

29 January 2016

## **ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2015**

### **HIGHLIGHTS:**

- ☛ **A focus on determining the optimal logistical and commercial solution for exporting bauxite from Cameroon.**
- ☛ **Meetings with senior members of the Cameroon Government to present Canyon's plans for the development of a bauxite project in Cameroon.**
- ☛ **Site visit to new Kribi Deep Water Port confirms the suitability of the port facility for direct ship loading of commercial quantities of bauxite for ships up to Capesize bulk carrier vessels.**
- ☛ **Leading consultants are working with Canyon to provide bauxite marketing, market intelligence, legal, mining, logistical, port and rail expertise to advance development.**
- ☛ **\$1,000,000 capital raising completed during the quarter**

The Directors of **Canyon Resources Ltd** (ASX: CAY) are pleased to report on the Company's activities for the quarter ending 31 December 2015.

Canyon Resources ("Canyon" or the "Company") has focussed work in Cameroon on gaining a more detailed understanding of the logistical solutions in Cameroon for the export of bauxite, in particular the newly built Kribi Deep Sea Port. The Company's effort is to develop an optimal logistical solution utilising the existing infrastructure in the country. The additional work completed throughout the quarter, supported by previously completed studies, continues to give the Company confidence that a realistic and commercially viable bauxite logistical solution is achievable utilising the existing rail line and the newly built Kribi deep water port.

Canyon has made a concerted effort to engage with senior decision makers within the Government of Cameroon to present the Company's plans for the development of a bauxite project in the Country. To this end, the Company has engaged a local consultant who is assisting with the Government engagement program. The Company has been very pleased and appreciative of the availability and positivity that has been forwarded to it by some very senior Government representatives.

Canyon continues to assess and review advanced project opportunities in Cameroon that are consistent with Company's strategy of developing a profitable mining operation utilising existing infrastructure in the country.

## Kribi Deep Sea Port

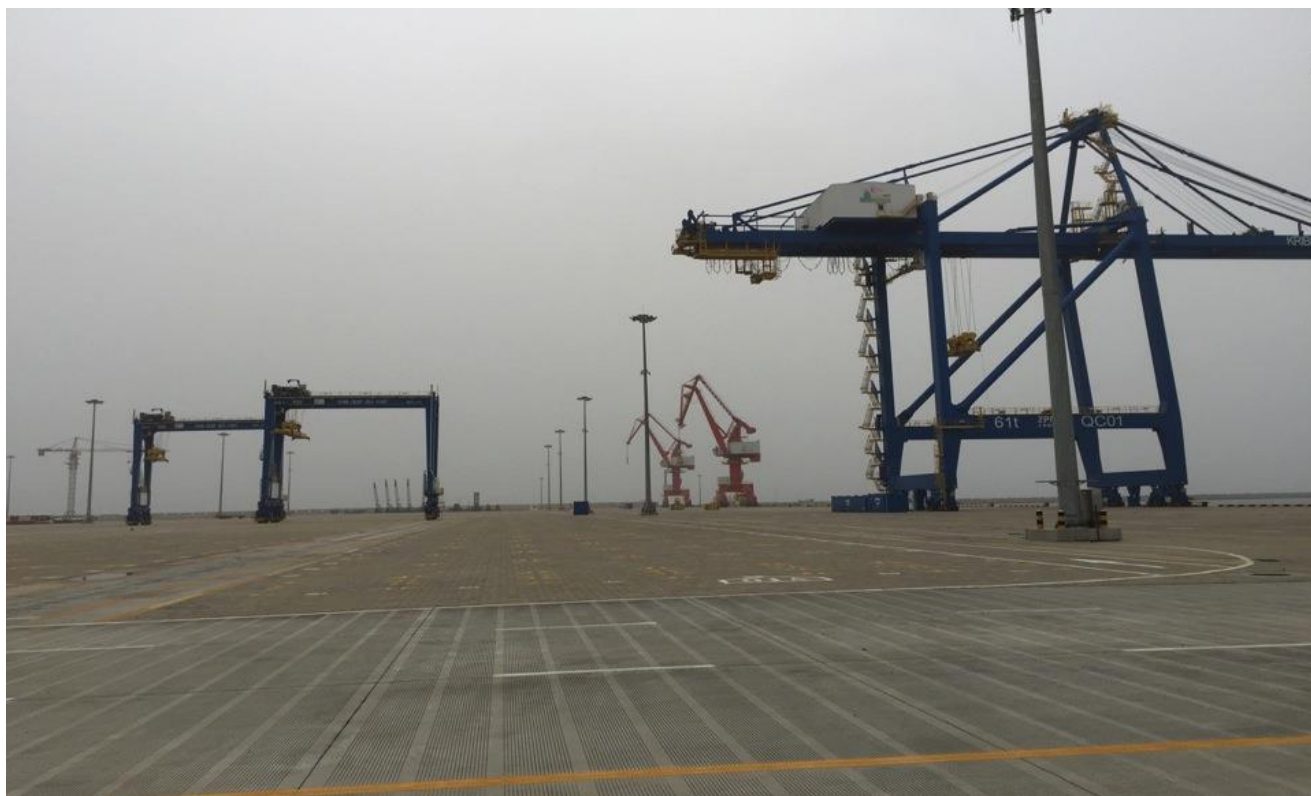
In December 2015 Canyon completed a site visit to the Kribi Deep Sea Port (**Kribi Port**) in southern Cameroon. The Kribi Port is a newly constructed deep sea port with wharf side berthing depths of 16m-18m, which is suitable for the berthing and loading of post Panamax and some Capesize bulk carrier vessels. The construction of Stage 1 of the Kribi Port development has been completed and the construction of highway to access the Port is underway. Canyon has been informed by the Government of Cameroon that the feasibility study to extend the existing Camrail rail line in the north to the Kribi Port is underway.



