickness variability. The Fedal prospect area, which was a lower priority target due to the surface expression, has shown more variability in grade and thickness with some of the highest levels of total silica although there are some areas of high grade bauxite. The Djombi prospect area returned some of the best outcrop samples, particularly around DJ08, and this has been reflected in the drilling to date.



**Figure 2: Drilled holes and significant bauxite intersections, Djombi plateau DJ08 Nth & Sth, DJ17**

**Note:** 3m/43.1/7.75 = 3m thick, 43.1%  $\text{Al}_2\text{O}_3$ , 7.75% total  $\text{SiO}_2$

## Future Drilling

Planning for the second phase drilling program on the project is well underway and this will focus on testing additional plateaux on the Birsok Bauxite Project that were not drilled in the first program, testing the Mandoum permit and infill drilling of priority targets from the initial drilling program. The Company has secured access to a Landcruiser mounted aircore drilling rig for the next drilling program. This rig will provide easier access around the project area and is expected to significantly reduce drilling and support costs for future drilling.

It is expected that work will recommence on the project in late September/early October 2014, following the current wet season. During the wet season period the Company will advance work on potential infrastructure solutions for the project utilising the nearby rail and existing ports in Cameroon.



**Figure 3: Birsok plateau targets and drilling**



## New Permit Application – Mambal permit

Canyon has taken steps to expand its bauxite exploration footprint in Cameroon by applying for the Mambal permit. Like the existing Birsok Project, the Mambal permit abuts the large Minim Martap bauxite deposit and is approximately 40km south of the Djombi prospect (figure 4). The permit has evidence of large lateritic plateaux that warrant mapping and further exploration.

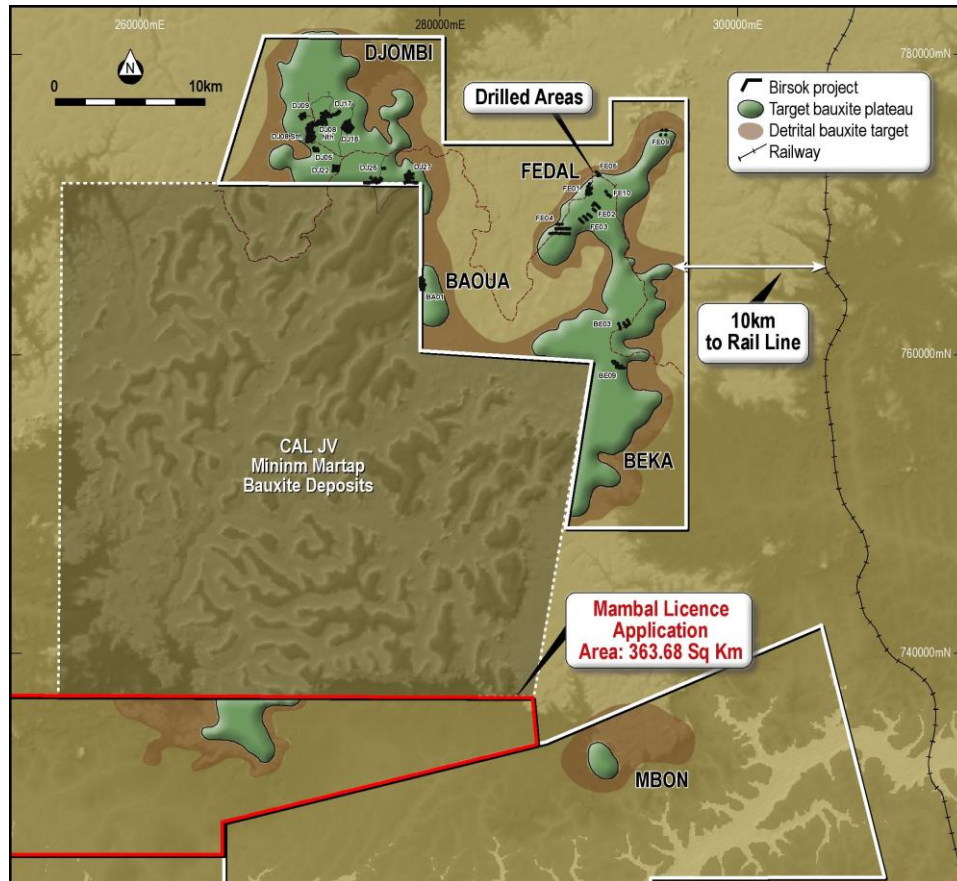


Figure 4: Location map showing the Mambal License under application in relation to the Birsok Project

