

25 August 2020

ASX Limited  
20 Bridge Street  
Sydney NSW 2000

Attention: Elizabeth Harris, Manager Listings Compliance (Perth)

**Response to Canyon Resources Limited ("CAY"): query letter**

Dear Elizabeth,

Further to your letter dated 17 August 2020 and subsequent communications with your department please find the revised responses to your questions below and a draft ASX announcement, with the modifying factors, to support the testing that underpins the bauxite properties.

**Responses to queries**

1. *Have tests been undertaken on behalf of CAY or Camalco to determine the Bauxite Properties?*  
Yes
2. *If the answer to question 1 is "Yes" please provide details of the testing including*
  - *The name of the party who undertook the bauxite testing.*
  - *When the bauxite testing took place (if on more than one occasion please include details of all the testing).*
  - *The detailed results of the bauxite testing.*

The chemical bauxite properties as presented in the product technical specifications (ASX release 08 July 2020) are an average of the chemical profile of the direct shipping ore derived from the mining schedule and the resource block model which underpins the Mineral Resource estimate (ASX release 27 September 2019). The physical and metallurgical properties are a combination of interpretations from a number of different relevant and representative tests and investigations. The summary of the test work for the Minim Martap bauxite physical and metallurgical properties are presented below.

**(a) Minim Martap bauxite handleability testing report**

Name of conducting parties:	Tunra, Newcastle Institute for Energy and Resources (Australia).
Date of investigation/test-work/study:	07 January 2020 – Report completed.
Detailed results of investigation/test-work/study:	Sampling of the Minim Martap ore for the bauxite handleability testing (Tunra) was completed in 2019. Samples were selected from two pits on two of the three priority plateaux; Danielle and Raymonde. Both of these plateaux are included within the Ore Reserve estimate. 50 kg of sample was collected at metre intervals. Pits were 10m deep each resulting in 1000kg of sample collected in total from the two pits. The sample was blended to generate two

composite samples, one from each pit. The samples were shipped to Tunra, Newcastle Institute for Energy and Resources, Australia.

The plateaux composites were tested individually, and the results summarised as below:

Parameter	Danielle composite	Raymonde composite
Moisture as supplied	0.8%	0.9%
Dust extinction moisture (DEM)	7.6%	7.2%
Saturated moisture content (-31.5mm size fraction)	14.4%	14.5%
Angle of Repose (moisture as supplied)	37°	37°
Angle of repose (DEM)	42°	41°
Loose packed bulk density (moisture as supplied)	1366 kg/m <sup>3</sup>	1350 kg/m <sup>3</sup>
Loose packed bulk density (DEM)	1311 kg/m <sup>3</sup>	1326 kg/m <sup>3</sup>

## (b) Basic metallurgical programme

Name of conducting parties: SGS ( Australia. South Africa))- Digestion and chemical assays.

Date of investigation/test-work/study: May 2020 – final testing of the programme completed.

Detailed results of investigation/test-work/study: A random selection of field duplicates from the resource estimate sample programme from the Beatrice plateau, one of the three priority plateaux, was used in the testing for the basic metallurgical programme. As noted in the resource report, samples across the plateaux are broadly representative of the resource as a whole due to the homogeneous nature of the orebodies.

The basic metallurgical testing utilised micro digestion methodology. The results (see table below) were consistent with the metallurgy tests completed in 2009 and reported upon within the resource report which supports the Mineral Resource estimate. The combined test results from the historical work and the basic metallurgy programme show total Alumina converting at an average of 90% - 95% and Silica at an average of 60% - 80%.

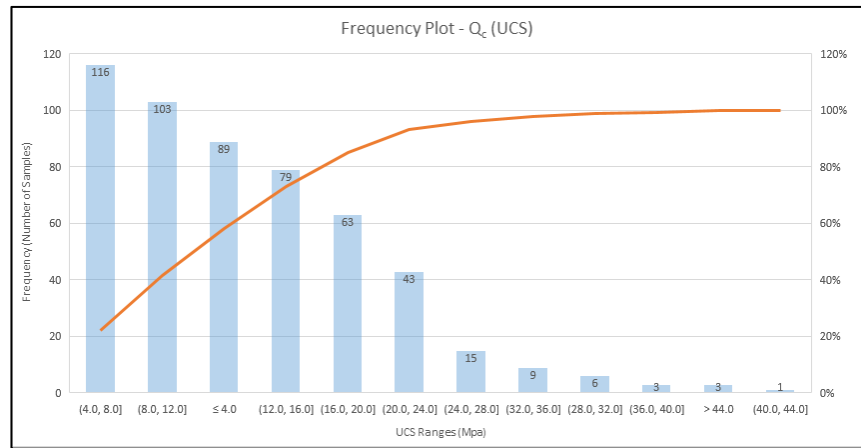
Sample #	Low Temp Alumina recovery	Low Temp Silica reacting
BE032 4-6	90%	60%
BE023 6-8	96%	85%
BE023 7-9	87%	168%
BE032 9-11	96%	26%
BE040 7-9	77%	93%
BE040 11-13	96%	78%
BE051 7-9	94%	78%
BE051 12-14	93%	71%
BE010 6-8	91%	74%
BE010 10-12	96%	51%
BE01 7-9	96%	71%
BE01 10-12	97%	76%
Average (calculated from the primary metal assays)	92%	78%

