



**Canyon Resources Limited**

ABN 13 140 087 261

**Interim Financial Report  
31 December 2015**

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## **CORPORATE INFORMATION**

### **Canyon Resources Limited**

ABN 13 140 087 261

#### **Directors**

Rhoderick Grivas

Phillip Gallagher

David Netherway

#### **Company Secretary**

Phillip MacLeod

#### **Registered office**

108 Forrest Street

Cottesloe, Western Australia 6011

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#### **Principal place of business**

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Fax: +61 8 9324 1502

Web: [www.canyonresources.com.au](http://www.canyonresources.com.au)

### **Share Register**

Computershare Limited

Level 11, 172 St Georges Terrace

Perth WA 6000

Tel: +61 8 9323 2000

Fax: +61 8 9323 2033

Web: [computershare.com.au](http://computershare.com.au)

### **Solicitors**

Steinepreis Paganin

Level 4, 16 Milligan Street

Perth WA 6000

### **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 2015 (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.

Rhoderick Grivas	Chairman
Phillip Gallagher	Managing Director
David Netherway	Non-executive Director

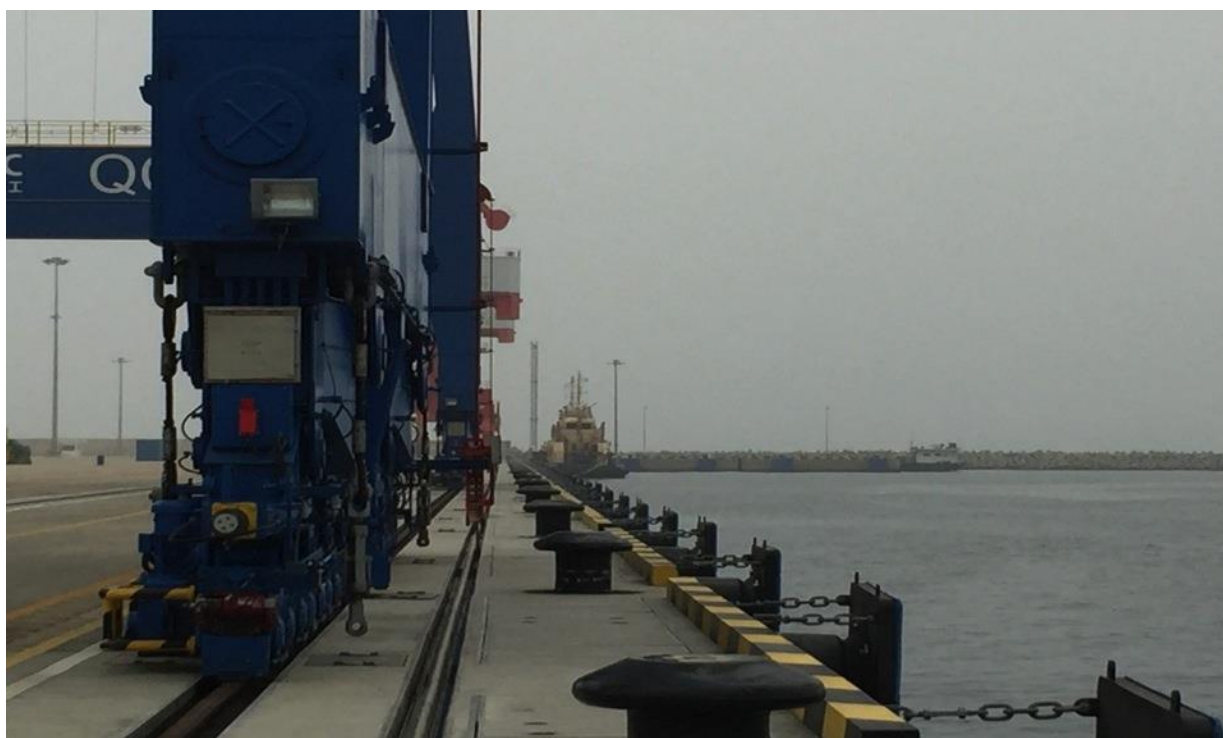
### Review of Operations

Canyon Resources has continued to advance the development of the Birsok Bauxite Project in Cameroon with a focus 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 and the Camrail rail line.

