

CANYON RESOURCES LIMITED
ACN 140 087 261

PROSPECTUS

For an offer of up to 7,692,308 Shares at an issue price of \$0.13 per Share together with one (1) attaching New Option for every one (1) Share subscribed for by Applicants to raise up to \$1,000,000.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

CONTENTS

1.	CHAIRMAN'S LETTER.....	1
2.	CORPORATE DIRECTORY.....	2
3.	TIMETABLE.....	3
4.	IMPORTANT NOTES.....	4
5.	DETAILS OF THE OFFER.....	5
6.	PURPOSE AND EFFECT OF THE OFFER.....	11
7.	RIGHTS AND LIABILITIES ATTACHING TO SECURITIES.....	15
8.	RISK FACTORS	19
9.	ADDITIONAL INFORMATION	26
10.	DIRECTORS' AUTHORISATION	33
11.	GLOSSARY.....	34

1. CHAIRMAN'S LETTER

Dear Shareholder,

As a fellow Shareholder, it is my pleasure to invite you to participate in the Share Purchase Plan (**SPP**) offered by Canyon Resources Limited pursuant to this Prospectus. Canyon has recently completed a placement to raise approximately \$1.2 million, providing Canyon with total cash reserves of approximately \$2.66 million at the time of lodging this Prospectus. I am pleased to now offer all of our Eligible Shareholders the opportunity to acquire new Shares in Canyon on the same terms as this recent placement.

At the Tao Project, the Company has conducted auger geochemistry, RAB and RC drilling, and has highlighted a major shear striking north-northeast for approximately 20km. We are currently awaiting the results of the most recent 8,000 metre RAB program, which is anticipated to provide follow-up RC drill targets to compliment the more advanced Tondoby Prospect.

Work completed to date at the Tondoby Prospect is encouraging, and its proximity to the +5 million ounce Essakane Gold Mine, which is located 50km to the northwest, provides a potential processing option for the Tondoby prospect.

In late 2011, Canyon secured the Pinarello Project on the Houndé greenstone belt in southern Burkina Faso, which was targeted for its high grade potential. Subsequent to this acquisition, exploration success by another company on the adjacent tenure has further highlighted the prospectively of the Pinarello Project, and as a result, further exploration at this project has become a high priority for Canyon in 2013.

The Board has been structured to keep corporate overheads to a minimum, as we recognise the best use of Shareholders' funds is exploration and project acquisition. The Board continue to hold, post completion of the Placement approximately 7% of the Shares on issue in the Company, providing the Board with a very strong incentive to build Shareholder value and maintain a lean and cost effective exploration and corporate structure. Each of the Board members intends to subscribe under this SPP.

Following completion of this SPP, if fully subscribed, Canyon will maintain a tight capital structure with less than 75 million Shares on issue, and will have in excess of \$3.5 million in cash, ensuring the Company is well funded for its planned activities.

As Chairman and as a geologist, I recognise the risk of investing in a junior exploration company, as detailed in section 8 of this Prospectus, however I am confident Canyon has positioned itself to grow Shareholder value with a strong, balanced Board, reputable corporate advisor in Hartleys Limited, a tight capital structure with Shares in the hands of supportive institutional, sophisticated and retail Shareholders, excellent gold properties and an ambitious growth strategy.

I look forward to the 2013/2014 field seasons and your continued support as we embark on a very busy year of activity across the Tao and Pinarello Projects.

Yours faithfully



Rhod Grivas BSc, AICD, AusIMM, AIG
Chairman

2. CORPORATE DIRECTORY

Directors

Mr Rhoderick Grivas
Chairman

Mr Phillip Gallagher
Managing Director

Mr Mathew Shackleton
Non Executive Director

Company Secretary

Phillip MacLeod

Share Registry*

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth WA 6000

Overseas Callers: +61 3 9415 4000
Telephone within Australia: 1300 850 505

Auditor*

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

Registered and principal office address

Level 3 West
10 Outram Street
West Perth WA 6005

Postal address

PO Box 270
West Perth WA 6872

Phone: +61 8 9413 7300
Fax: +61 8 9324 1502

Email: info@canyonresources.com.au
Web: www.canyonresources.com.au

ASX Code

CAY

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

3. TIMETABLE

Record Date	Thursday, 31 January 2013
Announcement to the Placement and SPP	Friday, 1 February 2013
Lodgement of Prospectus with the ASIC	15 February 2013
Lodgement of Prospectus & Appendix 3B with ASX	15 February 2013
Opening Date*	15 February 2013
Closing Date*	6 March 2013
Despatch of holding statements	13 March 2013
Quotation of Securities issued under the Offer*	15 March 2013

*These dates are indicative only and may change without prior notice. As such the date the Securities are expected to commence trading on ASX may vary.

