



31 January 2013

## ACTIVITIES REPORT FOR THE QUARTER ENDED 31 December 2012

### Highlights for the Quarter

- **A 3,058m RC drilling program completed at the Tondoby Prospect in mid-December.**
- **Results of the RC program included:**
  - **4m @ 42.8 g/t Au (TDRC128)**
  - **12m @ 3.04 g/t Au (TDRC108)**
  - **20m @ 1.97 g/t Au (TDRC117)**
  - **16m @1.98 g/t Au (TDRC133)**
- **Further RC drilling planned to test additional high grade gold targets resulting from new understanding of lode geometries at Tondoby**
- **RAB drilling commenced at the Tondoby South Prospect during the quarter with a total of 3,998m drilled to date.**
- **Major artisanal mining site discovered on Derosa Project.**
  - **Detailed field mapping and sampling of the site completed with rock chip sampling showing grades of up to 16 g/t Au.**

Canyon Resources Limited (“Canyon”, “the Company”) (ASX: CAY) commenced the new field season in Burkina Faso in mid November with RC (Reverse Circulation) and RAB (Rotary Air Blast) drilling programs at the Tondoby Prospect, on the Tao Project in Burkina Faso. Initial work focussed on identifying additional gold mineralisation along the Tondoby shear and further understanding the geometries and structural controls of the gold mineralisation at the central Tondoby Prospect. Results from the RC drilling program were very encouraging, expanding the known area of mineralisation. Of particular note was the recognition of a reverse in dip orientation of the main gold lode in the southern portion of the Prospect. This opens up additional targets along the Tondoby shear in an area previously thought to be un-mineralised.

RAB drilling continues at the Tondoby South Prospect and additional RC drilling programs will be designed to test new gold targets at the central Tondoby Prospect along with testing any targets resulting from the RAB drilling.

Auger drilling is planned to be carried out later next quarter at the Pinarello Project and at Tao Project following the completion of RAB drilling.

Rumble Resources Limited (ASX: RTR), the joint venture partner on the Derosa Project, recently announced the discovery of a major artisanal mining site on the Bompela permit. Following the discovery, preliminary sampling and geological mapping indicates the presence of structurally-controlled in situ vein type gold mineralisation.

The Company is experiencing significantly faster assay turnaround times compared to the previous exploration season and is expecting the improved assay turnarounds to continue throughout the season.