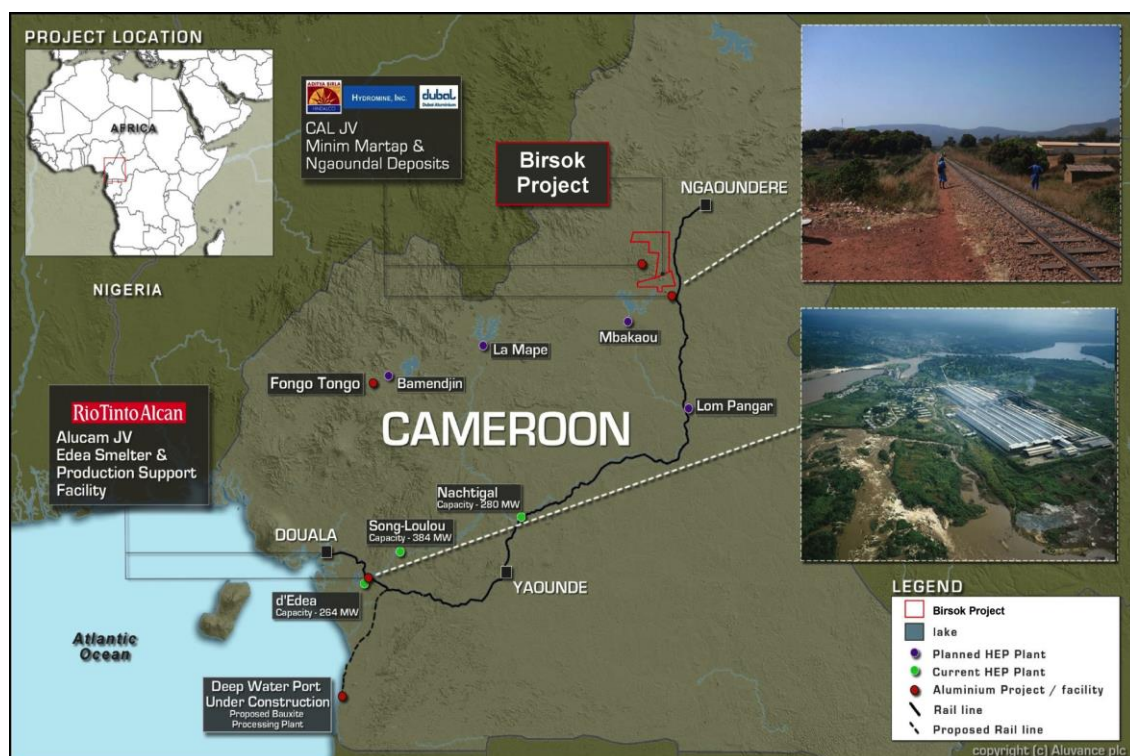


Figure 5: Location map showing the Birsok Bauxite Project and infrastructure in Cameroon