4. IMPORTANT NOTES

This Prospectus is dated 15 February 2013 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Applications for Securities offered pursuant to this Prospectus can only be submitted on an original SPP Application Form or Shortfall Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

4.1 Risk factors

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in section 8 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

5. DETAILS OF THE OFFER

This section 4 sets out the terms and conditions of the Offer.

5.1 Background and Purpose

On 1 February 2013, the Company announced its intention to raise up to approximately \$2,200,000 through:

- (a) a placement at an issue price of \$0.13 per Share, to raise up to approximately \$1,200,000 together with, subject to the approval of Shareholders, attaching New Options to be issued on the basis of one (1) New Option for every one (1) Share subscribed for under the Placement; and
- (b) a share purchase plan (**SPP**) to raise up to \$1,000,000 (through the issue of up to 7,692,308 Shares), under which eligible Shareholders will be given the opportunity to subscribe for Shares at an issue price of \$0.13 per Share together with one (1) attaching New Options for every one (1) Share subscribed for under the SPP.

Subsequently, on 12 February 2013, the Company announced that it had issued 9,726,156 Shares at \$0.13 to raise approximately \$1,264,000 (**Placement**).

The purpose of this Prospectus is to undertake the SPP offer to Eligible Shareholders, together with an offer to place any shortfall not applied for by Eligible Shareholders (subject to the receipt of Shareholder approval).

5.2 The Offer

Pursuant to this Prospectus, the Company invites Eligible Shareholders to apply for up to \$15,000 worth of Shares each in the Company at an issue price of \$0.13 per Share, together with one (1) attaching New Option for every one (1) Share subscribed for to raise up to \$1,000,000.

Eligible Shareholders may apply under the Offer for Shares to the value of:

- (a) \$15,000 (115,384 Shares); or
- (b) \$10,000 (76,923 Shares); or
- (c) \$5,000 (38,461 Shares); or
- (d) \$2,600 (20,000 Shares).

The Company is seeking to raise \$1,000,000 under the SPP. If applications are received in excess of this amount, Eligible Shareholder applications may be scaled back on a pro rata basis.

All of the New Options offered under this Prospectus will be issued on the terms and conditions set out in section 7.2 of this Prospectus.

All of the Shares issued upon the future exercise of the New Options offer under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to section 7.1 for further information regarding the rights and liabilities attaching to the Shares.

The purpose of the Offer and the intended use of funds raised are set out in section 6.1 of this Prospectus.

5.3 Class Order 09/425

ASIC Class Order 09/425 allows a company to undertake a share purchase plan without the need for issuing a disclosure document, so long as the share purchase plan complies with certain conditions.

The Company is unable to rely on Class Order 09/425 to undertake the SPP as Class Order 09/425 does not allow for the issue of options under a share purchase plan, only Shares.

The Company however intends to undertake the Offer, to the extent that it is practicable, in accordance with the terms and conditions for share purchase plans expressed in Class Order 09/425.

5.4 Shareholders eligible to participate

Only Eligible Shareholders may participate in the Offer. 'Eligible Shareholders' for the purpose of the Offer are Shareholder registered on the Record Date (31 January 2013) with an address in Australia or New Zealand in the Company's Share Register (**Eligible Shareholders**).

Participation in the Offer is optional and is subject to the terms and conditions set out in this Prospectus.