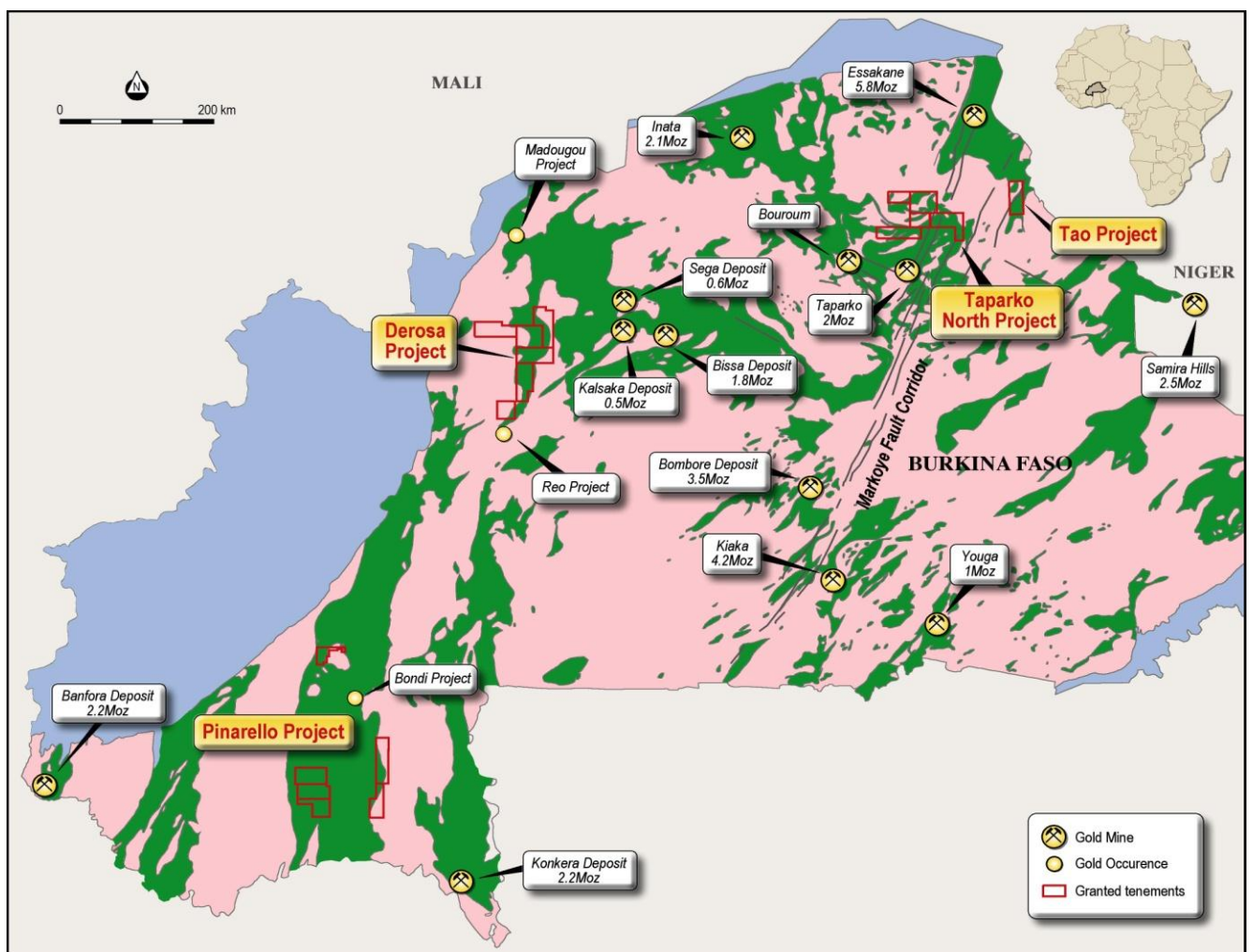


Figure 1: Canyon Resources project areas over Burkina Faso regional interpreted geology map

## **Tao Project**

During December 2012 a 3,058m RC drilling program across the Tondoby Prospect (within the Tao Project area) was undertaken, focusing on further understanding the geological controls on mineralisation, gold lode geometries and infilling areas lacking RC drilling. High grade gold mineralisation continues to be intercepted over 3km in strike length at this prospect. The drilling at the Tondoby Prospect has reaffirmed the strong gold results intersected in the Company's previous campaigns, with best results from the recent drilling including:

- **4m @ 42.8 g/t Au (TDRC128)**
- **12m @ 3.04 g/t Au (TDRC108)**
- **20m @ 1.97 g/t Au (TDRC117)**
- **16m @1.98 g/t Au (TDRC133)**

In addition to the high grade intercepts, the drilling increased understanding of the geological controls on mineralisation and gold lode geometries, identifying a pivot zone where the dip of the mineralised lodes changes orientation towards the west and an associated increase in grade. This new understanding opens up additional areas for drill testing that may identify a high grade zone that was previously thought to be un-mineralised.

Evidence seen from small artisanal pits indicates that the central Tondoby lode possibly becomes overturned in the southern portion. This was shown in TDRC086 (**8m @ 10.31 g/t Au**), the lode near the southern cross structure narrows and is overturned dipping back to the west-northwest. Whilst the lode narrows, the grade appears to increase. This is also evidenced in neighbouring traverses. Based on the dip change, additional drilling was carried out to test this concept. The results were very encouraging with strong evidence supporting the change of dip orientation and an associated increase in grade.

This discovery will open up additional areas of strike that will require testing for west dipping gold lodes. Zones previously thought un-mineralised now have the potential to host further high grade gold mineralisation. Additional RC drilling programs are being planned to further test this concept.