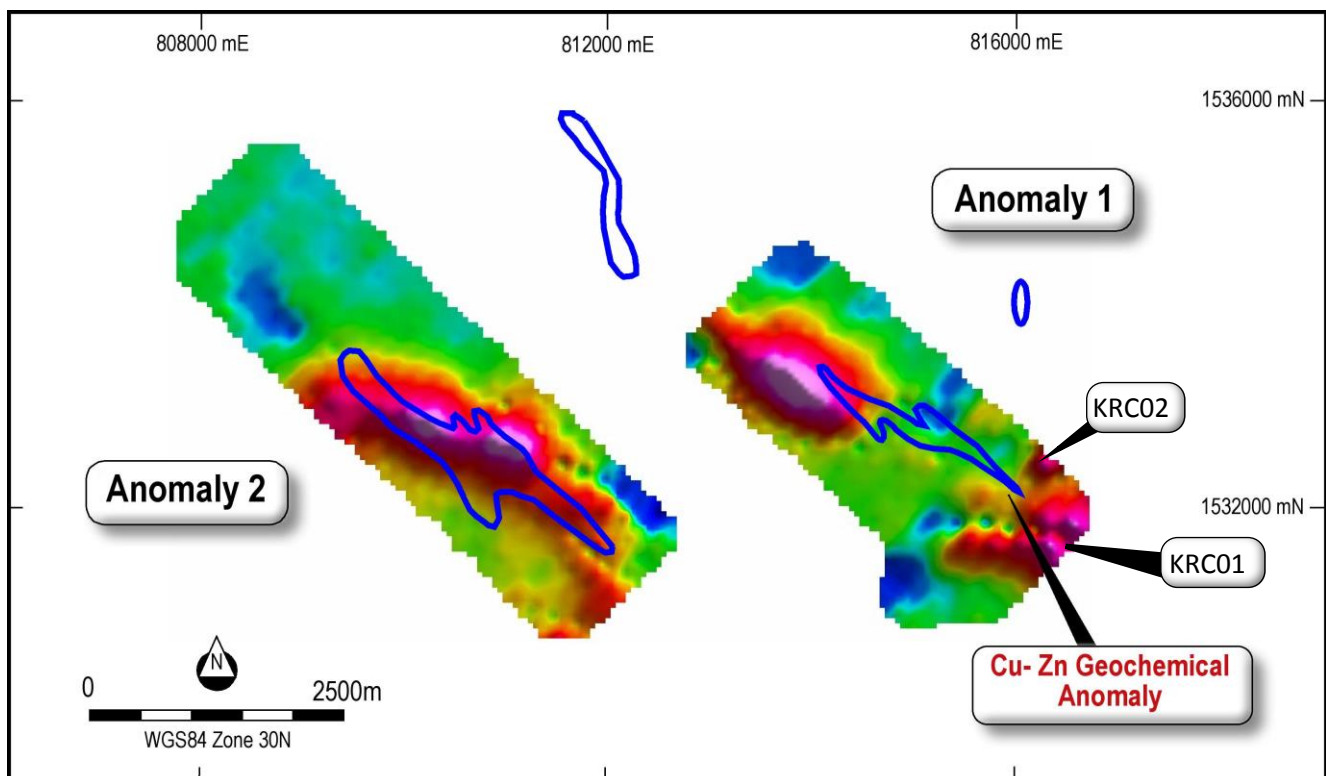
## Burkina Faso - Base Metals Exploration

In March and April 2014 the Company completed a two hole 369m RC drilling program at the Karga Prospect on the Taparko North Project in Burkina Faso targeting coincident multi-element auger soil and ground Electro Magnetic (EM) survey targets that suggested the potential for VMS (Volcanogenic Massive Sulphide) style of Cu-Zn mineralisation. Holes KRC01 (816400E, 1531625N) and KRC02 (816245E, 1532420N) were drilled at -60° dip towards grid north and 030° and to 184m and 185m respectively, targeting the modelled position of the source of the EM anomalies.

The Company completed analysis of composite drill samples using a portable XRF unit. Elevated copper (Cu) and zinc (Zn) zones were defined that correlated with high sulphide intervals intersected from the RC drilling. Selected sulphidic and higher grade zones were sent for laboratory ME-ICP multi-element aqua regia assay as a check of the XRF accuracy. Comparison between the XRF values and the lab assays showed very good correlation of tenor across all assay ranges confirming the XRF analysis.

Whilst drilling successfully explained the EM and auger anomalism by intersecting high sulphide zones with weak associated Cu-Zn anomalism, there were no economically significant assay results returned, with a peak assay of 3m @ 2700ppm Zn from 116m being returned from KRC01, and 1m @ 411ppm Cu from 162m in KRC02.

At this stage there is no further work planned on the Karga Prospect area.



**Figure 6: Karga Prospect EM survey showing drillhole locations, northwest – southeast trending conductors coincident with geochemical base metal anomalism.**

## Corporate

During the quarter Canyon raised \$324,500 via a placement of shares and options ("Placement"). The Placement was on the same terms, and supplemented the raising of \$1.15 million from the Entitlement and Shortfall Issue, as reported on 3 March 2014.

Approximately 7.2 million shares at \$0.045 each and 7.2 million listed attaching options with an exercise price of \$0.06 and expiry date of 31 January 2017 (ASX:CAYO) were issued as part of the Placement.

At 30 June 2014 the Company had cash of approximately \$1 million and no debt.

## About Canyon Resources Limited

In 2013, Canyon announced a farm-in transaction to acquire up to 75% of the Birsok bauxite project in Cameroon, which is considered highly prospective for high grade DSO bauxite. The Birsok bauxite project is strategically located in an emerging bauxite region of Cameroon, contiguous with the world class Minim Martap bauxite deposit and approximately 10km from an operating rail line.