During the period, Canyon engaged external expertise in both Australia and Cameroon on legal issues, bauxite mining, rail and port solutions, the bauxite market and bauxite marketing. The results from this work 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 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 industry in the country. To this end, the Company engaged a local consulting group who is assisting with the Government engagement program.

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



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

## DIRECTORS' REPORT (CONTINUED)

In December 2015, Canyon management completed a site visit to the newly constructed Kribi Deep Water Port in south western Cameroon. The visit has shown that the Kribi Port is suitable for the berthing and direct loading of DSO bauxite onto post Panamax and some Capesize bulk carrier vessels. There is also vacant land in the immediate area surrounding the Port that may be available for the stockpiling of bauxite.

Canyon has been informed by the Government of Cameroon that the feasibility study to extend the existing Camrail rail line from Edea to the Kribi Port is underway. 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 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**

### About the Birsok Project

The Birsok Bauxite Project is located in central Cameroon and is contiguous to the world class high grade Minim Martap bauxite deposit. The Project is comprised of two permits over 1,462km<sup>2</sup> and a permit under application for an additional 315km<sup>2</sup>.

The Project area is strategically located approximately 10km from the operational rail line that runs from the Project area to the existing Doula Port.

Results from drilling previously completed on the Birsok Project confirmed the existence of very high available alumina (AvAl) of up to 53.5% with <1% reactive silica (Rx.SiO<sub>2</sub>) (Djombi Prospect - BRRC130 1-2m)<sup>1</sup>. The results from the test work are highly encouraging and confirm the high grade alumina and low silica impurity content from the bauxite on the main high grade plateau targets that is suitable for DSO (Direct Shipping Ore) export.

### Burkina Faso

On 16 September 2015, Acacia Mining PLC informed Canyon of a Force Majeure event 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.

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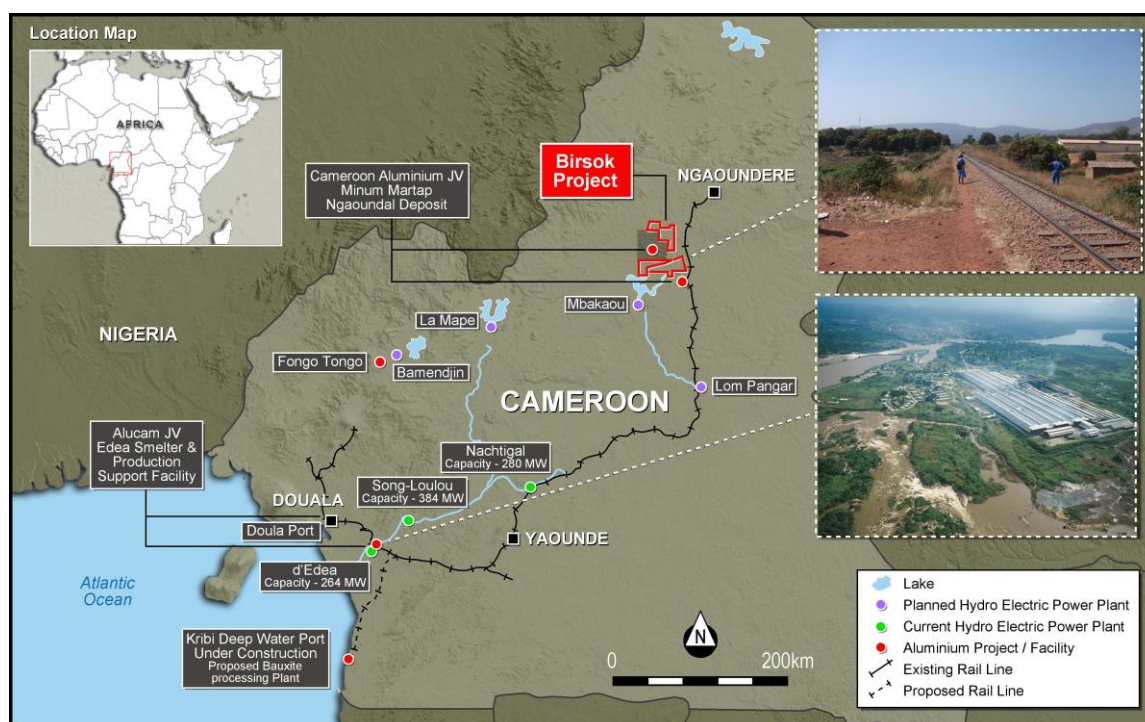
<sup>1</sup> Further details provided in ASX announcement dated 11 November 2014