5.5 Note for custodians, trustees and nominees

If you are an Eligible Shareholder and hold the Shares as a custodian (as defined in ASIC Class Order CO 09/425 (**Custodian**) (see below), you may apply for up to the maximum of new Shares and New Options for each beneficiary for whom you act as custodian provided you annex to your SPP Application Form a certificate to the Company (**Custodian Certificate**) with the following information:

- (a) that you held Shares in the Company on behalf of one or more other persons (each a **Participating Beneficiary**) at 5:00pm (WST) on the Record Date who have subsequently instructed you to apply for Shares under the Offer on their behalf;
- (b) the number of Participating Beneficiaries and their names and addresses;
- (c) the number of Shares that you hold on behalf of each Participating Beneficiary;
- (d) the dollar amount of Shares that each Participating Beneficiary has instructed you, either directly or indirectly through another custodian, to apply for on their behalf;
- (e) that the application price for Shares applied under the Offer for each Participating Beneficiary for whom you act plus the application price for any other Shares issued to you as custodian for that Participating Beneficiary under any arrangement similar to the SPP referred to in this Prospectus in the prior 12 months does not exceed \$15,000;
- (f) that a copy of the written offer document was given to each beneficiary; and

- (g) where you hold shares on behalf of a beneficiary indirectly, through one or more interposed custodians, the name and address of each interposed custodian.

For the purposes of this Offer, and consistent with Class Order CO 09/425 you are a 'custodian' if you are a registered holder that:

- (a) holds an Australian financial services licence that allows you to perform custodian or depositary services or operate IDPS accounts;
- (b) is exempt from holding an Australian financial services licence by virtue of ASIC Class Order CO 03/184 or by relying on the Australian financial services licence of your master custodian under regulation 7.1.06(k) of the *Corporations Regulations 2001* (Cth);
- (c) is a trustee of a self managed superannuation fund;
- (d) is a trustee of superannuation master trusts;
- (e) is a responsible entity of IDPS like schemes;
- (f) is noted on the Company's register of members as holding the shares on account of another person.

If you hold Shares as a trustee or nominee for another person or persons but are not a Custodian as defined above, you **cannot** participate for beneficiaries in the manner described above. In this case, the rules for multiple single holdings (above) apply.

Custodians should request a Custodian Certificate when making an application on behalf of Participating Beneficiaries. To request a Custodian Certificate and if you would like further information on how to apply, you should contact the Company's Share Registry at any time from 8.30am to 5.00pm (WST) Monday to Friday during the Offer period.

The Company reserves the right to reject any application for Shares and New Options under this Prospectus to the extent it considers that the application (whether alone or in conjunction with other applications) does not comply with these requirements.

5.6 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "**Canyon Resources Limited SPP A/C**" and crossed "Not Negotiable".

Your completed SPP Application Form and cheque must reach the Company's share registry no later than 5:00pm WST on the Closing Date.

5.7 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the SPP Application Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the SPP Application Form but are taken to have made the declarations on that SPP Application Form; and

- (b) if you do not pay for your Application in full, you are deemed to have applied for such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 3:00pm (WST) on the Closing Date. You should be aware that your financial institution may implement either cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

5.8 Minimum subscription

There is no minimum subscription.

5.9 Underwriting

The Offer is not underwritten.

5.10 Lead broker

Hartleys Limited has been appointed as lead broker to the Offer. The terms of the appointment are summarised in section 9.4 of this Prospectus.

5.11 Shortfall Offer

Subject to the receipt of Shareholder approval at the General Meeting to be held on 15 March 2013 to enable the Company to issue such number of Shares and New Options to make up the shortfall not applied for by Eligible Shareholders under the Offer, the Company intends to issue any Shares (and attaching New Options) not applied for under the Offer by Eligible Shareholders to ensure that the Company raises \$1,000,000 pursuant to this Prospectus (**Shortfall Offer**).

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.13 being the price at which Shares have been offered under the Offer together with one (1) attaching New Option for each Share issued under the Shortfall Offer.

The Directors reserve the right to issue Shortfall Shares and New Options at their absolute discretion. Accordingly, do not apply for Shortfall Shares and New Options unless instructed to do so by the Directors.

Your Application for Shortfall Shares and New Options must be made on the Shortfall Application Form either attached to or accompanying this Prospectus.

5.12 ASX listing

Application for Official Quotation of the Securities offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Securities offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Securities and will repay all application

monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

5.13 Allotment

Securities issued pursuant to the Offer will be allotted in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Securities issued pursuant to the Shortfall Offer will be allotted on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no allotment is made surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the allotment and issue of the Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Securities issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for the Shortfall Securities issued under the Shortfall Offer as soon as practicable after their issue.

