Canyon Resources Limited

ABN 13 140 087 261

Interim Financial Report
31 December 2018

CORPORATE INFORMATION

Canyon Resources Limited

ABN 13 140 087 261

Directors

David Netherway

Phillip Gallagher

Emmanuel Correia

Steven Zaninovich

Company Secretary

John Lewis

Registered office

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Share Register

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Solicitors

Allion Legal

Level 9, 863 Hay Street

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Auditors

HLB Mann Judd

Level 4, 130 Stirling Street

Perth WA 6000

Securities Exchange Listing

ASX Limited

ASX Code: CAY

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DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated entity comprising Canyon Resources Limited ("the Company" or "Canyon") and the entities it controlled for the half-year ended 31 December 2018 (together the "Group"). In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

David Netherway	Chairman
Phillip Gallagher	Managing Director
Emmanuel Correia	Non-executive Director
Steven Zaninovich	Non-executive Director (Appointed 30 January 2019)

Review of Operations

The Directors of Canyon Resources Ltd ("Canyon or "The Company") have continued the focus of developing a large scale DSO (Direct Shipping Ore) bauxite mining and export operation in Cameroon.

During the period Canyon continued to engage with the Cameroon Government inter-departmental committee, formed via a Prime Ministerial decree, to analyse Canyon's proposal to develop a major DSO bauxite mining and export operation in the country.

On 9 August 2018 the Directors of Canyon announced that, after a significant negotiation period with the Government of Cameroon, the Company was granted three exploration permits that comprise the Minim Martap Bauxite Project in Cameroon ("Minim Martap" or "the Project").

MINIM MARTAP PROJECT

The Minim Martap Project is a large scale bauxite deposit located in the Adamawa region of Cameroon, alongside Canyon's existing Birsok Bauxite Project. The Minim Martap Project encompasses two deposits, namely the Ngouandal and Minim Martap deposits, which are located within 25 km of each other. The total area of the permits is 1,349 km^2.

Figure 1: A typical bauxite plateau on the Minim Martap Project

The three exploration permits are valid for a three year period and contain a number of predefined work commitments that are consistent with the Company's development proposal for the Project.

Previous work completed by Canyon on the contiguous Birsok Project, sometimes sharing plateaux with the Minim Martap Project, has given the Company a strong understanding of the physical and geochemical characteristics of the

DIRECTORS' REPORT (CONTINUED)

local bauxite deposits. The bauxite is generally high alumina, low total and reactive silica, high gibbsite, low boehemite and low on other contaminants.

On the 4th September 2018 the Company announced a JORC (2004) compliant resource on the Minim Martap Project. The resource was subsequently updated on 20 September 2018 to be JORC (2012) compliant. The upgraded resource is:

Resource Class	Tonnes (million)	Total Al2O3 (average)	Total SiO2 (average)	Permit	No of Plateaux
Indicated	88	41.8%	1.3%	Ngaoundal	3
Inferred	466	46.2%	2.2%	Minim Martap	11
Total	550	45.5%	2.06%		14

Table 1: Minim Martap Project Resource Statement - previously published on 4 September 2018 as JORC 2004 compliant subsequently upgraded to JORC 2012 compliant on 20 September 2018

Canyon's initial reconnaissance and exploration on the Project highlighted the opportunity to substantially increase the size of the Minim Martap Project resource beyond the current JORC (2012) resource estimate.

Canyon commenced an initial air-core drilling campaign and exploration program on the Minim Martap Project in Cameroon in December 2018. The drilling program is targeting very high-grade bauxite plateaux the Company has identified across the Project tenements.

The drilling and reconnaissance exploration is focusing on upgrading the grade and scale of the previously published JORC 2012-compliant Minim Martap and Ngaoundal bauxite resource (Table 1). A detailed review of the Project area since being granted the Project has identified a substantially greater number of bauxite plateaux at a larger size than previously understood. All the newly identified bauxite plateaux are at a similar altitude and have the same characteristics as previously drilled plateaux on the Project.

Canyon is utilising its own air-core drilling rig and a team of experienced personnel to conduct the first phase of drilling in the North-West quadrant of the Minim Martap licence. The initial drill program targeted the previously drilled Beatrice, Agnes and Raymonde plateaux and the adjacent plateaux within the highly prospective North East/South West oriented high-grade bauxite plateau corridor. The first phase of drilling is on a 250 x 250 metre grid to infill previous drilling. Canyon has also twinned several holes from earlier drilling programs to verify historic assays.

Logging of the early drill holes on the Beatrice Plateau has suggested that the bauxite profile is significantly thicker than previously reported. Canyon is preparing one metre composite samples for submission to ALS for detailed geochemical analysis at its facilities in Johannesburg and in Loughrea, Ireland.

In addition to drilling, a team of local Cameroonian geologists are conducting initial reconnaissance exploration on previously untested bauxite plateau adjacent to the Beatrice, Agnes and Raymonde plateaux. These untested bauxite plateaux are within the high-grade bauxite plateaux corridor zone. This initial reconnaissance exploration has identified many new zones of bauxite with a high level of visible gibbsite. These new areas will be a high priority for future drilling and exploration.

The second phase of the exploration drilling program concentrates on a 500 x 250 metre grid and will make use of results from a high-resolution airborne LIDAR (light imaging, detection and ranging) survey data over the Project to delineate prospective plateaux within the high-grade corridor. Canyon will use this to identify high priority bauxite plateaux for future exploration drilling. The results from the LIDAR survey will also be utilised as part of Canyon's Pre-Feasibility and Environmental and Social Impact studies for the Project.