**(c) Minim Martap physical properties programme**

Name of conducting parties:	Canyon Resources Technical Services team (Cameroon) – Field investigation. Mining Plus (UK) – Consulting and data integration.
Date of investigation/test-work/study:	April 2020 – Test work completed August 2020 – Report completed
Detailed results of investigation/test-work/study:	<p>Sampling for the in-field physical properties programme for density, rock strength and moisture content was completed in May 2020. A number of recently constructed and historical shafts exist on the priority plateaux. These shafts range in depth from 4.75 to 11m. Based on accessibility, seven (07) shafts across the three priority plateaux were selected for the physical properties programme (2 on Beatrice, 2 on Danielle and 3 on Raymonde). The shafts were sampled using a hand-held jackhammer, miner's bars, chisels, and hammers. For surface samples, sampling was undertaken from predetermined locations on the plateau surfaces with 30 samples collected on each plateau. All samples were logged and coded onsite by a geologist prior to transportation to base camp for testing. Over 500 samples were tested in total.</p> <p>Strength testing was conducted with a hydraulic point load tester (model 6510) on over 500 samples across the three priority plateaux and across the depth profile as shown in the table below.</p>

Plateau	Pit ID	X	Y	Z (m)	Depth (m)	Samples/Pit	Surface sample
Danielle	PIT001	274848	762112	1274	11.00	110	30
	PIT002	273093	759732	1268	6.00	60	
Beatrice	PIT003	265636	766432	1230	5.00	50	30
	PIT004	265116	768236	1258	5.50	60	
Raymonde	PIT005	261398	763123	1219	8.70	90	30
	PIT006	263526	762013	1198	7.00	70	
	PIT007	264675	761842	1217	4.00	-	
Total						440	90

The graph below shows a frequency chart of the Point Load UCS test results. The orange pareto line on the chart shows that over 90% of samples tested had a UCS of less than 24Mpa, and all 531 samples had a UCS less than 44 MPa. This demonstrates that the rock UCS is well within the range that will be able to be productively cut using surface miners.



Samples for Relative Moisture Content (RMC) testing were collected at 0.5 to 0.9 cm interval along the channels of the shafts and immediately placed in labelled bags, sealed to prevent drying prior to their transportation to base camp. Upon arrival in the base camp, samples were weighed logged, and then air-dried for 1 week. After air-drying, the samples were then reweighed. An 8kg capacity electronic balance with a readability of 0.1g was used for weighing the samples. Finally, the RMC was calculated with respect to the dry mass of the sample.

For a total of 176 samples tested, results obtained show that RMC range from 0 to 16.99% with an average value of 5.03%.

3. *If the answer to question 2 is “No” and noting (1) the statements in the Pre-Feasibility Study about the status of the metallurgical testing and (2) the principles of transparency, materiality and competence in clause 4 of the JORC Code please explain the basis for releasing the Announcement which disclosed the Bauxite Properties and repeating this information in the Quarterly Report. In answering this question please set out the basis on which the information in the Announcement about the Bauxite Testing was determined or ascertained.*

Not applicable.

4. *If the answer to question 1 is “No” how does the PFS meet the requirements of*
- ASX’s Guidance Note 8 for information in an announcement of be accurate, complete and not misleading?*
  - Clause 39 of the JORC Code if no testing has been undertaken to confirm the Bauxite Properties?*

Not applicable.

5. *If the answer to question 1 is “No” what is the basis for reporting the Production Target and Forecast Financial Information?*

Not applicable.

6. *If the answer to question 1 is "No" what is the basis for the statement in the PFS and the Reserve Estimate that the Minim Martap bauxite could be one of the highest quality products in the world?*

Not applicable.

