

# June 2020 Quarterly Activities Report

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## Highlights

- The Minim Martap Pre-Feasibility Study demonstrated the project as a potential long-term producer of high quality, low contaminant bauxite via multi-stage development.
- Strategic partnerships and off-take agreement discussions underway with potential to accelerate development timeline.
- Minim Martap Stage 1 Project outcomes:
  - 5 million tonnes per annum production rate, exporting through Douala port<sup>1</sup>
  - NPV<sub>10</sub> of US\$291M
  - IRR of 37%
  - Capex of US\$120M
  - Payback of 4.2 years
  - LOM Average Opex US\$35.1/t
  - 2023 initial bauxite price of US\$43.5/t increasing to an average of US\$51.2/t over 20 years
- Detailed mine scheduling demonstrates production profiles of 52% average total alumina and 2.3% average total silica for the first 20 years of operation.
- Project to use third party owner-operator rail infrastructure under lease arrangement.
- Stage 1 Project outcomes provide a faster route to market, with future upside underpinned by expansion potential via the larger tonnage Stage 2 development through Kribi Deep Water Port.
- Canyon has shipped bulk samples to various parties to support offtake, equity and development partnership discussions.

Canyon Resources ("Canyon" or "The Company") is pleased to report on activities at its 100%-owned Minim Martap Bauxite Project in Cameroon, central Africa, for the quarter ended 30 June 2020.

The quarter was highlighted by the successful delivery of the Minim Martap Bauxite Project Pre-Feasibility Study<sup>1</sup> (PFS) for the Stage 1 development of the Project. The Stage 1 PFS demonstrated the opportunity for the Minim Martap Project to supply very high grade, low contaminant bauxite utilising existing rail and port infrastructure, with the opportunity for the Company to develop an expanded Stage 2 phase of the Project.

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<sup>1</sup> ASX announcement 01 July 2020. The Company is not aware of any new information or data that materially affects the information included in that announcement and all material assumptions and technical parameters underpinning the PFS outcomes in that announcement continue to apply and have not materially changed.

## Cautionary Statement

The Pre-Feasibility Study (PFS) referred to in this announcement, released on 1<sup>st</sup> July 2020, was undertaken to determine the potential viability of direct shipping of high quality bauxite ore from the Minim Martap Project in Cameroon through the port of Douala as Stage 1 of a 2-Stage DSO project where Stage 2 considers shipping at lower cost and higher rates through the port of Kribi. The PFS is a preliminary technical and economic study of the potential viability of the Minim Martap Bauxite Project. The PFS is to an accuracy level of +/- 25% and considered sufficient to support the estimation of Ore Reserves which will be the subject of a subsequent ASX announcement and based on the 5 Mtpa Stage 1 start-up.

The PFS is based on the material assumptions outlined in this announcement, including assumptions about the availability of funding. While Canyon considers all of the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the PFS will be achieved.

To achieve the range of outcomes indicated in the Pre-Feasibility Study, funding of in the order of US\$120 million in Project development capital will likely be required. Investors should note that there is no certainty that Canyon will be able to raise that amount of funding when needed. It is also likely that such funding may only be available on terms that may be dilutive to or otherwise affect the value of Canyon's existing shares.

It is also possible that Canyon could pursue other 'value realisation' strategies such as a sale, partial sale or joint venture of the Project. If it does, this could materially reduce Canyon's proportionate ownership of the Project.

Given the uncertainties involved, investors should not make any investment decisions based solely on the results of this PFS.

Approximately 6% of the total Mineral Resources at the Project, and approximately 0.2% of the total product scheduled for mining in the Pre-Feasibility Study for the first 20 year modelling period is underpinned by Inferred Mineral Resources. 98.8% of the total product scheduled for mining in the Pre-Feasibility Study for the first 20 year modelling period is underpinned by Indicated Mineral Resources. It must be noted that there is a low level of geological confidence associated with Inferred Mineral Resources. There is no certainty that further exploration work will result in upgrading the Inferred material to Indicated status or that the production target itself will be realised.