In November 2018, following detailed analysis of remote sensing imagery, the previous drilling and field mapping in the north-western and western part of the Minim Martap permit, Canyon was able to identify a very prospective high-grade bauxite trend with a distinct NE/SW-orientated lineation extending throughout the license area. (Figure 2).

DIRECTORS' REPORT (CONTINUED)

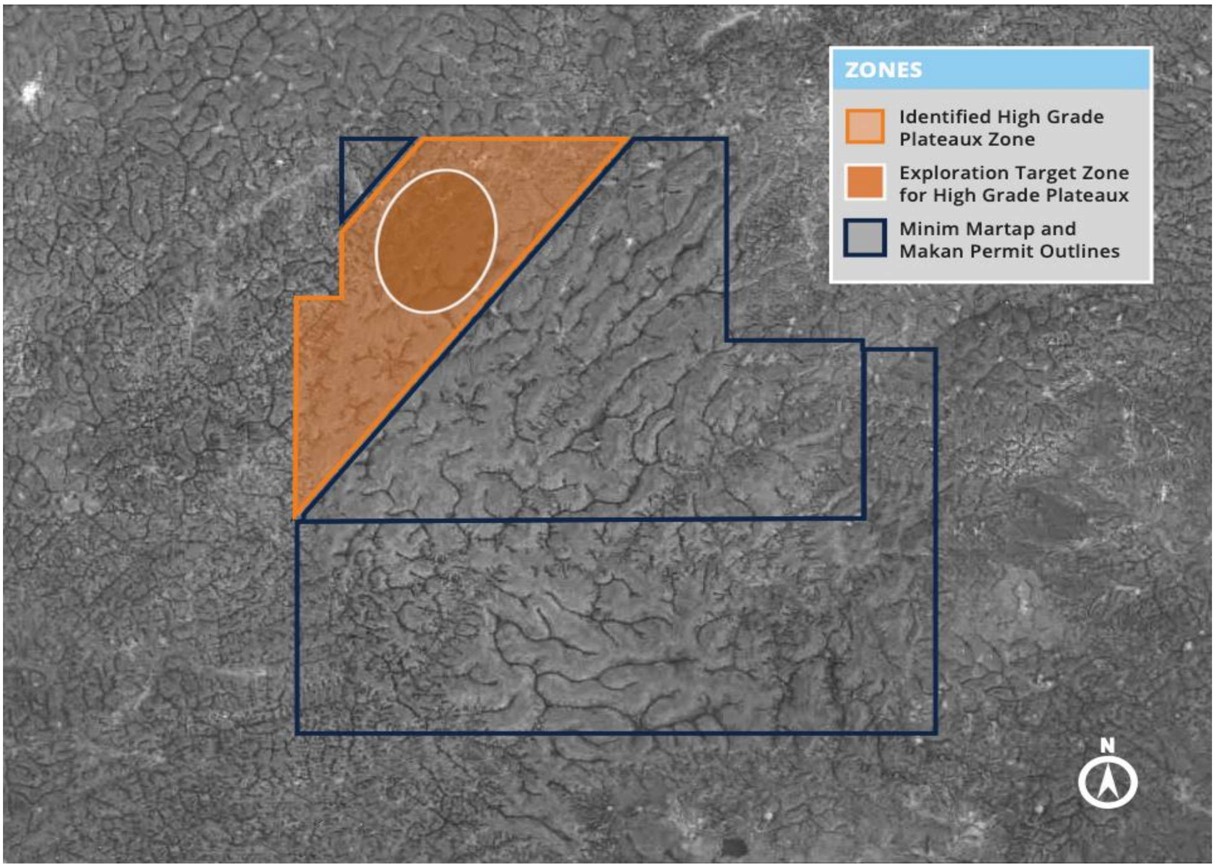

Figure 2: Minim Martap high-grade bauxite plateaux trend location

The high-grade plateaux follow a distinct lineation visible throughout the Minim Martap and Makan permits, extending into the southern area of the permits.

In November 2018 the Company released a high grade resource that is within the existing resource and is consistent with the identified high grade plateau trend (Table 2).

Plateau	Thickness	Al2O3	Fe2O3	SiO2	TiO2	Tonnes
Raymonde	9.1	49.2%	19.0%	2.1%	4.2%	73,537,378
Beatrice	7.3	50.8%	16.4%	2.7%	3.9%	37,093,601
Agnes	8.3	47.0%	22.1%	2.5%	3.6%	34,493,143
Total (W Av)		**49.09%**	**19.22%**	**2.35%**	**4.00%**	
Total (T)						**145,124,122**

Table 2: Minim Martap Very High-Grade Plateaux Resource JORC (2012)

Canyon will continue to drill and sample the Minim Martap Project while it progresses towards completing the PFS.

Birsok Bauxite Project Cameroon

On 12 October 2018, Canyon signed a Letter of Intent ("LoI") with Altus Strategies Plc (Altus), to transfer to Canyon a 100% interest in the Birsok and Mandoum licences (the "Birsok project") and to terminate its existing bauxite Joint Venture Agreement ("JVA") with Altus.