## DIRECTORS' REPORT (CONTINUED)

### Corporate

During October 2015, the Company announced the completion of a raising of \$1 million. The raising was completed in two tranches, Tranche 1 being a placement at \$0.05 per share with one attaching unlisted option for every two shares issued. The options are exercisable at 6 cents each and expire 29 September 2017.

Tranche 2 was completed with the issue of 10,000,000 convertible notes (Note/s) at an issue price of 5 cents per Note with one free attaching option for every two 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 Notes are transferable. The options are unlisted, exercisable at 6 cents each and expire 29 September 2017 (Note 10).



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

### Competent Person's Statement

*The information in this report that relates to exploration results is based on information compiled by Mr Rhod Grivas, an employee of the Company and a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Grivas 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 Grivas consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

### Operating Result for the Period

The Group's operating loss for the half-year ended 31 December 2015 was \$1,025,349 (half-year ended 31 December 2014: \$1,162,510).

### Review of Financial Condition

At 31 December 2015, the Group held \$967,520 in cash and cash equivalents (30 June 2015: \$650,271).

## **DIRECTORS' REPORT (CONTINUED)**

### **Significant Events Subsequent to Balance Date**

Subsequent to the balance date, 14,106,130 listed options (CAYO) and 3,000,000 unlisted options expiring on 29 February 2016 lapsed unexercised, both series of options had an exercise price of \$0.16 each.

On 23 February 2016, the Company issued:

- 5,000,000 unlisted options exercisable at 6 cents each at a price of 0.1 cents each; and
- 10,000,000 unlisted options exercisable at 10 cents each at a price of 0.05 cents each.

The options have an expiry date of 30 September 2018.

On 11 March 2016, the Company announced a placement of up to 14 million shares and 14 million free attaching options to raise up to \$700,000. The shares are to be issued at a price of 5 cents each. The options are unlisted with an exercise price of 6 cents expiring 29 September 2017. Up to a further 7 million of the same series of options are to be issued to the Lead Manager of the placement.

Other than these matters, there have been no matters or circumstances that have arisen since 31 December 2015 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 5 and forms part of this Directors' Report for the half-year ended 31 December 2015.

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 2016





Accountants | Business and Financial Advisers

## 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 2015, 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.

Perth, Western Australia  
15 March 2016

A handwritten signature in blue ink, appearing to read 'D I Buckley', with a stylized flourish at the end.

**D I Buckley**  
Partner



**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Note	31 December 2015 \$	31 December 2014 \$
Interest received		3,730	7,513
Sundry income		9,534	29,882
		<b>13,264</b>	<b>37,395</b>
Employee expenses		(27,375)	(16,676)
Consultants and contractors		(144,137)	(96,842)
Director fees		(142,693)	(172,801)
Legal and professional fees		(156,483)	(20,281)
Occupancy		(8,105)	(9,510)
Depreciation		(21,058)	(11,573)
Compliance and regulatory		(29,520)	(22,769)
Administration		(121,503)	(81,650)
Share-based payments		(208,572)	-
Interest expense		(4,347)	-
Impairment of financial assets	2	(8,000)	(28,492)
Impairment of exploration assets	3	-	(461,347)
Exploration expensed as incurred		(166,820)	(277,964)
<b>Loss before income tax</b>		<b>(1,025,349)</b>	<b>(1,162,510)</b>
Income tax expense		-	-
<b>Net loss after tax</b>		<b>(1,025,349)</b>	<b>(1,162,510)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Transfer from available-for-sale reserve to profit and loss		-	28,492
Transfer to profit and loss on sale of available-for-sale financial assets		-	(28,740)
<i>Items that may be reclassified to profit or loss</i>			
Change in fair value of available-for-sale financial assets		(11,200)	(23,024)
Movement in foreign exchange on translation		5,656	37,511
Total other comprehensive (loss)/income		<b>(5,544)</b>	<b>14,239</b>
<b>Total comprehensive loss for the period</b>		<b>(1,030,893)</b>	<b>(1,148,271)</b>
Basic/diluted loss per share (cents per share)		<b>(0.70)</b>	<b>(1.09)</b>