In addition to the bauxite assets, Canyon has an established portfolio of highly prospective mineral exploration projects in Burkina Faso, which cover an area of approximately 3,500km<sup>2</sup> over 17 permits in the Birimian greenstone belts of the West African craton.

## Enquiries:

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*The information in this report that relates to exploration results is based on information compiled by Mr Roger Speers, an employee of the Company and a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Speers 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.*

*The exploration results are available to be viewed on the Company website [www.canyonresources.com.au](http://www.canyonresources.com.au). The Company confirms it is not aware of any new information that materially affects the information included in the original announcement. The Company confirms that the form and context in which the Competent Person's findings are present have not been materially modified from the original announcements.*

*Mr Speers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

## Canyon Resources Limited – Interest in Mineral Properties

Permits	Location	Interest at 1 January 2014	Interest at 31 March 2014
<u>Taparko North Project</u>			
Karga 2	Burkina Faso	Own 100%	Own 100%
Bani	Burkina Faso	Own 100%	Own 100%
Diobou	Burkina Faso	Own 100%	Own 100%
Tigou	Burkina Faso	Rights to 100%	Rights to 100%
<u>Tao Project</u>			
Tao	Burkina Faso	Own 100%	Own 100%
<u>Derosa Project*</u>			
Rassouli	Burkina Faso	Agreement to acquire 100%	Agreement to acquire 100%
Gourbala	Burkina Faso	Agreement to acquire 100%	Agreement to acquire 100%
Boussou	Burkina Faso	Agreement to acquire 100%	Agreement to acquire 100%
Souri	Burkina Faso	Agreement to acquire 100%	Agreement to acquire 100%
Bompela	Burkina Faso	Agreement to acquire 100%	Agreement to acquire 100%
Sapala	Burkina Faso	Agreement to acquire 100%	Agreement to acquire 100%
<u>Pinarello Project</u>			
Sokrani	Burkina Faso	Agreement to acquire 100%	Agreement to acquire 100%
Niofera	Burkina Faso	Agreement to acquire 100%	Agreement to acquire 100%
Baiera	Burkina Faso	Agreement to acquire 100%	Agreement to acquire 100%
Sokrani 2	Burkina Faso	Agreement to acquire 100%	Agreement to acquire 100%
Soukoura 2	Burkina Faso	Agreement to acquire 100%	Agreement to acquire 100%
<u>Konkolikan Project</u>			
Konkolikan	Burkina Faso	Agreement to acquire 100%	Agreement to acquire 100%
<u>Birsok Bauxite Project</u>			
Birsok	Cameroon	Agreement to earn up to 75%. Agreement subject to conditions precedent.	Agreement to earn up to 75%. Agreement subject to conditions precedent.
Mandoum	Cameroon	Agreement to earn up to 75%. Agreement subject to conditions precedent.	Agreement to earn up to 75%. Agreement subject to conditions precedent.

*\*Derosa Project subject to a joint venture agreement with Rumble Resources Limited now holding 85% (Canyon 15%).*