Under the terms of the LoI, which is subject to shareholder approval, Canyon will acquire a 100% interest in the Birsok project and consolidates its ownership of the bauxite plateaux in the region. The Birsok project is located in central Cameroon and is contiguous with exploration licences covering the Minim Martap Bauxite Project. (Figure 3)

DIRECTORS' REPORT (CONTINUED)

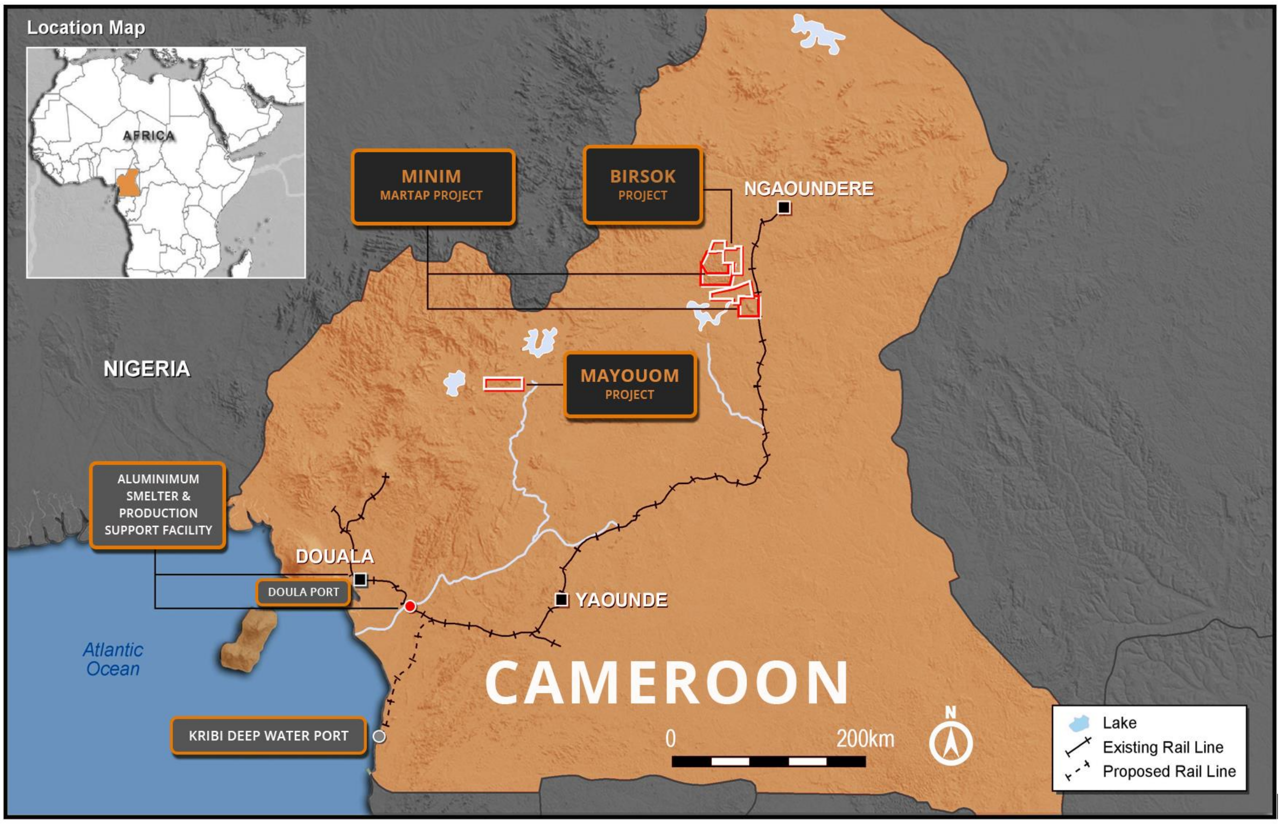

Figure 3: Location of Canyon's Minim Martap and Birsok Bauxite Projects and the Mayouom Kaolin Project in Cameroon

Terms of the Agreement

Part A: In lieu of the termination of the JVA, Canyon will issue to Altus:

- 15,000,000 ordinary free trading Canyon shares (the "Initial Issue shares")
- 10,000,000 ordinary Canyon shares, to be issued 12 months following the Initial Issue shares and subject to a 12 month voluntary escrow

Part B: In lieu of the transfer of the Birsok project:

- 5,000,000 ordinary Canyon shares, to be issued upon the execution of a mining convention on the Minim Martap project and subject to a 12 month voluntary escrow
- a US$1.50 per tonne royalty on ore mined and sold from the Birsok project

The issue of shares by Canyon to Altus is subject to final documentation, the termination of the JVA, the transfer of the Birsok project and any regulatory or other approvals as may be required.

The company continues to work with Altus to finalise the conditions precedent to the settlement of this acquisition.

Mayouom Project Cameroon

The Ndjimom permit ("Mayouom Project") was granted in early December 2017 and is located approximately 500km north east of the capital city, Yaounde. Canyon regards the granting of the kaolin and potential HPA project as a very low cost and opportunistic addition to the Company's project portfolio that is secondary to its focus on developing a large high grade bauxite project in Cameroon.

The assay results from samples collected from 3 pre-existing artisanal kaolin pits and from 3 shallow (1.5m deep) sample pits in January 2018 support the initial indication that a significant high grade Al_2O_3 resource occurs from surface within the kaolin deposit. The Al_2O_3 content varies by approximately 30% within the vertical profile and this can be attributed to the laterised upper horizon of the deposit and the sand-rich and sand-poor (vein) kaolin facies previously described at the site by Njoya *et al*. (2006) and Nkoumbou *et al*. (2009).