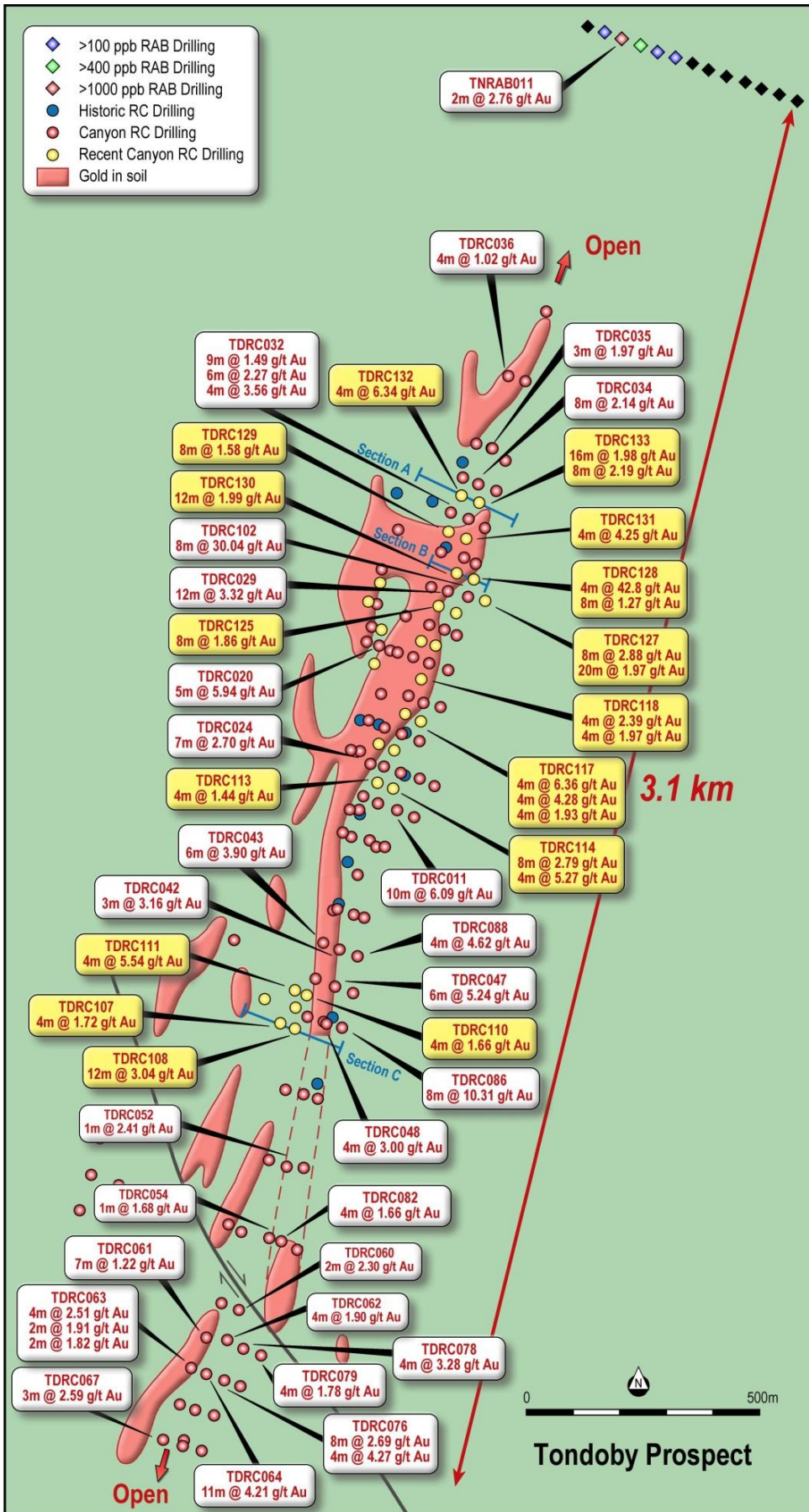


Figure 2: Tondoby drill hole location plan.