# APPENDIX 1 – Karga RC Program

## JORC TABLE 1

### Section 1 Sampling Techniques and Data

Criteria	Explanation	Notes
<b>Sampling techniques</b>	<ul style="list-style-type: none"> <li>Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</li> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> <li>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.</li> </ul>	<ul style="list-style-type: none"> <li>Samples are taken every 1m down the hole</li> <li>Samples are passed through a cyclone mounted on the rig, put into a large plastic bag then split through an industry standard 3 tier riffle splitter. The 1m split product is placed in a calico bag and clearly labelled with the hole and interval details and stored at Company offices. The remaining plastic bag is clearly labelled and stored in the field.</li> <li>4m composite samples were taken from the 1m rig cyclone samples by carefully spearing each metre and putting the spear sample into a labelled calico bag.</li> <li>The 4m composite samples were sent to an accredited laboratory where they were dried, crushed and pulverised.</li> </ul>
<b>Drilling techniques</b>	<ul style="list-style-type: none"> <li>Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</li> </ul>	<ul style="list-style-type: none"> <li>Drilling was conducted by an independent experienced local contract company (PPI) using a truck mounted reverse circulation (RC) Schramm 650 drill rig with a 145mm face sampling hammer</li> <li>The auxiliary/compressor unit produces 500psi/1500cfm air to the rig</li> </ul>
<b>Drill sample recovery</b>	<ul style="list-style-type: none"> <li>Method of recording and assessing core and chip sample recoveries and results assessed.</li> <li>Measures taken to maximise sample recovery and ensure representative nature of the samples.</li> <li>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</li> </ul>	<ul style="list-style-type: none"> <li>Samples are visually assessed for recovery, moisture and contamination. The data is recorded on paper at the rig, and later digitally.</li> <li>Cyclone is regularly cleaned, sealed against fines loss and entire sample is split with a riffle splitter to ensure a representative sample is sent to the lab.</li> </ul>
<b>Logging</b>	<ul style="list-style-type: none"> <li>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</li> <li>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</li> <li>The total length and percentage of the relevant intersections logged.</li> </ul>	<ul style="list-style-type: none"> <li>All 1m drill samples were logged for lithology, colour, alteration and weathering by full time company geologists and later correlated against assays and surface mapping. It is qualitative in nature.</li> <li>Chip trays of all 1m drill samples were collected for later reference and re-logging. All samples are logged even if some are not sampled.</li> <li>No diamond core was drilled.</li> </ul>
<b>Sub-sampling techniques and sample preparation</b>	<ul style="list-style-type: none"> <li>If core, whether cut or sawn and whether quarter, half or all core taken.</li> <li>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</li> <li>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</li> <li>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</li> <li>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half</li> </ul>	<ul style="list-style-type: none"> <li>Dry 1m samples from the cyclone mounted on the rig are split through an industry standard 3 tier riffle splitter.</li> <li>Composite sampling was undertaken whereby the 1m samples are spear sampled with a PVC tube to the base of the 1m rig sample bag, then 4 of these from consecutive metres are combined for one composite sample.</li> <li>A field duplicate was taken every 10</li> </ul>



Criteria	Explanation	Notes
	<p>sampling.</p> <ul style="list-style-type: none"> <li>Whether sample sizes are appropriate to the grain size of the material being sampled.</li> </ul>	<p>samples, or 40m; a CRM (standard) inserted every 10 samples and 2 blanks were inserted into the samples sent for assay.</p> <ul style="list-style-type: none"> <li>Sample sizes are considered appropriate for the style of mineralisation and exploration program, thickness and consistency of the intersections, the sampling methodology and assay value ranges for base metals.</li> </ul>
<b>Quality of assay data and laboratory tests</b>	<ul style="list-style-type: none"> <li>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</li> <li>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</li> <li>Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</li> </ul>	<ul style="list-style-type: none"> <li>The 4m composite samples were sent for preparation to ALS Laboratory in Ouagadougou, where they were weighed, dried in an oven if needed, to 120°C; crushed so minimum 70% passes-2mm. Samples then riffle split to 250g and pulverised so minimum 85% passes 75 micron. A 100g pulp is sent to ALS South Africa from Ouagadougou for ME-ICP41 multi-element analysis.</li> <li>An Innovex Olympus Omega X HPXRF device was then used to screen all the 4m composite sample pulps</li> <li>A range of anomalous XRF samples and visually interesting intervals were submitted to ALS Lab in South Africa for aqua regia digest and ME-ICP41 for 35 elements by ICP-AES method.</li> <li>This technique is standard and international recognised for base metal geochemical testing.</li> <li>Owner In-house QA-QC was conducted on the laboratory QC samples (Standards, Blanks and Lab Duplicates).</li> <li>Canyon inserts their own QA/QC samples into the sample train; 1 CRM, blank and field duplicate generally every 10 samples or 40m. Results were within acceptable limits.</li> <li>No geophysical tools were used for any analysis.</li> </ul>
<b>Verification of sampling and assaying</b>	<ul style="list-style-type: none"> <li>The verification of significant intersections by either independent or alternative company personnel.</li> <li>The use of twinned holes.</li> <li>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</li> <li>Discuss any adjustment to assay data.</li> </ul>	<ul style="list-style-type: none"> <li>All drilled interval drill cuttings are recorded in chip trays. Assay results and intersections were visually checked against the chip trays by company geologists and the competent person</li> <li>Observations were recorded in hard copy then electronically data entered in a database structure against library of data codes for consistency. Independent data consultants check and back up the data.</li> <li>Hard copy is kept and digital copy is backed up. Sample pulps and coarse rejects have been retained as have 1m record samples of the original bags taken off the cyclone.</li> <li>No twinned holes were drilled.</li> </ul>
<b>Location of data points</b>	<ul style="list-style-type: none"> <li>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</li> <li>Specification of the grid system used.</li> </ul>	<ul style="list-style-type: none"> <li>Hole collars were located using a standard hand held GPS with reported accuracy of less than 5 metres in the X,Y plane using the WGS84 UTM z30N grid. This is</li> </ul>