*Figure 1: The wharf and ship berthing area of the Kribi Deep Sea Port*

The initial port visit has shown that the Kribi Port is suitable for the direct ship loading of DSO bauxite onto potentially Capesize bulk carrier vessels and there is vacant land in the immediate area surrounding the Port that may be available for the stockpiling of bauxite.

Having access to a new Port with deep water capabilities opens up the potential of markets in the Atlantic Basin, Middle East, India and China for the export of bauxite. This could put the Cameroon bauxite industry in a unique position compared to most bauxite projects in West Africa of being able to direct ship load large vessels without the need for significant capital expenditure on this infrastructure.



***Figure 2: Container storage area and cranes at the Kribi Deep Sea Port***

## **Bauxite Market**

Despite recent media reports regarding a bauxite glut, the Company remains of the view that there is a deficit of high grade low silica gibbsitic bauxite of the type found on the Birsok Project and that this shortage of high grade bauxite will increase over the next few years.

Market forecasts show that as the grade in existing bauxite deposits that supply vertically integrated refineries around the world declines, there will be increased demand for DSO grade bauxite sourced from non traditional markets, in particular bauxite with low reactive silica levels. Canyon believes that the Birsok Project, with the high grades of bauxite found in previous exploration, along with the access to port and rail infrastructure, is well positioned to take advantage of this expected demand.

## **Burkina Faso**

During the last quarter, Acacia Mining PLC informed Canyon of a Force Majeure event for the Pinarello/Konkolikan joint venture in Burkina Faso due to political unrest resulting from a military coup. Since this event, there was a terrorist incident at a hotel in Ouagadougou in January 2016. The Company continues to monitor the political and social situation in Burkina Faso.

## **Corporate**

On the 16<sup>th</sup> October the Company announced the completion of a raising of \$1 million. The raising was completed in two tranches, Tranche 1 being a share placement at \$0.05 per share with 1 attaching unlisted option for every 2 shares issued. The options are exercisable at 6 cents each and expire 29 September 2017.

Tranche 2 was completed via of placement of 10,000,000 convertible notes (Note/s) at an issue price of 5 cents per Note with 1 free attaching option for every 2 Notes issued. The Notes are unsecured, with a 0% interest/coupon rate. The Notes are convertible at a conversion price of 5 cents 12 months from the date of issue. If after 1 May 2016, the Company's share price is below 5 cents, the conversion price will be reduced to a 15% discount to the previous 30 day VWAP at the time of conversion.

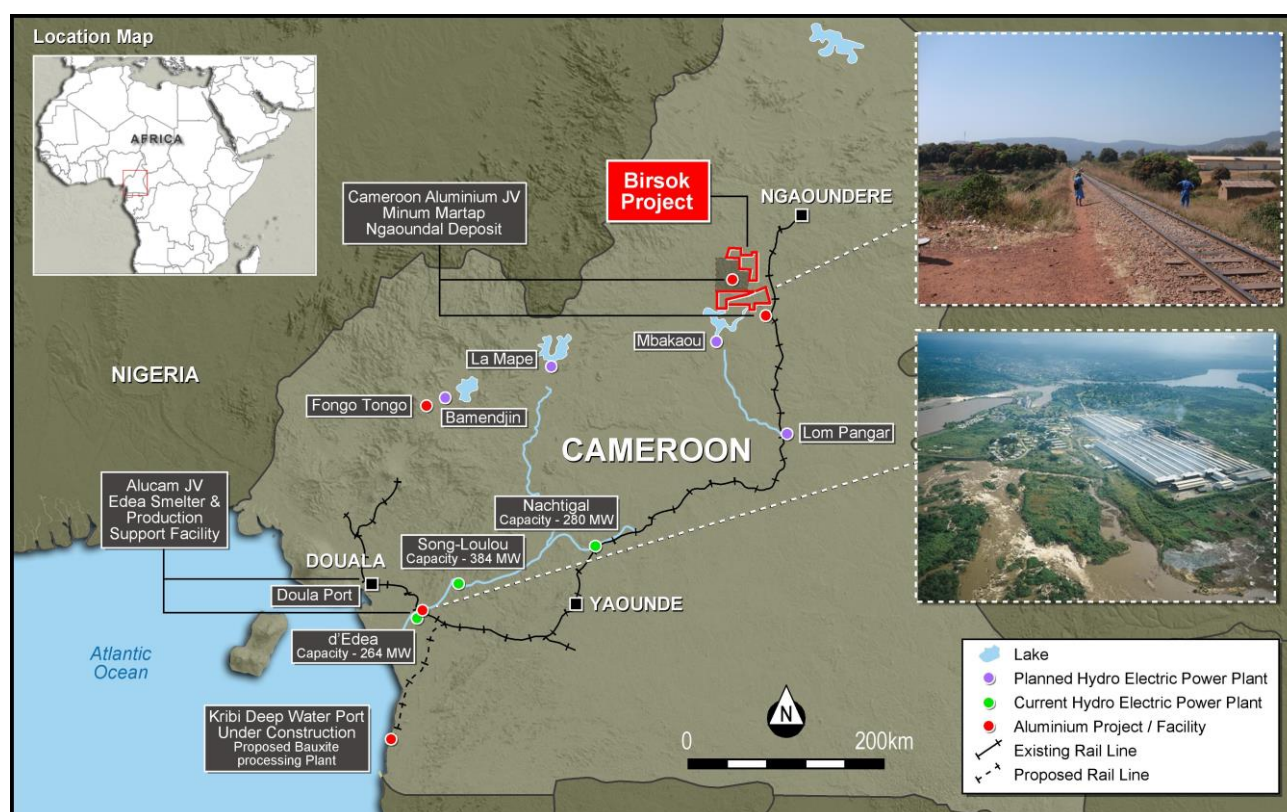
The Notes can be converted at any time before the end of the 12 month period. The options are unlisted, exercisable at 6 cents each and expire 29 September 2017. The placement was managed by Capital Investment Partners Limited.