7. *Please confirm that CAY is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.*

Confirmed.

8. *Please confirm that CAY's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of CAY with delegated authority from the board to respond to ASX on disclosure matters.*

I confirm this letter has been authorised and approved by the board.

Yours sincerely



Nick Allan

Company Secretary, Canyon Resources Ltd



17 August 2020

**Mr Nick Allan**

Company secretary  
Canyon Resources Limited  
Level 9, 863 Hay Street  
PERTH WA 6000

By email: Nallan@canyonresources.com.au

Dear Mr Allan

**Canyon Resources Limited ("CAY"): query letter**

ASX Limited ("ASX") refers to the following:

- A. The Preliminary Feasibility Study ("PFS") released by CAY on MAP on 1 July 2020 which stated on page 6 prior to a peer comparison table

*"Product comparisons using Wood Mackenzie data sets suggest the Minim Martap bauxite could be one of the highest quality products in the world, including in West Africa where Guinea dominates the high quality bauxite seaborne market."*

And stated on page 15 as follows:-

**Metallurgy and product**

*Indicative product technical specifications are being defined and are expected to be released upon completion. These will provide a basis for ongoing offtake and strategic partnership negotiations as well as the technical studies, including the feasibility study (FS). The technical specifications result from a preliminary multi element update to the resource block models, the completion of detailed quarterly mine scheduling for the PFS – based on the initial strategic schedules, the completion of the Tunra material testing programme and the integration of metallurgical testing programmes and historical data sets within the current Mineral Resource estimate*

*Three metallurgical programmes are at varying degrees of progression and are designed to progressively define the resource as a product and to complement offtake negotiations. SGS Laboratories and CSIRO have worked with the Company's Competent Person to design the programmes as follows:*

- **The Basic Metallurgical Programme** designed to add to the existing metallurgical data to form a broad view of the performance with the product in a range of refinery conditions. This programme was conducted at SGS laboratories in Perth, Western Australia, using random pulps from one of the priority plateaux;
- **The Advanced Metallurgical Programme** designed to increase the level of metallurgical and digestion definition within the first 10-15 years of mined ore. Testing is being completed on nearly 400 samples, at SGS in both Perth and South Africa using samples from across the priority plateaux;
- **The Offtake Metallurgical Programme** designed by CSIRO to provide detailed insight into the refinery parameters required to maximise Alumina recovery from the bauxite to inform refinery users and builders of recommended design specification. This programme will... complement the offtake partner workstreams led by Chief Development Officer, Rick Smith.

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The PFS included forecast financial and production information including:

- 5 million tonnes per annum production rate exporting through the Douala port
- NPV of US\$291M
- IRR of 37%
- Capex of US\$120M
- Payback of 4.2 years

(the “Production Target and Forecast Financial Information”)

- B. CAY’s announcement entitled “Canyon provides Minim Martap Bauxite Technical Specification for offtake negotiations” (“Announcement”) lodged on the ASX Market Announcements Platform (“MAP”) on 8 July 2020 disclosing bauxite technical specification for CAY’s Camalco Premium Bauxite which disclosed the following information and properties about CAY’s bauxite product

- DSO primary chemical properties;
- Digestion;
- DSO secondary chemical properties,
- Physical Properties

(the “Bauxite Properties”).

- C. The Quarterly Activities Report of CAY for the quarter ended 30 June 2020 (“Quarterly Report”) released on MAP on 3 August 2020 which repeated the Bauxite Properties.

- D. ASX Guidance Note 8 which in section 4.15 (in relation to announcements lodged on MAP) states as follows:

“An announcement under Listing Rule 3.1 must be accurate, complete and not misleading. To not be misleading, opinion expressed in an announcement should be honestly held and balanced and should be clearly identified as a statement of opinion rather than a statement of fact. Any forward looking statements in an announcement must also have a reasonable basis in fact or else by law they will be deemed to be misleading. Entities should note ASIC’s guidance that any material assumptions or qualifications that underpin forward looking statements in an announcement under Listing Rule 3.1 should be stated in an announcement. ASX also encourages the inclusion of material assumptions and qualifications as it provides context and will help the market to understand the basis for the forward looking statements.”