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2015**

	Notes	31 December 2015 \$	30 June 2015 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		967,520	650,271
Trade and other receivables		49,026	35,883
Other current assets		26,344	41,033
<b>Total Current Assets</b>		<b>1,042,890</b>	<b>727,187</b>
<b>Non-Current Assets</b>			
Other financial assets	2	4,000	23,200
Property, plant and equipment		181,623	197,153
Deferred exploration expenditure	3	3,186,929	3,186,349
<b>Total Non-Current Assets</b>		<b>3,372,552</b>	<b>3,406,702</b>
<b>Total Assets</b>		<b>4,415,442</b>	<b>4,133,889</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		451,555	527,174
Convertible notes		458,892	-
<b>Total Current Liabilities</b>		<b>910,447</b>	<b>527,174</b>
<b>Total Liabilities</b>		<b>910,447</b>	<b>527,174</b>
<b>Net Assets</b>		<b>3,504,995</b>	<b>3,606,715</b>
<b>Equity</b>			
Issued capital	4	20,624,620	19,949,474
Reserves		1,020,669	772,186
Accumulated losses		(18,140,294)	(17,114,945)
<b>Total Equity</b>		<b>3,504,995</b>	<b>3,606,715</b>

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Issued capital	Accumulated losses	Convertible note reserve	Available- for-sale reserve	Foreign currency reserve	Option reserve	Total Equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	<b>18,770,707</b>	<b>(12,778,142)</b>	-	<b>23,272</b>	<b>247,241</b>	<b>368,095</b>	<b>6,631,173</b>
Loss for the period	-	(1,162,510)	-	-	-	-	(1,162,510)
Transfer to profit and loss from available-for-sale reserve	-	-	-	28,492	-	-	28,492
Transfer to profit and loss on sale of available-for-sale financial assets	-	-	-	(28,740)	-	-	(28,740)
Change in fair value of available-for- sale financial assets	-	-	-	(23,024)	-	-	(23,024)
Movement in foreign exchange on translation	-	-	-	-	37,511	-	37,511
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(1,162,510)</b>	<b>-</b>	<b>(23,272)</b>	<b>37,511</b>	<b>-</b>	<b>(1,148,271)</b>
Shares issued to acquire exploration asset	400,000	-	-	-	-	-	400,000
Shares issued for cash	470,000	-	-	-	-	-	470,000
Share issue costs	(38,564)	-	-	-	-	-	(38,564)
<b>Balance at 31 December 2014</b>	<b>19,602,143</b>	<b>(13,940,652)</b>	<b>-</b>	<b>-</b>	<b>284,752</b>	<b>368,095</b>	<b>6,3314,338</b>
<b>Balance at 1 July 2015</b>	<b>19,949,474</b>	<b>(17,114,945)</b>	<b>-</b>	<b>11,200</b>	<b>257,002</b>	<b>503,984</b>	<b>3,606,715</b>
Loss for the period	-	(1,025,349)	-	-	-	-	(1,025,349)
Movement in foreign exchange on translation	-	-	-	-	5,656	-	5,656
Change in fair value of available-for- sale financial assets	-	-	-	(11,200)	-	-	(11,200)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(1,025,349)</b>	<b>-</b>	<b>(11,200)</b>	<b>5,656</b>	<b>-</b>	<b>(1,030,893)</b>
Shares issued for cash	760,000	-	-	-	-	-	760,000
Share issue costs	(84,854)	-	-	-	-	-	(84,854)
Convertible notes issued	-	-	45,455	-	-	-	45,455
Share-based payments	-	-	-	-	-	208,572	208,572
<b>Balance at 31 December 2015</b>	<b>20,624,620</b>	<b>(18,140,294)</b>	<b>45,455</b>	<b>-</b>	<b>262,658</b>	<b>712,556</b>	<b>3,504,995</b>