5.14 Overseas shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

The Offer is being made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2002.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that applying for Securities the Offer or Shortfall Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed SPP Application Form or Shortfall Application Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

5.15 Commissions payable

The Company reserves the right to pay a commission of 6% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications

lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

5.16 Enquiries

Any questions concerning the Offer should be directed to Phil MacLeod, Company Secretary, on +61 8 9413 7300.

6. PURPOSE AND EFFECT OF THE OFFER

6.1 Purpose of the Offer

The purpose of the Offer is to provide Shareholders with the opportunity to acquire Shares on the same terms as investors in the recently completed Placement and to raise funds for the purpose of the ongoing exploration programmes at the Company's projects in Burkina Faso. No funds will be raised from the issue of the New Options.

As set out in the announcement to ASX on 31 January 2013 and in the Notice of Meeting, funds raised from the Offer and the Placement (totalling approximately \$2,264,000) are planned to be used in accordance with the table set out below:

Item	Proceeds of the Offer	Full Subscription (\$)	%
1.	Continued exploration of Burkina Faso projects	1,700,000	75
2.	Expenses of the Offer ¹	90,000	4
3.	Working capital	474,000	21
	Total	2,264,000	100

Notes:

1. Refer to section 9.8 of this Prospectus for further details relating to the estimated expenses of the Offer.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

6.2 Effect of the Offer

The principal effect of the Offer, assuming all Securities offered are applied for and no Options are exercised prior to the Record Date, will be to:

- (a) increase the cash reserves by \$910,000 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer in addition to the approximate \$1,264,000 raised under the Placement;
- (b) increase the number of Shares on issue from 67,126,988 as at the date of this Prospectus to 74,819,295 Shares following completion of the Offer and Placement; and
- (c) increase the number of Options on issue from 12,750,000 as at the date of this Prospectus to 30,168,463 Options following completion of the Offer and Placement.

There will be no change to the Canyon Convertible Securities issued by the Company.

6.3 Pro-forma consolidated statement of financial position

The unaudited consolidated statement of financial position as at 31 December 2012 adjusted for the cash received (\$1,264,400) from the placement completed

on 12 February 2013 (before the costs of the issue) and the unaudited pro-forma consolidated statement of financial position as at 31 December 2012 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma consolidated statement of financial position has been prepared assuming all Securities offered are applied for, no Options are exercised prior to the Record Date and including expenses of the Offer.

The pro-forma consolidated statement of financial position has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	UNAUDITED 31 December 2012¹	PROFORMA 31 December 2012
CURRENT ASSETS		
Cash and cash equivalents	2,964,297	3,874,297
Trade and other receivables	225,883	225,883
Other current assets	51,613	51,613
TOTAL CURRENT ASSETS	3,241,793	4,151,793
NON-CURRENT ASSETS		
Property, plant & equipment	219,507	219,507
Capitalised exploration expenditure	5,595,179	5,595,179
TOTAL NON-CURRENT ASSETS	5,814,686	5,814,686
TOTAL ASSETS	9,056,479	9,966,479
CURRENT LIABILITIES		
Trade and other payables	393,728	393,728
Provisions	102,124	102,124
TOTAL CURRENT LIABILITIES	495,852	495,852
TOTAL LIABILITIES	495,852	495,852
NET ASSETS (LIABILITIES)	8,560,627	9,470,627
EQUITY		
Issued capital	17,122,955	18,032,955
Reserves	596,761	596,761

	UNAUDITED 31 December 2012 ¹	PROFORMA 31 December 2012
Accumulated losses	(9,159,089)	(9,159,089)
TOTAL EQUITY	8,560,627	9,470,628

Notes:

1. Includes cash received from Placement completed 12 February 2013 before costs of the issue.

6.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Securities offered are applied for and no Options are exercised prior to the Record Date, is set out below.

Shares

	Number
Shares currently on issue	67,126,988 ¹
Shares offered pursuant to the Offer/SPP	7,692,307
Total Shares on issue after completion of the Offer and Placement	74,819,295

Options

	Number
Options currently on issue:	
<i>(Unquoted exercisable at \$0.30 on or before 30 June 2013)</i>	9,375,000
<i>(Unquoted exercisable at \$0.40 on or before 30 June 2013)</i>	3,125,000
<i>(Unquoted exercisable at \$0.45 on or before 12 April 2014)</i>	250,000
New Options offered pursuant to the Placement ² :	
<i>(Unquoted exercisable at \$0.16 on or before 29 February 2016)³</i>	3,000,000
<i>(Quoted exercisable at \$0.16 on or before 29 February 2016)</i>	9,726,156
New Options offered pursuant to the Offer:	
<i>(Quoted exercisable at \$0.16 on or before 29 February 2016)</i>	7,692,307
Total Options on issue after completion of the Offer and Placement	33,168,463

Note.