### About Canyon Resources Limited

In 2013, Canyon announced a farm-in transaction to acquire up to 75% of the Birsok Bauxite Project in Cameroon, which is considered highly prospective for high grade DSO bauxite. The Birsok Bauxite Project is strategically located in an emerging bauxite region of Cameroon (Figure 3), contiguous with the world class Minim Martap bauxite deposit and approximately 10km from an operating rail line.

Canyon conducted an inaugural drilling program in 2014 which returned high grade, low impurity bauxite mineralisation over the key plateaux tested, with multiple intersections of  $>50\%$   $\text{Al}_2\text{O}_3$ . Canyon also commenced some early broad based laboratory testing of a selection of the drill samples to determine the suitability of the bauxite. Results on the priority plateaux were encouraging with good available  $\text{Al}_2\text{O}_3$  and low reactive silica.

In addition to the bauxite assets, Canyon has an established portfolio of highly prospective mineral exploration projects in Burkina Faso, which cover an area of approximately 2,400km<sup>2</sup> over 13 permits in the Birimian greenstone belts of the West African craton.



**Figure 3: Location of Canyon's Birsok Bauxite Project, Cameroon, West Africa**

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The information in this report that relates to exploration results is based on information compiled by Mr Roger Speers, an employee of the Company and a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Speers has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The exploration results are available on the Company website [www.canyonresources.com.au](http://www.canyonresources.com.au). The Company confirms it is not aware of any new information that materially affects the information included in the original announcement. The Company confirms that the form and context in which the Competent Person's findings are present, have not been materially modified from the original announcements. Mr Speers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## Canyon Resources Limited – Interest in Mineral Properties

Permits	Location	Interest at 30 September 2015	Interest at 31 December 2015
<b><u>Taparko North Project</u></b>			
<b>Karga 2</b>	Burkina Faso	Own 100%	Own 100%
<b>Bani</b>	Burkina Faso		
<b>Diobou</b>	Burkina Faso		
<b>Tigou</b>	Burkina Faso	Rights to 100%	Rights to 100%
<b><u>Tao Project</u></b>			
<b>Tao</b>	Burkina Faso	Own 100%	Own 100%
<b><u>Pinarello Project</u></b>			
<b>Sokrani</b>	Burkina Faso	Agreement to acquire 49% (sale of 51% to Acacia Mining plc)	Agreement to acquire 49% (sale of 51% to Acacia Mining plc)
<b>Niofera</b>	Burkina Faso		
<b>Baiera</b>	Burkina Faso		
<b>Sokrani 2</b>	Burkina Faso		
<b>Soukoura 2</b>	Burkina Faso		
<b><u>Konkolikan Project</u></b>			
<b>Konkolikan</b>	Burkina Faso	Agreement to acquire 49% (sale of 51% to Acacia Mining plc)	Agreement to acquire 49% (sale of 51% to Acacia Mining plc)
<b><u>Derosa Project</u></b>			
<b>Bompela</b>	Burkina Faso	15% interest in joint venture with Rumble Resources Ltd	15% interest in joint venture with Rumble Resources Ltd
<b>Sapala</b>	Burkina Faso		
<b><u>Birsok Bauxite Project</u></b>			
<b>Birsok</b>	Cameroon	Agreement to earn up to 75%.	Agreement to earn up to 75%.
<b>Mandoum</b>	Cameroon		
<b>Mambal (application)</b>	Cameroon	Agreement to earn up to 75%.	Agreement to earn up to 75%.