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	31 December 2015	31 December 2014
	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(666,522)	(421,950)
Interest paid	-	(51)
Interest received	3,730	8,301
Net cash outflow from operating activities	(662,792)	(413,700)
<b>Cash flows from investing activities</b>		
Proceeds from sale of available-for-sale financial assets	-	48,726
Payments for exploration and evaluation	(204,187)	(368,064)
Proceeds from sale of plant and equipment	-	40,310
Net cash outflow from investing activities	(204,187)	(279,028)
<b>Cash flows from financing activities</b>		
Shares issued for cash	760,000	470,000
Share issue costs	(84,854)	(38,564)
Convertible notes issued for cash	500,000	-
Net cash inflow from financing activities	1,175,146	431,436
Net increase/(decrease) in cash held	308,167	(261,292)
Cash and cash equivalents at the beginning of the period	650,271	1,013,900
Effect of foreign exchange on cash balances held	9,082	1,358
<b>Cash and cash equivalents at the end of the period</b>	<b>967,520</b>	<b>753,966</b>

The accompanying notes form part of these financial statements

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

### **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'.

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 2015 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.

#### **Adoption of new and revised Accounting Standards and Interpretations**

In the half-year ended 31 December 2015, 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 2015. 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 2015. 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 change necessary to Group accounting policies.

#### **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 2015.

#### **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. 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 2015

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

#### Going Concern

The financial statements are prepared on a going concern basis.

At the balance date, the Group had an excess of current assets over current liabilities of \$132,443 (30 June 2015: \$200,013). Notwithstanding this positive working capital position, the Group has forecast that it will need to seek additional funding in the coming year in order to meet its planned exploration expenditure for the next twelve months from the date of signing this financial report. These arrangements may include a capital raising or entering into a sale or joint venture of assets. This need may be adversely impacted by uncertain market conditions, approval by regulatory bodies or by adverse results from exploration activity. As a result of these conditions there exists a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

### NOTE 2: OTHER FINANCIAL ASSETS

	6 months to 31 December 2015	Year to 30 June 2015
	\$	\$
Available-for-sale financial assets carried at fair value:		
<i>Listed shares</i>		
Shares in Rumble Resources Ltd at cost	23,200	54,250
Impairment	(8,000)	(28,492)
Additions	-	94,000
Disposals	-	(84,486)
Reversal of available-for-sale reserve	(11,200)	(12,072)
	4,000	23,200

The remaining 400,000 shares were revalued at 31 December 2015 in line with the Group's accounting policy to their fair value thus incurring an impairment charge of \$8,000.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

## NOTE 3: DEFERRED EXPLORATION EXPENDITURE

	6 months to 31 December 2015 \$	Year to 30 June 2015 \$
Exploration and evaluation phase		
Acquisition of tenements – at cost		
Balance at beginning of the period	3,186,349	5,634,641
Purchase of tenements – cash	-	552,597
Purchase of tenements – shares	-	400,000
Consideration from sale of interests in permits – cash received	-	(510,465)
Consideration from sale of interests in permits – shares	-	(94,000)
Impairment of exploration assets	-	(2,799,571)
Effect of movement in exchange rates on carrying value	(580)	3,147
<b>Total</b>	<b>3,186,929</b>	<b>3,186,349</b>

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.

## NOTE 4: ISSUED CAPITAL

	31 December 2015 \$	30 June 2015 \$
<i>Ordinary shares</i>		
Issued and fully paid	20,624,620	19,949,474

	6 months to 31 December 2015 No.	Year to 30 June 2015 No.	6 months to 31 December 2015 \$	Year to 30 June 2015 \$
<i>Movements in ordinary shares on issue</i>				
At beginning of period	137,544,214	104,462,039	19,949,474	18,770,707
- Shares issued for cash	16,535,714	25,082,175	760,000	988,765
- Shares issued for exploration assets	-	8,000,000	-	400,000
- Cost of share issues	-	-	(84,854)	(74,109)
- Cost of options issued to brokers	-	-	-	(135,889)
At end of period	154,079,928	137,544,214	20,624,620	19,949,474