1. Includes the 9,726,156 Shares already issued pursuant to the Placement.
2. The issue and allotment of the New Options offered pursuant to the Placement is subject to Shareholder approval at a general meeting of Shareholders to be held on 15 March 2013.
3. As set out in the Notice of Meeting, the Company will issue 3,000,000 Options to the brokers that have assisted in the ongoing capital raising advice and support including their role in assisting the Company with completion of the Placement, subject to Shareholder approval.

Canyon Convertible Securities

	Number
Canyon Convertible Securities currently on issue:	
(Unquoted Class A convertible securities)	5
(Unquoted Class B convertible securities)	10
Total Canyon Convertible Securities on issue after completion of the Offer and Placement	15

The capital structure on a fully diluted basis as at the date of this Prospectus would be 92,603,144 Shares (excluding Canyon Convertible Securities) and on completion of the Offer (assuming all Securities offered are applied for and no Options and no Canyon Convertible Securities are exercised prior to the Record Date) would be 107,987,758 Shares.

No Shares, Options or Canyon Convertible Securities on issue are subject to escrow restrictions, either voluntary or ASX imposed.

6.5 Details of substantial holders

Based on publicly available information as at 14 February 2013, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
Bank of Nova Scotia and its associates	3,511,413	6.12

7. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

7.1 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the Listing Rules, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be

applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

The liability of Shareholders is limited.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms

of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

7.2 Options

The New Options to be issued pursuant to this Prospectus entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option entitles the holder to subscribe for one Share upon exercise of the Option.
- (b) Subject to paragraph (k), the amount payable upon exercise of each Option will be \$0.16 (**Exercise Price**)
- (c) Each Option will expire at 5.00pm (WST) on 29 February 2016 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (d) The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).
- (e) The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.
- (f) A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).
- (g) Within 15 Business Days after the later of the following:
 - (i) the Exercise Date; and
 - (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,but in any case no later than 20 Business Days after the Exercise Date, the Company will:
 - (iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company; and

- (iv) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.
- (h) Shares issued on exercise of the Options rank equally with the then issued shares of the Company.
- (i) The Company will seek to have the Options listed on the ASX.
- (j) If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.
- (m) An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.
- (n) The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

8. RISK FACTORS

8.1 Introduction

The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

8.2 Company specific

(a) Potential for significant dilution

Upon implementation of the Offer, assuming all Securities offered are applied for and no Options are exercised prior to the Closing Date, the number of Shares in the Company will increase from 67,126,988 currently on issue to 74,819,295. This means that each Share will represent a significantly lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

The last trading price of Shares on ASX prior to the Prospectus being lodged with ASIC of \$0.135 is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.

(b) West Africa (general)

Some of the Company's projects are located in Burkina Faso which is considered to be a developing country and as such subject to emerging legal and political systems compared with the system in place in Australia.

Possible sovereign risks include, without limitation, changes in the terms of mining legislation including renewal and continuity of tenure of permits, transfer of ownership of acquired permits to the Company, changes to royalty arrangements, changes to taxation rates and concessions and changes in the ability to enforce legal rights. Any of these factors may, in the future, adversely affect the financial performance of the Company and the market price of its shares.

No assurance can be given regarding future stability in this or any other country in which the Company may have an interest.

(c) Civil Unrest

North Africa, where the Company's projects are located, has recently experienced elements of civil unrest and what have been described as terrorist activities and insurgencies, particularly in Mali, the country immediately to the north of Burkina Faso.

No assurance can be given that such activities will not cross over the border into Burkina Faso or that insurgents may attempt to create unrest in neighbouring countries, including Burkina Faso.

The Company undertakes all recommended actions to ensure that its employees and contractors operating in Burkina Faso are kept safe from such activities and insurgencies.