DIRECTORS' REPORT (CONTINUED)

Based on the nature of the preliminary sampling it is not possible to identify distinct grade trends but there is a suggestion that the Al_2O_3 content is lowest at the surface due to dilution from adjacent mylonite lithologies eroded and mobilised by colluvial and eluvial processes and the formation of a lateritic soil. The grade is generally highest between 1 to 2.5m below surface and decreases slightly with depth.

In early June 2018 a two week field mapping programme identified a number of additional artisanal kaolin pits which had been abandoned and areas of kaolin outcrop or distinct evidence of kaolinization along strike. As a result of these discoveries a significant amount of work (a seven week programme that was completed by the end of July) was put into improving the access road and bridges from Ndjimom into the Mayouom Valley. This not only allowed vehicles safer access to the deposit but was also designed to allow easy access should a future drill programme be approved.

Burkina Faso – Joint Venture with Acacia Mining plc

Canyon Resources entered into a joint venture with Acacia Mining plc (Acacia) in March 2015 on the Pinarello and Konkolikan Projects located on the Hounde greenstone belt in south western Burkina Faso.

Acacia has earned 75% of the Joint Venture now having spent the required $1,500,000 on exploration over two years since March 2015. Accordingly the Joint Venture has entered the contributory/dilution phase of the agreement and Canyon has elected not to contribute to the planned exploration programs over the next 12 months.

Canyon has postponed all work in Burkina Faso as a result of the security position in the north of the country. Canyon continues to monitor the position and will consider a review of the projects should the position improve.

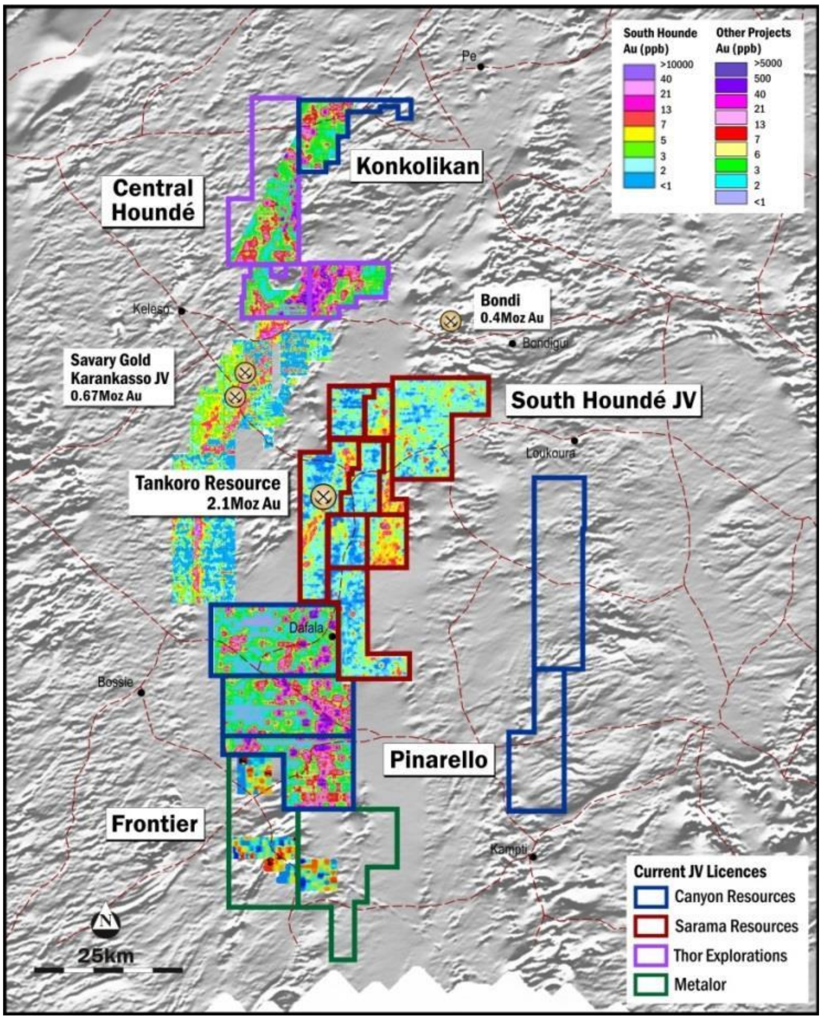

Figure 4:Acacia Mining holding on the Hounde belt in south west Burkina Faso. Canyon Resource JV permits are in blue.

DIRECTORS' REPORT (CONTINUED)

COMPETENT PERSON'S STATEMENT

The information in this document that relates to previous exploration results is based upon information from the report titled Minim Martap-Ngaoundal Bauxite Deposit Exploration Program and Resource Assessment by SRK Consulting (Australasia), September 2009 and available data compiled by Dr Alexander Shaw, Chief Geologist of Canyon Resources Ltd. Dr Shaw is a Member of the Australian Institute of Geoscientists (AIG) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Dr Shaw consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

FORWARD LOOKING STATEMENTS

All statements other than statements of historical fact included on this website including, without limitation, statements regarding future plans and objectives of Canyon, are forward-looking statements. When used in this announcement, forward-looking statements can be identified by words such as 'anticipate", "believe", "could", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of Canyon that could cause Canyon's actual results to differ materially from the results expressed or anticipated in these statements.

Canyon cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Canyon does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, except where required by applicable law and stock exchange listing requirements.

Corporate

On 21 August 2018 Canyon announced that it has received commitments from institutional and sophisticated investors to raise $5.0 million in a heavily oversubscribed placement.