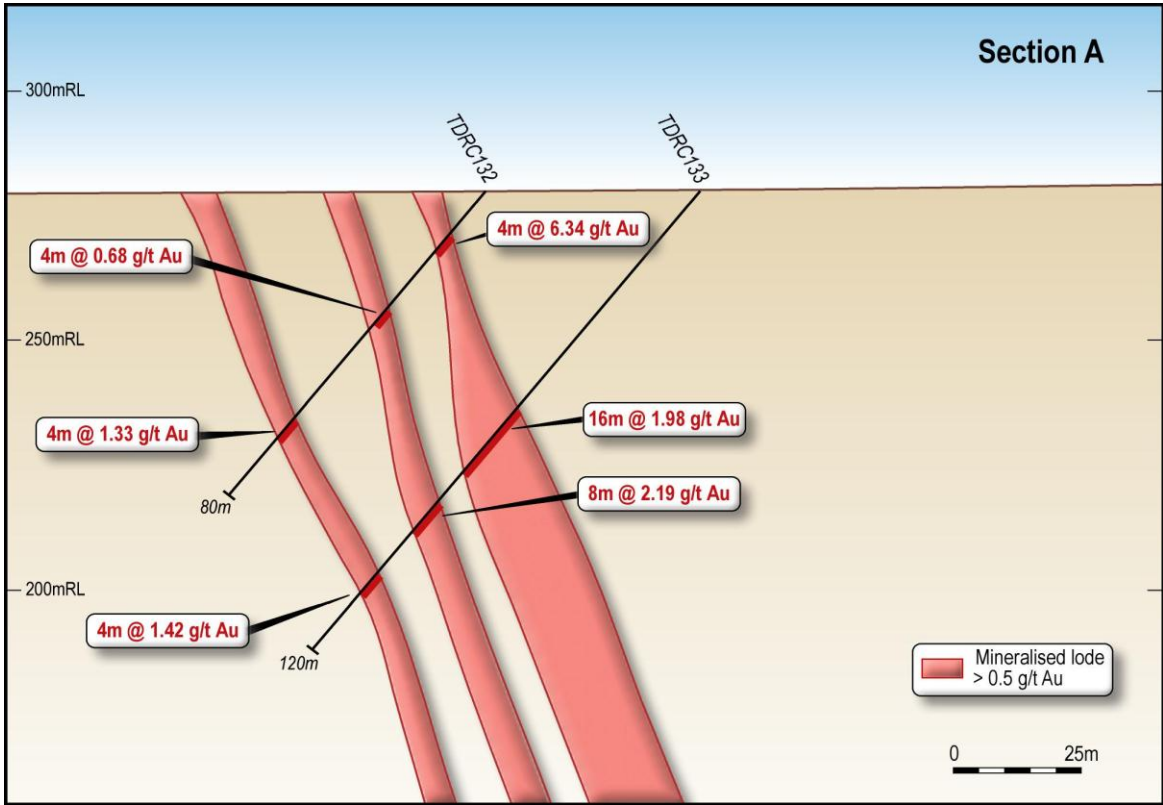


Figure 3: RC Drill Section A

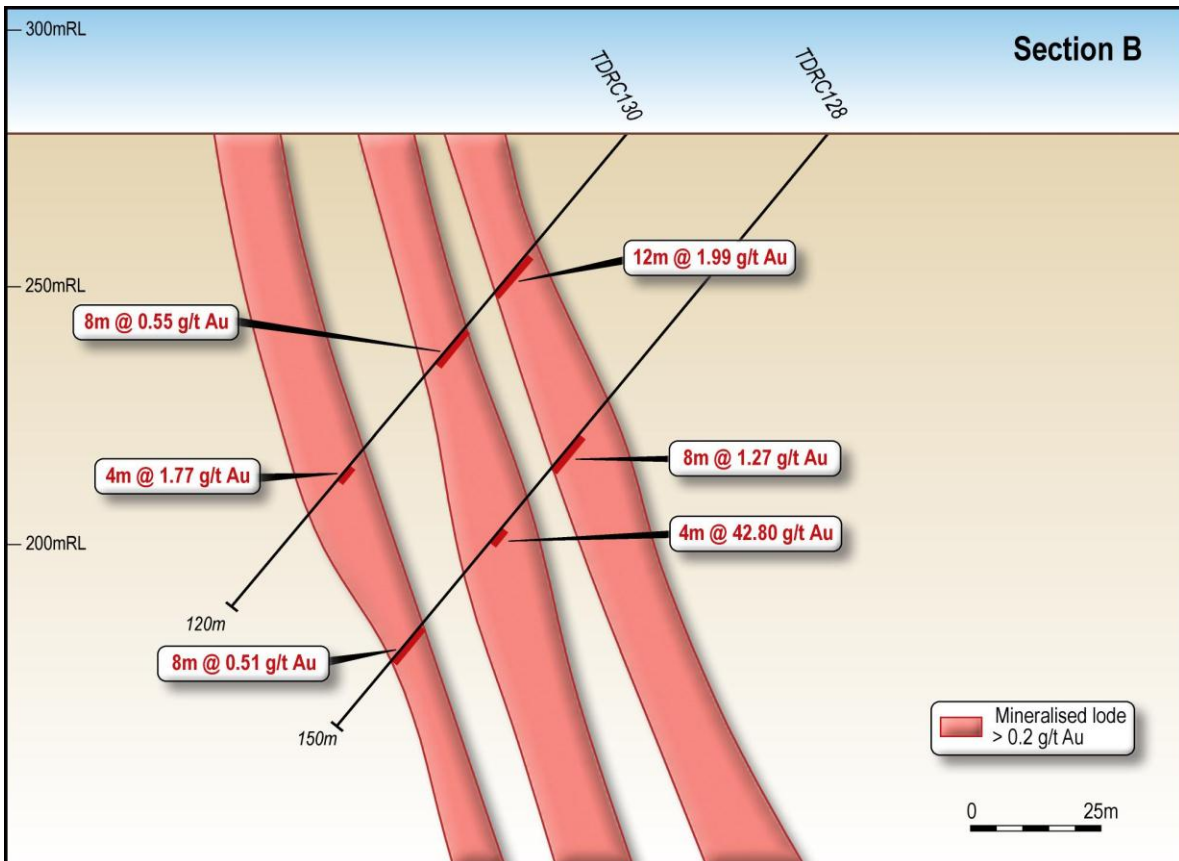
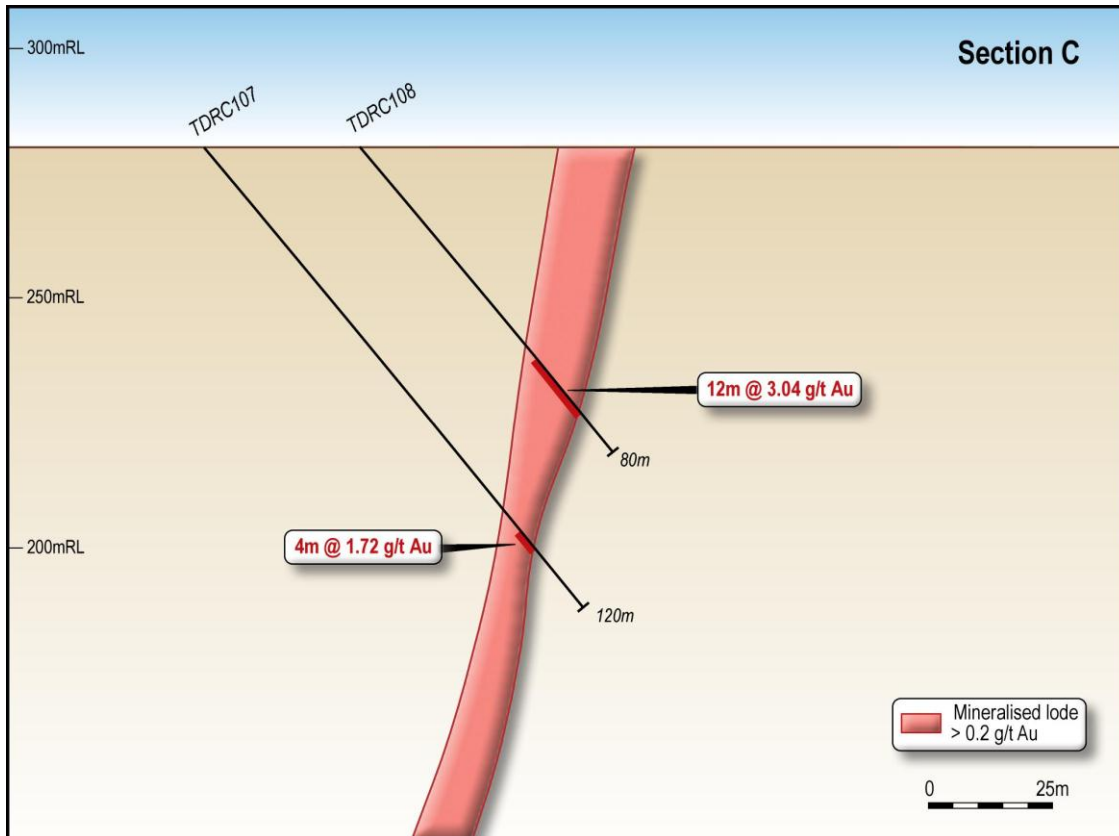


Figure 4: RC Drill Section B



**Figure 5: RC Drill Section C**

A RAB drilling program is currently underway at the Tondoby south Prospect testing the extensions of the mineralising structure to the south of the central Tondoby prospect. A total of 3,998m in 90 holes have been drilled to date. The holes have been designed to follow up the high grade gold in soil anomalies returned late last year.