(d) **Exploration costs**

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

(e) **Exploration success**

The mining permits and tenements comprising the Company's projects are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of the mining permits and tenements, or any other licenses that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

(f) **Mine development**

Possible future development of a mining operation at any of the Company's projects is dependent on a number of factors including, but not limited to, the acquisition and/or delineation of economically recoverable mineralisation, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services.

If the Company commences production, its operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement of hazardous weather conditions and fires, explosions or accidents. No assurance can be

given that the Company will achieve commercial viability through the development or mining of its projects and treatment of ore.

(g) **Operations**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its mining permits and tenements. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

8.3 Industry specific

(a) **Environmental**

The operations and proposed activities of the Company are subject to laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Events, such as unpredictable rainfall or bushfires may impact on the Company's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

The disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making the Company's operations more expensive.

Approvals are required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay to anticipated exploration programmes or mining activities.

(b) **Exploration**

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Company.

The success of the Company will also depend upon the Company having access to sufficient development capital, being able to maintain title to its mining permits and tenements and obtaining all required approvals for its activities. In the event that exploration programmes prove to be unsuccessful this could lead to a diminution in the value of the mining permits and tenements, a reduction in the case reserves of the Company and possible relinquishment of the mining permits and tenements.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

(c) **Resource estimates**

The Company does not presently have any JORC Code compliant resources on the mining permits and tenements. In the event a resource is delineated this would be an estimate only. An estimate is an expression of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

(d) **Commodity price volatility and exchange rate risks**

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

8.4 General risks

(a) Economic

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(b) Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) Force Majeure

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(d) Litigation Risks

The Company is exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, contractual disputes, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any litigation.

(e) Risk of international operations generally

International sales and operations are subject to a number of risks, including:

- (i) potential difficulties in enforcing agreements (including joint venture agreements) and collecting receivables through foreign local systems;
- (ii) potential difficulties in protecting intellectual property;
- (iii) increases in costs for transportation and shipping; and
- (iv) restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect the Company's business, results of operations and financial condition.

(f) **Government policy changes**

Adverse changes in government policies or legislation may affect ownership of mineral interests, taxation, royalties, land access, labour relations, and mining and exploration activities of the Company. It is possible that the current system of exploration and mine permitting in which the Company's projects are located may change, resulting in impairment of rights and possibly expropriation of the Company's mining interests without adequate compensation.

(g) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(h) **Insurance risks**

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Insurance against all risks associated with mining exploration and production is not always available and where available the costs can be prohibitive.

(i) **Competition risk**

The industry in which the Company will be involved is subject to domestic and global competition. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may,

positively or negatively, affect the operating and financial performance of the Company's projects and business.

(j) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(k) **Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

(l) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

8.5 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

9. ADDITIONAL INFORMATION

9.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

9.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

- (i) the annual financial report most recently lodged by the Company with the ASIC;
- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
13/02/2013	Notice of General Meeting/Proxy Form
12/02/2013	Appendix 3B and Section 708 Notice
05/02/2013	Change in substantial holding
01/02/2013	Capital Raising to Raise \$2.2M for Gold Exploration
31/01/2013	Quarterly Activities Report
31/01/2013	Quarterly Cashflow Report
30/01/2013	Investor Presentation
30/01/2013	Trading Halt
24/01/2013	RTR: Gold Rush on Derosa Project - Burkina Faso
22/01/2013	Research Report
17/01/2013	High Grade Gold Intercepts at Tao Project
09/01/2013	Change in substantial holding
13/12/2012	RC Drilling Completed on Tao Project in Burkina Faso
30/11/2012	Results of Meeting
20/11/2012	RC Drilling Commencing on Tao Project in Burkina Faso
02/11/2012	Section 708A Notice
31/10/2012	Quarterly Activities Report
31/10/2012	Quarterly Cashflow Report
30/10/2012	Anomalous Gold from Recon Drilling at Taparko North Project
26/10/2012	Notice of Annual General Meeting/Proxy Form
26/10/2012	Annual Report to shareholders

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.canyonresources.com.au.

9.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	\$0.215	17 January 2013
Lowest	\$0.12	1 February 2013
Last	\$0.13	15 February 2013

9.4 Material contracts

The Company has entered into a mandate with Hartleys, pursuant to which Hartleys provides corporate advice and capital raising services (**Mandate**).