As a result the Company issued 32,258,064 new shares at $0.155 per share under the Company's existing 7.1 placement capacity. The placement price represented an 8.3% discount to the 30-day volume weighted average price (VWAP) of $0.163 and a 16.9% discount to the 15 day VWAP of $0.181.

As part of this capital raising BW Securities Pty Ltd were issued an allocation of 5,000,000 options to acquire Canyon shares with an exercise price of $0.20 and an expiry of 36 months from the date of issue.

During the period 14 August 2018 and 30 September 2018 holders of the following Unlisted Options in the Company exercised their Options and were issued shares:

Options Converted	Conversion Price	Funds Raised	Shares Issued
4,635,417	$0.06	$278,125	4,635,417
7,000,000	$0.07	$490,000	7,000,000
13,000,000	$0.10	$1,300,0000	13,000,000

As a result the Company raised a further $2,068,125 before costs.

DIRECTORS' REPORT (CONTINUED)

At the AGM on 23 November 2018 shareholders approved the issue of a total of 18,000,000 Performance Rights in favour of the Director. These Rights are subject to the following vesting conditions:

(i) one third vest on delineating a further JORC 2012 compliant inferred (or greater) mineral resource of at least 100 MT of bauxite at 47% Al_2O_3 on Minim Martap Bauxite Project;

(ii) one third vest on the raising of at least a further $10,000,000 in support of the Minim Martap Bauxite Project; and

(iii) one third vest on participant remaining with the Company for a minimum of 12 months from the date of issue.

Vesting condition 1 was achieved on 16 November 2018.

Operating Result for the Period

The Group's operating loss for the half-year ended 31 December 2018 was $3,724,966 (half-year ended 31 December 2017: $1,576,269).

Review of Financial Condition

At 31 December 2018, the Group held $5,482,629 in cash and cash equivalents (30 June 2018: $2,261,663).

Significant Events Subsequent to Balance Date

The Company added Mr Steven Zaninovich to the Board on 30 January 2019. Mr Zaninovich is an experienced industry professional who has significant experience in Africa. Mr Zaninovich brings valuable skills to the Board and his experience will be invaluable as the Company moves its Minim Martap Project towards production.

The Company issued 6.0 million new shares and 12.0 million Performance Rights to the Directors of the Company on 31 January 2019. These securities were authorised by shareholders at the AGM on 23 November 2018.

The Company raised $1.20 million as a result of the issue of 10.0 million new shares to Parties who exercised 100% of the $0.12 Options expiring on 19 February 2019.

There have been no further matters or circumstances that have arisen since 31 December 2018 that significantly affected or may significantly affect:

- The Group's operations in future years; or
- The results of those operations in future years; or
- The Groups state of affairs in future years.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 8 and forms part of this Directors' Report for the half-year ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

Phillip Gallagher

Managing Director

Perth, 15 March 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Canyon Resources Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Buckley

Perth, Western Australia
15 March 2019

D I Buckley
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 $	31 December 2017 $
Interest received		25,720	6,655
Other income		-	4,688
Foreign exchange gain/(loss)		(8,943)	(2,284)
		16,777	**9,059**
Employee expenses		(418,008)	(114,877)
Consultants and contractors		(172,992)	(136,494)
Director fees		(350,634)	(170,957)
Legal and professional fees		(41,013)	(33,893)
Occupancy		(82,276)	(17,162)
Depreciation		(20,885)	(18,289)
Compliance and regulatory		(115,178)	(60,159)
Administration		(460,195)	(85,550)
Share-based payments		(2,078,761)	(328,884)
Interest expense		(1,801)	-
Project evaluation		-	(542,415)
Exploration expensed as incurred		-	(76,648)
Loss before income tax		**(3,724,966)**	**(1,576,269)**
Income tax expense		-	-
Net loss after tax		**(3,724,966)**	**(1,576,269)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Change in fair value of equity investments		(4,461)	12,747
Items that may be reclassified to profit or loss			
Movement in foreign exchange on translation		(64,878)	33,764
Total other comprehensive (loss)/income		**(69,339)**	**46,511**
Total comprehensive loss for the period		**(3,794,305)**	**(1,529,758)**
Basic/diluted loss per share (cents per share)		**(1.06)**	**(0.54)**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	31 December 2018 $	30 June 2018 $
Assets			
Current Assets			
Cash and cash equivalents		5,482,629	2,261,663
Trade and other receivables		11,383	6,825
Other current assets		381,231	53,445
Total Current Assets		5,875,243	2,321,933
Non-Current Assets			
Other financial assets	2	14,659	19,120
Property, plant and equipment		278,701	171,663
Deferred exploration expenditure	3	5,388,549	1,054,306
Total Non-Current Assets		5,681,909	1,245,089
Total Assets		11,557,152	3,567,022
Liabilities			
Current Liabilities			
Trade and other payables		482,592	204,262
Provisions		80,606	59,371
Total Current Liabilities		563,198	263,633
Total Liabilities		563,198	263,633
Net Assets		10,993,954	3,303,389
Equity			
Issued capital	4	38,910,451	29,353,851
Reserves		3,872,654	2,013,723
Accumulated losses		(31,789,151)	(28,034,185)
Total Equity		10,993,954	3,303,389