- E. Clause 39 of the JORC Code in relation to a Preliminary Feasibility Study which states:

*“It [the Preliminary Feasibility Study] includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Competent person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting.”*

- F. The announcement released by CAY on MAP on 10 August 2020 of a Probable Ore Reserve of 97.3 million tonnes at 51.1% Total Alumina and 2.3% Total Silica which included the following statement:

*“The Minim Martap PFS demonstrated the Project can produce one of the highest grade, lowest contaminant bauxite products of any mine globally for at least 20 years.”*

(the “Reserve Estimate”)

- G. ASX Listing Rule 5.6 states:

*“Subject to rule 5.10, a public report prepared by an entity must be prepared in accordance with rules 5.7 to 5.24 if applicable and Appendix 5A (JORC Code) if applicable if the report includes a statement relating to any of the following.*

- *\*Exploration targets.*
- *\*Exploration results.*
- *\*Mineral resources or \*ore reserves.*
- *\*Production targets.”*

H. Clause 4 of the JORC Code states:

*“Transparency requires that the reader of a Public Report is provided with sufficient information, the presentation of which is clear and unambiguous, to understand the report and not be misled by this information or by omission of material information that is known by the Competent Person*

*Materiality require that a Public report contains all the relevant information that investors and their professional advisers would reasonably require, and reasonably expect to find in the report, for the purpose of making a reasonable and balanced judgement regarding the Exploration Results, Mineral Resources or ore Reserves being reported. Where relevant information is not supplied an explanation must be provided to justify its exclusion.*

*Competence requires that the Public Report be based on work that is the responsibility of suitably qualified and experienced persons who are subject to an enforceable professional code of ethics (the Competent Person).*

*Transparency and Materiality are guiding principles of the Code, and the Competent Person must provide explanatory commentary on the material assumptions underlying the declaration of Exploration Results, Mineral Resources or Ore Reserves.*

*In particular, the Competent Person must consider that the benchmark of Materiality is that which includes all aspects relating to the Exploration Results, Mineral Resources or Ore Reserves that an investor or their advisers would reasonably expect to see explicit comment on from the Competent Person. The Competent Person must not remain silent on any material aspect for which the presence or absence of comment could affect the public perception or value of the mineral occurrence.”*

- I. ASX notes that Camalco SA (“Camalco”) is a Cameroon company which is 100% owned by CAY.
- J. ASX confirms the JORC Code applies to the reporting of the Bauxite Properties which constitute exploration results for the purposes of the JORC Code and the ASX Listing Rules.

Having regard to the above, ASX asks CAY to respond separately to each of the following questions and requests for information:

1. Have tests been undertaken on behalf of CAY or Camalco to determine the Bauxite Properties?
2. If the answer to question 1 is “Yes” please provide details of the testing including
  - The name of the party who undertook the bauxite testing.
  - When the bauxite testing took place (if on more than one occasion please include details of all the testing).
  - The detailed results of the bauxite testing.
3. If the answer to question 2 is “No” and noting (1) the statements in the Pre-Feasibility Study about the status of the metallurgical testing and (2) the principles of transparency, materiality and competence in clause 4 of the JORC Code please explain the basis for releasing the Announcement which disclosed the Bauxite Properties and repeating this information in the Quarterly Report. In answering this question please set out the basis on which the information in the Announcement about the Bauxite Testing was determined or ascertained.



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4. If the answer to question 1 is “No” how does the PFS meet the requirements of
    - a. ASX’s Guidance Note 8 for information in an announcement of be accurate, complete and not misleading?
    - b. Clause 39 of the JORC Code if no testing has been undertaken to confirm the Bauxite Properties?
  5. If the answer to question 1 is “No” what is the basis for reporting the Production Target and Forecast Financial Information?
  6. If the answer to question 1 is “No” what is the basis for the statement in the PFS and the Reserve Estimate that the Minim Martap bauxite could be one of the highest quality products in the world?
  7. Please confirm that CAY is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
  8. Please confirm that CAY’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of CAY with delegated authority from the board to respond to ASX on disclosure matters.

#### **When and where to send your response**

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 4:00 pm (AWST) on Friday 21 August 2020.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [Elizabeth.Harris@asx.com.au](mailto:Elizabeth.Harris@asx.com.au) and [listingscomplianceperth@asx.com.au](mailto:listingscomplianceperth@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

#### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to CAY’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that CAY’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, providing the information requested in this letter.

Further, if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, CAY’s obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in this letter and may require CAY to request a trading halt immediately.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We will require the request for the trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

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### **Suspension**

If you do not respond to this letter by the deadline set out above or if ASX does not consider your response to be satisfactory, ASX is likely to suspend trading in CAY's securities under Listing Rule 17.3.

### **Release of correspondence between ASX and entity**

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

### **Questions**

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

*[Sent electronically without signature]*

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**Elizabeth Harris**  
Manager, Listings Compliance (Perth)