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

## 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 2015 and 31 December 2014.

	Project Generation (Africa)	Unallocated (Corporate)	Total
	\$	\$	\$
<b>31 December 2014</b>			
Segment revenue	982	36,413	37,395
Segment result	(743,014)	(419,496)	(1,162,510)
Included within segment results:			
Depreciation	(7,733)	(3,840)	(11,573)
Interest revenue	-	7,513	7,513
Impairment of exploration assets	(461,347)	-	(461,347)
Impairment of financial assets	-	(28,492)	(28,492)
Segment assets	6,220,612	847,624	7,068,236
Segment liabilities	(667,630)	(86,268)	(753,898)
<b>31 December 2015</b>			
Segment revenue	-	13,264	13,264
Segment result	(184,005)	(841,344)	(1,025,349)
Included within segment results:			
Depreciation	(15,979)	(5,079)	(21,058)
Interest revenue	-	3,730	3,730
Impairment of financial assets	-	(8,000)	(8,000)
Segment assets	3,186,929	1,228,513	4,415,442
Segment liabilities	(143,816)	(766,631)	(910,447)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### 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).

Financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
	31 December 2015	30 June 2015				
	\$	\$				
Available-for-sale financial instruments	4,000	23,200	Level 1	Share price	None	None

There were no transfers between Level 1 and Level 2 in the 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.

All gains and losses included in other comprehensive income relate to available-for-sale assets held at the balance date are reported as changes of available-for-sale reserve unless the asset is impaired.

### NOTE 7: COMMITMENTS

Commitments remain as those disclosed in the 30 June 2015 annual financial report.

### NOTE 8: CONTINGENCIES

There has been no change in contingent liabilities since the 30 June 2015 annual financial report.

### NOTE 9: SHARE-BASED PAYMENTS

During the half year, the following options were issued:

- 5,000,000 Unlisted Advisor Options exercisable at \$0.06 each on or before 29 September 2017
- 7,000,000 Unlisted Incentive Options exercisable at \$0.07 each on or before 30 September 2018
- 3,000,000 Unlisted Incentive Options exercisable at \$0.10 each on or before 30 September 2018
- 10,000,000 Unlisted free attaching options exercisable at \$0.06 each on or before 29 September 2017

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### NOTE 9: SHARE-BASED PAYMENTS continued

Details of these issues are:

#### Advisor options

5,000,000 Advisor Options were approved 27 November 2015 at \$0.06 each expiring 29 September 2017 to Barclay Wells as part consideration for the ongoing capital raising and general corporate advice provided. These options were valued using the Black and Scholes option valuation methodology taking into account the terms and conditions upon which the options were granted. Details of the assumptions used in the valuation of these options issued are as follows:

Item	Advisor Options
Number of options	5,000,000
Exercise price (\$)	0.06
Valuation (approval) date	27 November 2015
Expiry date	29 September 2017
Expiration period (years)	1.84
Vesting date	nil
Exercise conditions	nil
Value	\$0.0128

Total value of \$63,991 vested immediately and expensed as share-based payments in the statement of comprehensive income.

#### Incentive options

10,000,000 Director Incentive Options were approved 27 November 2015 to Messrs Phillip Gallagher, Rhoderick Grivas and David Netherway on the terms and conditions set out below:

- 7,000,000 Incentive Options A exercisable at \$0.07 each on or before 30 September 2018
- 3,000,000 Incentive Options B exercisable at \$0.10 each on or before 30 September 2018

These were granted as follows:

Name	Incentive Options A	Incentive Options B
Phillip Gallagher	3,000,000	2,000,000
Rhoderick Grivas	2,000,000	1,000,000
David Netherway	2,000,000	-
<b>Total</b>	<b>7,000,000</b>	<b>3,000,000</b>

These options were valued using the Black and Scholes option valuation methodology taking into account the terms and conditions upon which the options were granted. Details of the assumptions used in the valuation of these options issued are as follows:

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### NOTE 9: SHARE BASED-PAYMENTS continued

Item	Incentive Options A	Incentive Options B
Number of options	7,000,000	3,000,000
Exercise price (\$)	0.07	0.10
Valuation (approval) date	27 November 2015	27 November 2015
Expiry date	30 September 2018	30 September 2018
Expiration period (years)	2.84	2.84
Vesting date	Nil	Nil
Exercise conditions	nil	nil
Value	\$0.0152	\$0.0127

Total value of \$144,581 vested during the financial period and has been expensed as share-based payments in the statement of comprehensive income.