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Issued capital	Accumulated losses	Fair value Reserve	Foreign currency reserve	Share based payments reserve	Total Equity
	$	$	$	$	$	$
Balance at 1 July 2017	**26,508,395**	**(25,072,314)**	**400**	**221,627**	**1,454,199**	**3,112,307**
Loss for the period	-	(1,576,269)	-	-	-	(1,576,269)
Change in fair value equity investment	-	-	12,747	-	-	12,747
Movement in foreign exchange on translation	-	-	-	33,764	-	33,764
Total comprehensive loss for the period	**-**	**(1,576,269)**	**12,747**	**33,764**	**-**	**(1,529,758)**
Vested performance shares	280,800	-	-	-	(280,800)	-
Shares issued for cash	2,732,413	-	-	-	-	2,732,413
Share issue costs	(167,757)	-	-	-	-	(167,757)
Issue of performance shares	-	-	-	-	328,884	328,884
Balance at 31 December 2017	**29,353,851**	**(26,648,583)**	**13,147**	**255,391**	**1,502,283**	**4,476,089**
Balance at 1 July 2018	**29,353,851**	**(28,064,185)**	**9,641**	**270,832**	**1,733,250**	**3,303,389**
Loss for the period	-	(3,724,966)	-	-	-	(3,724,966)
Change in fair value of equity investment	-	-	(4,461)	-	-	(4,461)
Movement in foreign exchange on translation	-	-	-	(64,878)	-	(64,878)
Total comprehensive loss for the period	**-**	**(3,724,966)**	**(4,461)**	**(64,878)**	**-**	**(3,794,305)**
Share based payments	2,040,000	-	-	-	2,727,090	4,767,090
Shares issued for cash	7,068,125	-	-	-	-	7,068,125
Share issue costs	(350,345)	-	-	-	-	(350,345)
Conversion of performance shares	798,820	-	-	-	(798,820)	-
Balance at 31 December 2018	**38,910,451**	**(31,789,151)**	**5,180**	**205,954**	**3,661,520**	**10,993,954**

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The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	31 December 2018	31 December 2017
	$	**$**
Cash flows from operating activities		
Payments to suppliers and employees	(1,673,073)	(1,298,880)
Interest received	25,720	6,655
Net cash outflow from operating activities	(1,647,353)	(1,292,225)
Cash flows from investing activities		
Payments for exploration and evaluation	(1,701,065)	(76,648)
Payment for property, plant and equipment	(123,535)	(106,778)
Proceeds from sale of investments	-	7,210
Net cash outflow from investing activities	(1,824,600)	(176,216)
Cash flows from financing activities		
Shares issued for cash	7,068,125	2,732,413
Share issue costs	(350,345)	(167,757)
Net cash inflow from financing activities	6,717,780	2,564,656
Net increase/(decrease) in cash held	3,245,827	1,096,215
Cash and cash equivalents at the beginning of the period	2,261,663	2,216,172
Effect of foreign exchange on cash balances held	(24,861)	12,038
Cash and cash equivalents at the end of the period	5,482,629	3,324,425

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

These interim consolidated financial statements were authorized for issue on 14 March 2019.

The condensed consolidated financial statements are for the consolidated entity consisting of Canyon Resources Limited and its subsidiaries.

This condensed consolidated interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that the interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by Canyon Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The interim report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Going Concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The company has incurred a comprehensive loss for the period ended 31 December 2018 of $3,794,305 (2017: ($1,529,758)). As at 31 December 2018, the company's current assets exceeded its current liabilities by $5,312,045 (30 June 2018: current assets exceeded current liabilities by $2,058,300).

The ability of the consolidated entity to continue as a going concern is dependent on securing additional funding through capital raising. To address the future funding requirements of the consolidated entity the directors have undertaken the following initiatives:

- entered into discussions to secure additional equity funding from current or new shareholders;
- undertaken a programme to continue to monitor the consolidated entity's ongoing working capital requirements and minimum expenditure commitments; and
- continued their focus on maintaining an appropriate level of corporate overheads in line with the consolidated entity's available cash resources.

The directors are confident that they will be able to complete a capital raising that will provide the consolidated entity with sufficient funding to meet its minimum expenditure commitments and support its planned level of overhead expenditures, and therefore that it is appropriate to prepare the financial statements on the going concern basis.

However, in the event that the consolidated entity is not able to successfully complete the fundraising referred to above, material uncertainty would exist that may cause significant doubt as to whether the company and consolidated entity will continue as going concerns and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised Accounting Standards and Interpretations

In the half-year ended 31 December 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group’s operations and effective for annual reporting periods beginning on or after 1 July 2018. The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2018. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group’s business and, therefore, no material change necessary to Group accounting policies with the exception of the following.

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model.

Financial instruments are classified as either held at amortised cost or fair value.

Financial instruments are carried at amortised cost if the business model concept can be satisfied.

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI). Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss.

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative years. The equity investments held by the Company have ben designated as Fair Value through Other Comprehensive Income. The Company has elected not to change comparatives on transition of AASB 9.

AASB 16 Leases - replaces AASB 117 *Leases* and related interpretations effective from annual reporting periods beginning on or after 1 January 2019.

AASB 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Most leases will be capitalised on the statement of financial position by recognising a lease liability for the present value obligation and a ‘right of use’ asset. The right of use asset is calculated based on the lease liability plus initial direct costs, prepaid lease payments and estimated restoration costs less lease incentives received. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in the expense recognition with interest and depreciation replacing operating lease expense. There are exemptions for short-term leases and leases of low-value items.

As a result of this review the Directors have determined that AASB 16 Leases may have a material effect on the application in future periods.

Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2018.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim period other than exploration and evaluation expenditure whereby all exploration and evaluation costs incurred on the Minim Martap Project area of interest will be capitalised in accordance with AASB 6. These accounting policies are consistent with Australian Accounting Standards and with International Reporting Standards.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 2: OTHER FINANCIAL ASSETS

	6 months to 31 December 2018 $	Year to 30 June 2018 $
Financial assets carried at fair value through other comprehensive income:		
Listed shares – Level 1		
Shares in Rumble Resources Ltd at fair value at beginning of the period	19,120	12,400
Disposals	-	(2,521)
Changes in the fair value	(4,461)	9,241
Fair value at end of the period	14,659	19,120

The 318,670 shares were revalued at 31 December 2018 in line with the Group's accounting policy to their fair value. The directors have made an irrevocable election to account for the shares as at fair value through other comprehensive income as the investment will be held for the medium to long term.

NOTE 3: DEFERRED EXPLORATION EXPENDITURE

	6 months to 31 December 2018 $	Year to 30 June 2018 $
Balance at beginning of the period	1,054,306	1,024,926
Exploration and evaluation phase	1,631,726	-
Acquisition of tenements Minim Martap– at cost (see1 and 2 below)	2,688,329	-
Effect of movement in exchange rates on carrying value	14,188	29,380
Total	**5,388,549**	**1,054,306**

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas.

Shares Issued for the Acquisition of the Minim Martap Project

In August 2018 Canyon announced that it had been granted the licences for the Minim Martap Project.

The Company had engaged Mr Serge Asso'o to assist it in its negotiations with the Government and to navigate the many levels of Government involved in the acquisition. The Company agreed to pay Mr Asso'o a success fee comprised of Canyon shares upon the successful granting of the Project to Canyon and the satisfaction of a number of project related milestones:

Subject to shareholder approval, Mr Asso'o will be issued:

1. 30,000,000 ordinary Canyon shares following approval of grant of Minim Martap project from the Cameroon Government.
    - 50% of the shares will be voluntarily escrowed for 6 months after their issue.
2. 20,000,000 ordinary Canyon shares 12 months after the granting of permits.
    - 50% of the shares will be voluntarily escrowed for 6 months after their issue.
3. 20,000,000 ordinary Canyon shares upon the completion and execution of a final detailed Mining Convention with the Government of Cameroon for the mine and infrastructure related to the Minim Martap project. A final Mining Convention includes all rail, port, other infrastructure and land access agreements for the Project, all taxation agreements and other duties relating to the Project, commitments regarding local employment, environmental and community agreements and all other agreements with the Government of Cameroon that relate to the long term operation of the Project.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 3: DEFERRED EXPLORATION EXPENDITURE (Continued)

4. 30,000,000 ordinary Canyon shares following the issuing of a Mining Permit, the securing and confirmation of full mine funding and the Final Investment Decision by the Board to commence mine construction. A mining permit can only be issued by the Government of Cameroon upon the execution of the Mining Convention, a detailed Bankable Feasibility Study (BFS) being accepted by the Government and the securing of full funding for the mine construction.

After receiving shareholder approval, Canyon issued the first Tranche of Shares to Mr Asso's in December 2018. As a result the company recorded an amount of $2,040,000 as a cost of Acquisition of the Minim Martap Project being the fair value (market price) of the first tranche of shares (30,000,000) at the measurment date being 15 August 2017, the date the agreement was entered into. The second tranche is vesting 12 months from granting of the permits. As of balance date $648,329 has been recognised in relation to tranche 2. No amounts have ben recognised in relation to tranches 3 or 4. This will be reassessed by the directors as the Project progresses.

Acquisition of Birsok

On 12 October 2018 the Company Announced that it signed a Letter of Intent ("LoI") with Altus Strategies Plc (Altus), to transfer to Canyon a 100% interest in the Birsok and Mandoum licences (the "Birsok project") and to terminate its existing bauxite Joint Venture Agreement ("JVA") with Altus.

The Terms of LoI are:

Part A: In lieu of the termination of the JVA, Canyon will issue to Altus:

1. 15,000,000 ordinary free trading Canyon shares (the "Initial Issue shares");
2. 10,000,000 ordinary Canyon shares, to be issued 12 months following the Initial Issue shares and subject to a 12 month voluntary escrow.

Part B: In lieu of the transfer of the Birsok project:

1. 5,000,000 ordinary Canyon shares, to be issued upon the execution of a mining convention on the Minim Martap project and subject to a 12 month voluntary escrow;
2. a US$1.50 per tonne royalty on ore mined and sold from the Birsok project.

As at the Balance date settlement of the transaction has not been completed and as a result no value has been attributed to the transaction in these accounts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 4: ISSUED CAPITAL

	31 December 2018 $	30 June 2018 $
Ordinary shares		
Issued and fully paid	38,910,451	29,353,851

	6 months to 31 December 2018 No.	Year to 30 June 2018 No.	6 months to 31 December 2018 $	Year to 30 June 2018 $
Movements in ordinary shares on issue				
At beginning of period	315,382,988	269,842,773	29,353,851	26,508,395
- Shares issued for cash	32,258,064	-	5,000,000	-
- Conversion of performance shares	-	-	798,820	280,800
- Options converted to shares	24,635,417	45,540,215	2,068,125	2,732,413
'- Shares issued for exploration acquisition	30,000,000		2,040,000	
- Cost of share issues	-	-	(350,345)	(167,757)
At end of period	402,276,469	315,382,988	38,910,451	29,353,851

NOTE 5: SEGMENT REPORTING

The following table presents the profit & loss and assets & liabilities information by segment provided to the Board of Directors for the half-year periods ended 31 December 2018 and 31 December 2017.