The RAB program is focusing on identifying additional gold mineralisation along the Tondoby Shear and expanding the magnitude and scope of the Tondoby gold prospect beyond the already identified 3km of mineralised strike length. First results from the RAB program are expected shortly.

At the Tao Project, gold anomalism has been identified over a 12km strike on the Tondoby Prospect by reconnaissance drilling undertaken by Canyon. The Company believes there is potential for this to continue for a significant distance. This is also supported by artisanal mining sites coincident with the gold in soil anomaly extending 5km to the south of the central Tondoby drilling.

### **Pinarello Project**

The Pinarello Project is located along strike from the Sarama Resources Ltd (TSX-V: SWA) MM project. Sarama Resources has identified a 4km wide gold mineralising corridor known as the Tankoro Corridor that trends onto Canyon's Pinarello Project. Best results reported by Sarama (news release 28 August 2012) at the MM Prospect in the Tankoro corridor include;

- 10.2m @ 14.85 g/t Au
- 14.0m @ 7.28g/t Au (EOH)
- 11.8m @ 8.06 g/t Au
- 13.9m @ 14.47 g/t Au
- 18.3m @ 7.09 g/t Au
- 13.9m @ 5.90 g/t Au

An additional structural corridor called the Eastern Corridor has also been shown by Sarama to host gold mineralisation. This corridor also trends into Canyon's Pinarello Project.

Auger drilling to test these structural trends has been re-scheduled for later next quarter due to ongoing exploration activities on the Tao Project.