## Minim Martap Pre-Feasibility Study

Canyon announced results of the Minim Martap Bauxite Project Pre-Feasibility Study (PFS) on 1 July 2020 for Stage-1 of the Project's development. The PFS confirmed the Project's ability to produce very high quality, low contaminant bauxite over a long mine life of at least 20 years via a multi-stage development.

The PFS expanded on Canyon's Scoping Study in November 2019, and is underpinned by Minim Martap's very high grade, low silica bauxite resource, positioning the Minim Martap Bauxite Project as one of the highest quality bauxite deposits globally and providing diversification away from concentrated Guinea supply.

The PFS focused on commencing mining operations as quickly as possible and maximising tonnage through the Douala Port, whilst reducing project operating expenditure (opex). The PFS optimised the Stage 1 operation to fit within the capability of Cameroon's existing rail and port infrastructure, minimising the need for additional capex on infrastructure upgrades.

The PFS headline economics are shown in Table 1:

*Table 1 - Minim Martap Project headline economics (rounded)*

	Units	Stage 1
Nominal Production Rate	Mtpa	5.0 <sup>2</sup>
Project Development Capital	US\$M	120
Average Operating Cost C1	US\$/t	35.1
Project NPV <sub>10</sub>	US\$M	291
Project IRR	%	37
Capital intensity	US\$/t	24

The PFS has successfully developed the technical and commercial solutions for Stage 1 of a two-stage project development plan for the Minim Martap Project. The Stage 1 mining and Direct Shipping Ore (DSO) export operation of 5.0 million tonnes per annum exported through the existing Douala port utilises existing infrastructure to provide an economic and faster start up. This capacity has been identified through the optimisation of rail scheduling, integrating the mine development with ongoing in-country rail upgrades and allocating a more efficient rail fleet.

The mine will begin at 4Mtpa before ramping up to 5Mtpa in line with the rail axle load increase from 17 to 20 tonnes per axle, which is part of the ongoing rail upgrades currently under construction by the Cameroon Government. Stage 1 provides a foundation that enables ongoing operations of the mine through the potential Stage 2 development. Completion of Stage 2 is expected to provide increased tonnage and a decrease in operating costs by shipping through the Kribi Deep Water Port.

Mining and supply chain solutions defined in the PFS are simple, well understood and largely in place for the nominated volumes. It envisages very low strip ratio mining with surface miners, and the bauxite blended into an average grade of 52% total alumina and 2.3% total silica, which will be bulk hauled as DSO to a dedicated train load out area. Front end loaders will load the product into open top, lidded, rotating container boxes ready for rail transport. The trains will transport the bauxite ore to Douala port where the boxes will be lifted off the trains and unloaded, via conveyor, to the bulk storage shed at a designated berth. Front end loaders will reclaim the ore and load barges via conveyor ship-loaders for trans-shipping into capesize vessels for export to market.

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<sup>2</sup> See Note 1

## Key Pre-Feasibility Study Outcomes

**Financial evaluation highlights potential for a robust project leveraging existing infrastructure and high-quality product.** All figures provided in this Pre-Feasibility Study are real as of Q2 2020. Key economic modelling outcomes are shown below:

**Table 2 - Economic modelling outcomes for Minim Martap Project.**

Production		Avg-Yr	
Production rate	Mt		4.9
Capital		Total	
Total	USD 000		119,600
Capital intensity	USD/t capacity		24.5
Operating Costs		Avg-Yr	
C1 costs	USD/t		35.1
Product Grade		Avg-20Yr	
Total alumina grade	%		52.0%
Total silica grade	%		2.3%
Ore moisture content	%		10.0%
Realised price		Initial Price	Avg-20Yr
Realised price	USD/t FOB	43.5	51.2
Cashflow		Total	
Cumulative undiscounted free cash flows	USD 000		988,500
Average annual undiscounted free cash flows	USD 000		49,400
Project payback (post tax)			4.2 Yr(s)
Valuation	Discount rate	NPV (USD 000)	IRR
Project return - pre tax	10.00%	374,600	40%
Project return - post tax	10.00%	290,700	37%
Tax and Royalty		Duration	Rate
State royalty: Holiday		5.0 Yr(s)	-
State royalty: Nominal after holiday		-	5%
Corporate tax: Holiday		5.0 Yr(s)	-
Corporate tax: Nominal after holiday		-	30%

## Bauxite Technical Specification and Offtake Negotiations

During the quarter, Chief Development Officer Rick Smith led positive engagements with some of the world's leading and largest bauxite, alumina and aluminium producers. Mr Smith, who is well known within these industries following his success as Project Director for the US\$1.4 billion GAC bauxite mine in Guinea, introduced the Company to senior decision makers within major companies in the sector.