Pursuant to the Mandate, the Company is obligated to pay to Hartleys a fee of 6% of the amount subscribed under any capital raising.

9.5 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus is set out in the table below.

Director	Shares	Options
Rhoderick Grivas	1,550,000	2,000,000
Phillip Gallagher	1,500,001	3,000,000
Matthew Shackleton	1,615,001	1,000,000

Notes.

1. None of the Directors have an interest in Canyon Convertible Securities

The Board recommends all Eligible Shareholders apply for Securities offered pursuant to this Prospectus and advises that all Directors intend to participate in the SPP.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$300,000 per annum.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors.

Director	2011 Financial Year	2012 Financial Year	Current
Rhoderick Grivas	\$48,239	\$54,500	\$54,500
Phillip Gallagher	\$211,188	\$237,075	\$250,700
Matthew Shackleton	\$31,377	\$48,600 ¹	\$43,600

Notes.

1. Includes consulting fees of \$5,000.

9.6 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (d) the formation or promotion of the Company; or
- (e) the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$10,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$51,830 (excluding GST and disbursements) for legal services provided to the Company.

Hartleys will be paid a fee of approximately \$60,000 in respect of this offer if all Shares under the Offer are issued. During the 24 months preceding lodgement of this Prospectus with the ASIC, Hartleys has been paid fees totalling \$538,384 by the Company.

9.7 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section;
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section; and
- (c) Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not

withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.; and

- (d) Hartleys has given its written consent to being named as lead broker to the Company in this Prospectus. Hartleys has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

9.8 Expenses of the offer

In the event that all Securities offered are applied for, the total expenses of the Offer are estimated to be approximately \$90,000 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	2,171
ASX fees	9,500
Broker fees	60,000
Legal fees	10,000
Printing and distribution	6,000
Miscellaneous	2,329
Total	90,000

9.9 Electronic prospectus

Pursuant to Class Order 00/44, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 8 9413 7300 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.canyonresources.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

9.10 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

9.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share or option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be

issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

9.12 Privacy Act

If you complete an application for Securities, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

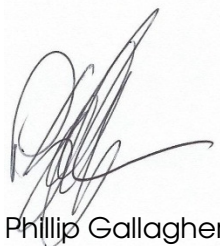
You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

10. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

A handwritten signature in black ink, appearing to read 'P. Gallagher', is written over a light grey rectangular background.

Phillip Gallagher
Managing Director
**For and on behalf of
Canyon Resources Limited**

11. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Applicant means a Shareholder who applies for Shares pursuant to the Offer or a Shareholder or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

Application Form means an SPP Application Form or Shortfall Application Form as the context requires.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Canyon Convertible Securities means class A convertible securities and class B convertible securities issued by the Company.

Class Order means ASIC Class Order CO 09/425 'Share and Interest Purchase Plans'.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

Company means Canyon Resources Limited (ACN 140 087 261).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Custodian has the meaning given to that term in section 5.5 of this Prospectus.

Custodian Certificate has the meaning given to that term in section 5.5 of this Prospectus.

Directors means the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means a Shareholder registered on the Record Date with an address in Australia or New Zealand in the Company's Share Register.

Hartleys means Hartleys Limited (ACN 104 195 057) trading as Hartleys.

Lead Broker has the meaning given to that term in section 5.6 of this Prospectus.

New Option means an Option issued on the terms set out in section 7.2 of this Prospectus.

Offer means the non-renounceable share purchase plan offer (with free attaching Options) the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Participating Beneficiary has the meaning given to that term in section 5.5 of this Prospectus.

Placement has the meaning given that that term in section 5.1 of this Prospectus.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Rumble means Rumble Resources Limited (ACN 148 214 260).

Securities means Shares and/or New Options offered pursuant to this Prospectus under the Offer or Shortfall Offer.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Shortfall means the Shares not applied for under the Offer (if any).

Shortfall Application Form means the shortfall application form either attached to or accompanying this Prospectus.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in section 5.10 of this Prospectus.

Shortfall Securities means those Securities issued pursuant to the Shortfall.

SPP has the meaning given that that term in section 5.1 of this Prospectus.

SPP Application Form means the share purchase plan application form either attached to or accompanying this Prospectus to may an Application in respect of the Offer.

WST means Western Standard Time as observed in Perth, Western Australia.