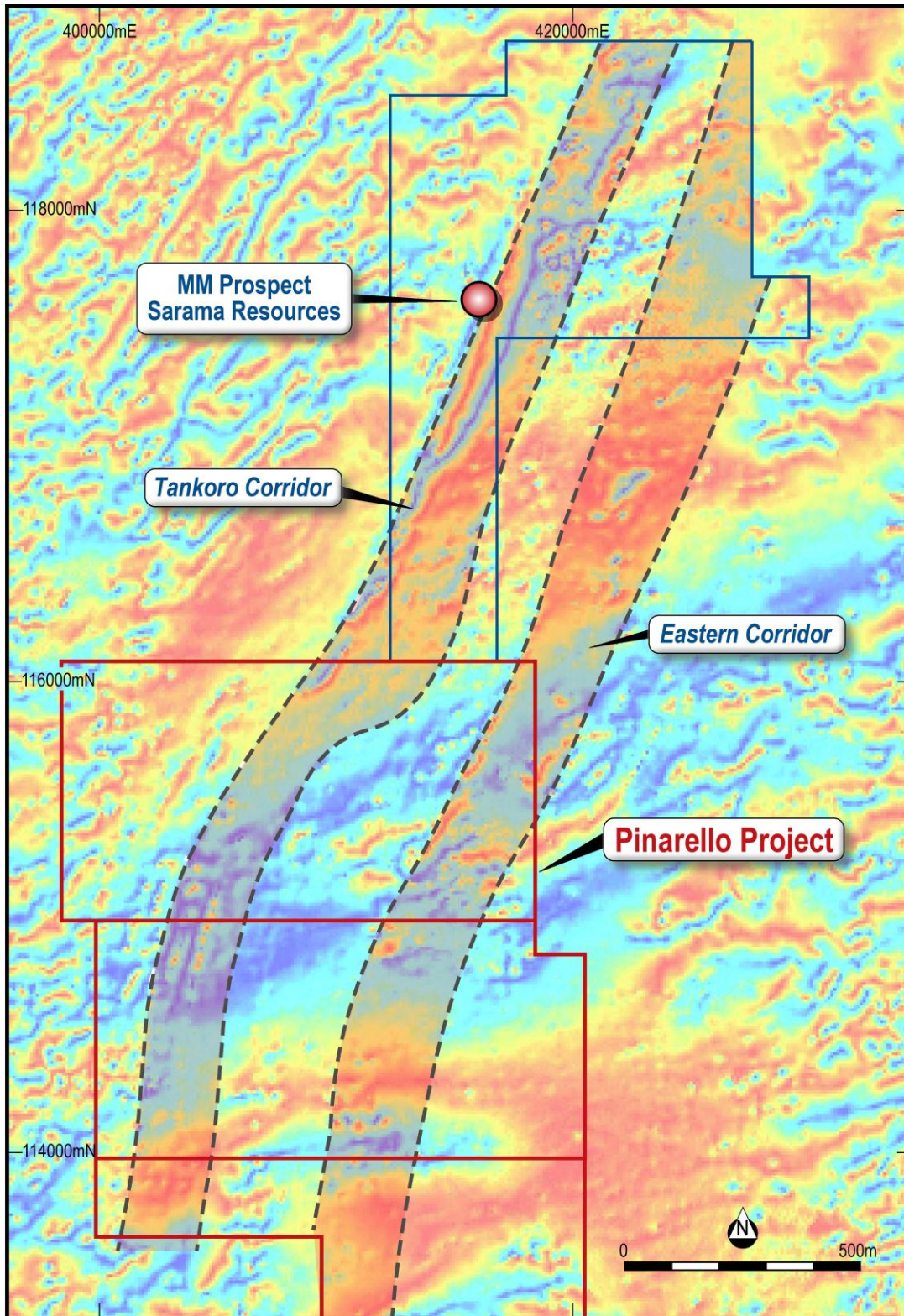


Figure 6: Structural interpretation of aeromagnetic image – Pinarello Project area

## **Taparko North**

RAB drill testing of the Taparko North EM conductors is scheduled to re-commence this exploration season subject to timing of other exploration activities.

## **Derosa Project Joint Venture**

Rumble Resources Ltd, Canyon's joint venture partner on the Derosa Project, continued exploration on the project as per the terms of the joint venture agreement. Rumble can earn up to 75% of the project through the expenditure of \$3,000,000 on the project over five years.

Rumble commenced exploration on the Derosa Project with initial mapping programs and a comprehensive geophysical and geological interpretation of the licence areas completed (refer announcement [24 January 2013](#)).

During this work, significant artisanal workings were discovered at the Bompela Permit covering an area approximately 400m long by 200m wide. Bompela is the furthest northwest permit of the Derosa Project and covers a landholding of approximately 250km<sup>2</sup>.

Following the discovery, Rumble engaged SEMS Exploration ("SEMS") a leading mineral exploration and mining consultancy company in West Africa, to undertake a range of preliminary work, including:

- Field mapping and prospecting;
- Detailed geological mapping and sampling; and
- A regional reconnaissance over the permit area.

It is estimated that there are at least 4,000 artisanal miners working onsite with a village and a police camp recently established. The artisanal mining was triggered by the discovery of gold mineralisation on the side of a small laterite capped hill. The gold mineralisation occurs as a vein stockwork developed in a competent granodiorite and is typical of granitoid-hosted gold deposits.

The Bompela artisanal mining site is located in the central portion of the Bompela permit and covers an EW-trending area of approximately 400 m long and 200 m wide. On the basis of pit orientations there are two main trends NNE and NNW. Most of the veins are sub-vertical with some having been mined to a depth of 60 metres.

The initial exploration program has allowed the mapping of the geology and structures within the regolith landscape that could be observed in the area surrounding the Bompela artisanal workings.

SEMS collected 350 grab samples of pit dumps that were then sent to the laboratory for analysis. The samples returned significant results including 28 samples >1g/t Au and 34 samples ranging from 0.5 to 1.0 g/t Au with the highest being 16.2g/t. Over half of the samples returned a value of >0.1 g/t gold or 100ppb, which is an excellent result from this sampling program which was focussed on waste rock from the artisanal mining.

Rumble Resources has commenced a program to complete:

- Detailed litho-structural and regolith mapping of the east, west, north and south areas of the Bompela site over a target area of 16km<sup>2</sup>;
- Rock chip sampling of outcrops (quartz veins, host rock, alteration/deformation rock panels) and ferricrete ridges and lags; and
- Planning of a RC drilling campaign to target the Bompela artisanal site and surrounding priority targets.



## **Corporate**

At 31 December 2012, Canyon has cash reserves of \$1.68 million.

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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.*