Following various meetings with potential strategic partners, bauxite offtake parties and project construction/service-related companies, the Company received interest from relevant companies and end users regarding potential participation in the Minim Martap Project development. These

companies are looking to secure long-term bauxite supply and acknowledge the scale and quality of Minim Martap bauxite, which offers high-grade and low contaminant bauxite which can potentially improve the environmental footprint compared with typical standard grade bauxite. In particular, the consistently low reactive silica profile of the Minim Martap bauxite is expected to give rise to substantially lower ongoing caustic soda usage and associated reduced environmental impact during refinery operation.

To support the discussions, the Company released a Bauxite Technical Specification sheet to potential offtake partners. The Bauxite Technical Specification Sheet highlights the very high grade nature of the Minim Martap Bauxite.

July 2020

## Bauxite Technical Specification



### Metallurgical Grade Bauxite

<b>Product name</b>	Camalco Premium Bauxite
<b>Mineralogy<sup>1</sup></b>	Alumina Trihydrate (>90%)
<b>Refining</b>	Low and High temperature
<b>Availability<sup>2</sup></b>	
Volume	Up to 5 Mtpa
Year	2023 (estimated)
Port	Douala, Cameroon, West Africa
Vessel size	Capesize

DSO primary chemical properties <sup>1</sup>	Typical <sup>2</sup>	Maximum	Minimum
Total Alumina (Al <sub>2</sub> O <sub>3</sub> )	52%	52%	51%
Total Silica (SiO <sub>2</sub> )	2.0%	2.2%	1.8%
Alumina to Silica ratio	26	24	28
Total Iron (Fe <sub>2</sub> O <sub>3</sub> )	13.9%	15.3%	12.8%
Total Titanium (TiO <sub>2</sub> )	4.9%	5.8%	4.4%
Loss on Ignition (LOI)	26.0%	26.8%	24.1%
Total organic carbon (TOC)	0.03%-0.15%		
Monohydrate Alumina	< 0.5% – (Minimal Boehmite or Diaspore)		

Digestion (LT-145°C) <sup>1</sup>	Typical <sup>2</sup>	Maximum	Minimum
Available Al <sub>2</sub> O <sub>3</sub> @ 90% <sup>3</sup>	47%	47%	46%
Reactive SiO <sub>2</sub> @ 70% <sup>4</sup>	1.4%	1.5%	1.2%
Alumina to Silica ratio	34	31	38

DSO secondary chemical properties <sup>1</sup>					
Oxide	Typical	Max	Oxide	Typical	Max
Cr <sub>2</sub> O <sub>3</sub>	0.07%	0.08%	ZnO	0.01%	0.01%
CaO	0.01%	0.01%	MnO	0.02%	0.03%
P <sub>2</sub> O <sub>5</sub>	0.11%	0.12%	V <sub>2</sub> O <sub>5</sub>	0.07%	0.07%
SO <sub>3</sub>	0.07%	0.07%	K <sub>2</sub> O	0.01%	0.01%
ZrO <sub>2</sub>	0.10%	0.10%	MgO	0.04%	0.05%
BaO	0.01%	0.01%	SrO	0.01%	0.01%
Na <sub>2</sub> O	0.02%	0.02%			

Physical properties <sup>5</sup>			
Moisture (wt)	10%	14% (Saturated)	AS 1038
Dust extinction moisture (DEM)	7.4%		AS 4156.6-2000
Bulked density (S.G)	1.3 - 1.5	1.4 - 1.7 (DEM)	
Strength	40 Mpa (Typ)		
Angle of repose	37°	42° (DEM)	32° (Dynamic)
Drawdown angle	55°	68° (DEM)	

<sup>1</sup> As included within the 2019 Mineral Resource Estimate update: ASX announcement 27 September 2019.