### NOTE 10: CONVERTIBLE NOTES

	6 months to 31 December 2015 \$	Year to 30 June 2015 \$
At beginning of period	-	-
Proceeds of issue	500,000	-
Equity component taken to reserves	(45,455)	-
Interest expense for the period <sup>(1)</sup>	4,347	-
<b>At end of period</b>	<b>458,892</b>	<b>-</b>

On 16 October 2015, the Company announced that to fund the Birsok Bauxite Project in Cameroon funds had been raised through the placement of 10 million convertible notes at an issue price of 5 cents issue to raise \$500,000 from sophisticated and professional investors. The key terms of the convertible notes were:

Principal	\$0.05
Interest Rate	Nil
Maturity Date	1 November 2016
Conversion Price	\$0.05, or, subject to not being prohibited by the ASX Listing Rules, if, after 1 May 2016 the Share price as traded on ASX on the Conversion Date is below \$0.05, a 15% discount to the 30 day volume weighted average price of Shares as traded on ASX immediately prior to the Conversion Date.
Security	Unsecured and the Noteholder will rank equally with all other unsecured creditors of the Company.
Quotation	The Company will not apply for quotation on ASX of the Convertible Notes.
Voting rights	The Convertible Notes shall not provide for any voting rights at shareholder meetings of the Company (unless otherwise required by the ASX Listing Rules or the Corporations Act).
Transferability	The Noteholder shall be permitted to transfer all or any of the Convertible Notes on the condition that the Noteholder procures that the assignee of the Convertible Notes agrees to be bound by the terms and conditions of this Deed and the assignee falls within one or more of the categories specified in sections 708(8), 708(10) or 708(11) of the Corporations Act.

(1) The interest for the period was calculated by apply an effective interest rate of 10% to the liability component for the period since the notes were issued.

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## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

### **NOTE 11: EVENTS SUBSEQUENT TO BALANCE DATE**

Subsequent to the balance date, 14,106,130 listed options (CAYO) and 3,000,000 unlisted options expiring on 29 February 2016 lapsed unexercised, both series of options had an exercise price of \$0.16 each.

On 23 February 2016, the Company issued:

- 5,000,000 unlisted options exercisable at 6 cents each at a price of 0.1 cents each; and
- 10,000,000 unlisted options exercisable at 10 cents each at a price of 0.05 cents each.

The options have an expiry date of 30 September 2018.

On 11 March 2016, the Company announced a placement of up to 14 million shares and 14 million free attaching options to raise up to \$700,000. The shares are to be issued at a price of 5 cents each. The options are unlisted with an exercise price of 6 cents expiring 29 September 2017. Up to a further 7 million of the same series of options are to be issued to the Lead Manager of the placement.

Other than these matters, there have been no matters or circumstances that have arisen since 31 December 2015 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 12: RELATED PARTIES**

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

For details of these arrangements, refer to the 30 June 2015 annual report.

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**DIRECTORS' DECLARATION**

In the opinion of the directors:

- 1 the financial statements and notes set out on pages 6 to 17 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 2015 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.

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

Phillip Gallagher  
Managing Director

Perth, 15 March 2016



Accountants | Business and Financial Advisers

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Canyon Resources Limited

### Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Canyon Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and 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 of the group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year 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 is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as at 31 December 2015 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.

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*.





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*Conclusion*

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 group's financial position as at 31 December 2015 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*

Without qualifying our conclusion, we draw attention to Note 1 to the financial report which indicates the Group will need to seek additional funding in the coming year. Should the Group not be able to raise sufficient capital, there is a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

**HLB Mann Judd**  
**Chartered Accountants**

A handwritten signature in blue ink that reads 'D I Buckley'.

**D I Buckley**  
**Partner**

**Perth, Western Australia**  
**15 March 2016**