Criteria	Explanation	Notes
	<ul style="list-style-type: none"> <li>Quality and adequacy of topographic control.</li> </ul>	<p>appropriate for this stage of exploration.</p> <ul style="list-style-type: none"> <li>Down hole surveys were taken using a gyro unit every 5m after the hole was drilled.</li> </ul>
<b>Data spacing and distribution</b>	<ul style="list-style-type: none"> <li>Data spacing for reporting of Exploration Results.</li> <li>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</li> <li>Whether sample compositing has been applied.</li> </ul>	<ul style="list-style-type: none"> <li>Holes were drilled at specific locations and orientations to target a sub surface 3D modelled geophysical target. Spacing is sufficient for this style of target and is not an exploration target or resource style drilling program.</li> <li>The 1m rig cyclone samples were composited into 4m samples for the rig; no grade estimation or modelling was done.</li> </ul>
<b>Orientation of data in relation to geological structure</b>	<ul style="list-style-type: none"> <li>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</li> <li>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</li> </ul>	<ul style="list-style-type: none"> <li>Drilling was at-60°, the best orientation to test the modelled geophysical target.</li> <li>Not applicable</li> </ul>
<b>Sample security</b>	<ul style="list-style-type: none"> <li>The measures taken to ensure sample security.</li> </ul>	<ul style="list-style-type: none"> <li>Samples were submitted directly to the Lab by the Company's employees.</li> </ul>
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li>The results of any audits or reviews of sampling techniques and data.</li> </ul>	<ul style="list-style-type: none"> <li>Company geologists have periodically conducted a review / visit of the Lab facilities in Ouagadougou.</li> </ul>

**JORC TABLE 1**  
**Section 2 Reporting of Exploration Results**

<b>Criteria</b>	<b>Explanation</b>
<b>Mineral tenement and land tenure status</b>	<ul style="list-style-type: none"> <li>The Karga 2 permit is 100% owned by Askia Minerals Sarl, a wholly owned subsidiary of Canyon Resources.</li> <li>The permit is currently valid and in good standing, with the next anniversary for renewal is 28<sup>th</sup> January 2016</li> </ul>
<b>Exploration done by other parties</b>	<ul style="list-style-type: none"> <li>There is no known previous exploration work carried out on the permit by anyone other than Canyon. Artisanal mining activities have been noted.</li> </ul>
<b>Geology</b>	<ul style="list-style-type: none"> <li>Mineralisation type targeted was base metal Cu-Zn-Pb-Ag in a VHMS style setting.</li> </ul>
<b>Drill hole Information</b>	<ul style="list-style-type: none"> <li>2 holes were drilled for 369m at two modelled ground electro-magnetic (EM) targets, co-incident and adjacent to auger soil geochemical anomalies.</li> </ul>
<b>Data aggregation methods</b>	<ul style="list-style-type: none"> <li>No data aggregation methods have been used.</li> </ul>
<b>Relationship between mineralisation widths and intercept lengths</b>	<ul style="list-style-type: none"> <li>All drill holes are angles at -60° at either grid north or 030°, depending on the modelled target geometry. No significant mineralisation was intersected.</li> </ul>
<b>Diagrams</b>	<ul style="list-style-type: none"> <li>Figure 5 shows drillholes relative to the target horizon. More information can be found in the March quarterly dated 30 April 2014 and ASX release dated 1 April 2014.</li> </ul>
<b>Balanced reporting</b>	<ul style="list-style-type: none"> <li>Drilling confirmed EM target as conductive sulphides were intersected, however only weak Cu/Zn anomalism was intersected.</li> </ul>
<b>Other substantive exploration data</b>	<ul style="list-style-type: none"> <li>None to report.</li> </ul>
<b>Further work</b>	<ul style="list-style-type: none"> <li>No further work recommended</li> </ul>