<sup>2</sup> Based on first 5 years of PFS mining schedule: ASX announcement 01 July 2020.

<sup>3</sup> Results calculated at a 90% average conversion of total alumina.

<sup>4</sup> Results calculated at a 70% average conversion of total silica.

<sup>5</sup> Tunra report: Minim Martap Bauxite Handleability Testing Raymonde and Danielle Composite Samples.



Camalco is a subsidiary of Canyon Resources Ltd. (ASX:CAY)

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Ongoing data sharing and positive dialogue following these meetings highlighted the strategic value of the anticipated product quality from Minim Martap, as well as the opportunity for strategic geopolitical diversification from existing major bauxite supply jurisdictions.

## Corporate

### *Management appointment*

As reported last quarter, on 20 April 2020, Canyon announced the appointment of Mr Nick Allan as Chief Financial Officer and Company Secretary, following the resignation of Mr John Lewis

This announcement was authorised for release by the Board of Canyon Resources Limited.

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## About Canyon Resources

**Canyon Resources is focussed on the development of the 100% owned Minim-Martap Bauxite project, a direct shipping ore (DSO) project development opportunity** in central Cameroon. The project is situated adjacent to the main rail line linking the region to the Atlantic port of Douala. The rail line is currently underutilised and coupled with the existing port of Douala, supports a low capex, low opex solution to deliver high grade, low contaminant, seaborne bauxite to market to fuel the large and growing aluminium industry. The country is planning a rail extension and is undergoing rail line debottlenecking upgrades giving longer term potential for export through the newly built, deep-water port of Kribi.

**The Project is underpinned by a large, shallow, high-grade resource dominated by Gibbsite with low levels of reactive silica.** The resource is hosted in a series of plateaux (see below). The Total Mineral Resource<sup>3</sup> estimate, which remains open in all directions, is stated as **892 Mt** at **45.1% Al<sub>2</sub>O<sub>3</sub>, 2.8% SiO<sub>2</sub>** (Cut-off Grade 35% Al<sub>2</sub>O<sub>3</sub>). The estimate contains a high-grade Indicated portion of the resource at **410 Mt** at **48.9% Al<sub>2</sub>O<sub>3</sub>, 2.6% SiO<sub>2</sub>** (Cut-off Grade 45% Al<sub>2</sub>O<sub>3</sub>). Substantial zones within the resource present at greater than 50% Al<sub>2</sub>O<sub>3</sub> with very low contaminants.