	Project Generation (Africa) $	Unallocated (Corporate) $	Total $
31 December 2017			
Segment revenue and other income	-	9,059	9,059
Segment result	(646,652)	(929,617)	(1,576,269)
Segment assets	596,214	4,012,608	4,608,822
Segment liabilities	(137)	(132,596)	(132,733)
31 December 2018			
Segment revenue and other income	-	16,777	16,777
Segment result	(415,455)	(3,309,511)	(3,724,966)
Segment assets	5,388,549	6,168,603	11,557,152
Segment liabilities	(145)	(563,053)	(563,198)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 6: FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and liabilities.

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation technique(s) and key input(s) used).

	Fair value as at					
Financial assets/liabilities	**31 December 2018**	**30 June 2018**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable input(s) to fair value**
	$	**$**				
Equity investments designated as FVOCI	14,659	19,120	Level 1	Share price	None	None

There have been no transfers between the levels of the fair value hierarchy during the six months to 31 December 2018.

The methods and valuation used for the purpose of measuring the fair value are unchanged compared to the previous reporting period.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying value of the financial assets and financial liabilities are recognised in the consolidated financial statements approximate their fair values.

NOTE 7: COMMITMENTS

Commitments remain as those disclosed in the 30 June 2018 annual financial report.

NOTE 8: CONTINGENCIES

There has been no change in contingent liabilities since the 30 June 2018 annual financial report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 9: SHARE-BASED PAYMENTS

Performance Shares/Rights

On 25 November 2016 Shareholders approved a new employee incentive scheme titled the Canyon Long Term Incentive Plan.

Any future issues of Plan Securities to a related party or a person whose relation with the company or the related party is, in the ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

8,000,000 Director Performance Shares were approved on 25 November 2016 to Messrs David Netherway, Phillip Gallagher and Emmanuel Correia and a further 3,000,000 Employee Performance Shares were issued under the Canyon Long Term Incentive Plan on 30 May 2017.

At balance date all the vesting conditions have been met and the final balance of the value of these Performance Shares in the amount of $82,970 has been expensed as share-based payments in the statement comprehensive income for the period.

The Performance Shares have been issued for nil cash consideration as fully paid ordinary shares in the capital of the Company issued on the terms and conditions under the Canyon Long Term Incentive Plan.

On 23 November 2018, 18,000,000 Director Performance Rights were approved by shareholders for the benefit of Messrs David Netherway, Phillip Gallagher and Emmanuel Correia.

The Performance Rights will be issued subject to the following vesting conditions and otherwise on the terms set in the Company's Long Term Incentive Plan:

- one third vest on delineating a further JORC 2012 compliant inferred (or greater) mineral resource of at least 100 MT of bauxite at 47% Al_2O_3 on Minim Martap Bauxite Project;
- one third vest on the raising of at least a further $10,000,000 in support of the Minim Martap Bauxite Project; and
- one third vest on participant remaining with the Company for a minimum of 12 months from the date of issue.

At balance date the Directors have assessed that it is probable that the vesting conditions will be met and $1,513,323 has been expensed as share-based payments in relation to these Rights in the statement of comprehensive income for the period. The performance rights were valued at 22.6 cents per Right on the grant date being the date of the Company's AGM.

Options

On 21 August 2018 Canyon announced the appointment of BW Equities Pty Ltd (BW) as the Company's corporate advisors. BW were appointed to an initial 12 month term to assist the Company with capital requirements, strategy and market communications. BW received a monthly retainer of $5,000 per month for corporate advisory services and were issued an allocation of 5,000,000 options to acquire Canyon shares with an exercise price of $0.20 and an expiry of 36 months from the date of issue.

A Black and Scholes valuation was performed and $482,468 has been recognised in the profit and loss as a share-based payment.

NOTE 10: EVENTS SUBSEQUENT TO BALANCE DATE

The Company added Mr Steven Zaninovich to the Board on 30 January 2019. Mr Zaninovich is an experienced industry professional who has significant experience in Africa. Mr Zaninovich brings valuable skills to the Board and his experience will be invaluable as the Company moves its Minim Martap Project towards production.

The Company issued 6.0 million new shares and 12.0 Performance Rights to the Directors of the Company on 31 January 2019. These securities were authorised by shareholders at the AGM on 23 November 2018.

The Company raised $1.20 million as a result of the issue of 10.0 million new shares to Parties who exercised 100% of the $0.12 Options expiring on 19 February 2019.

There have been no further matters or circumstances that have arisen since 31 December 2018 that significantly affected or may significantly affect:

- The Group's operations in future years; or
- The results of those operations in future years; or
- The Groups state of affairs in future years.

NOTE 11: RELATED PARTIES

For details of share-based payments to Directors refer to note 9. Other arrangements continue to be in place.

For details of these arrangements, refer to the 30 June 2018 annual report.

DIRECTORS' DECLARATION

In the opinion of the directors:

1 the financial statements and notes set out on pages 7 to 16 are in accordance with the *Corporations Act 2001*, including:

(a) complying with Accounting Standards, AASB 134 *"Interim Financial Reporting*" the Corporations Regulations 2001 and other mandatory professional reporting requirements: and

(b) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

2 there are reasonable grounds to believe that Canyon Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Phillip Gallagher
Managing Director

Perth, 15 March 2019

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Canyon Resources Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Canyon Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Canyon Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1 in the interim financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

D I Buckley
Partner

Perth, Western Australia
15 March 2019