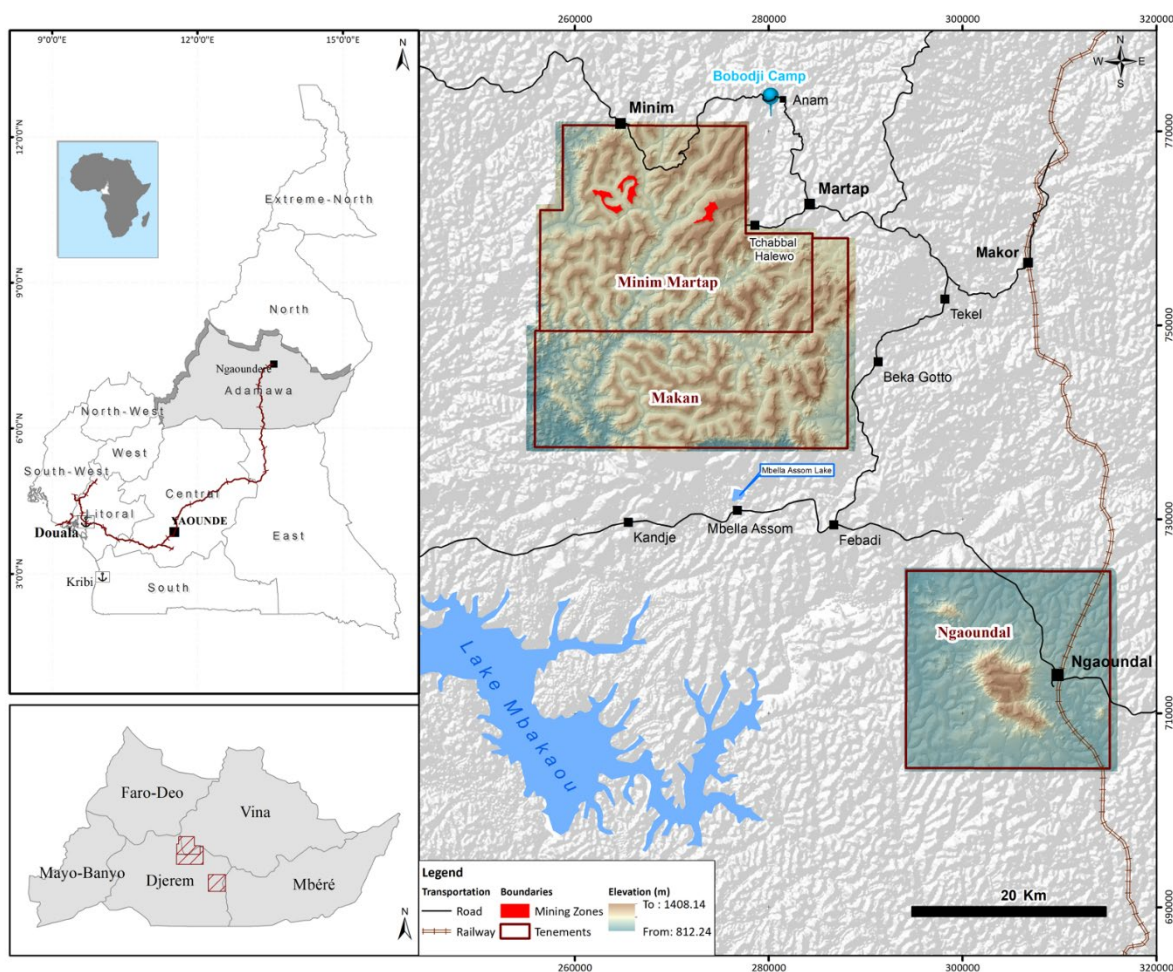
Canyon is planning the development of the Project in a 2-Stage, 2-Port execution programme with initial production exported through the port of Douala utilising the existing rail and port infrastructure and Stage-2 unlocking tonnes and reducing costs by utilising the port of Kribi.

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<sup>3</sup> Please refer to the ASX announcement released by the Company on 27 September 2019. The Company is not aware of any new information or data that materially affects the information included in that announcement and all material assumptions and technical parameters underpinning the Mineral Resource estimates in that announcement continue to apply and have not materially changed.



**Figure 1. Location map of the Company's Bauxite Projects and proximity of Camrail rail line**



## Corporate Snapshot

### Directors and Management

David Netherway – Non-Executive Chairman

Phillip Gallagher – Managing Director

Emmanuel Correia – Non-executive Director

Steven Zaninovich – Non-executive Director

Nick Allan – Company Secretary

James Durrant – Director of Projects

Rick Smith – Chief Development Officer

## **COMPETENT PERSON'S STATEMENT**

The information in this announcement that relates to mineral resources is based on information compiled or reviewed by Mr Mark Gifford, an independent Geological expert consulting to Canyon Resources Limited. Mr Mark Gifford is a Fellow of the Australian Institute of Mining and Metallurgy 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 of Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

Mr Gifford 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 in this announcement 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.



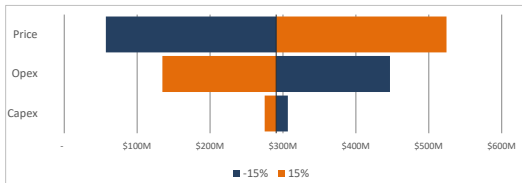
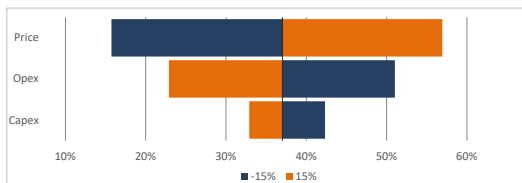
## Material Assumptions relating to the Minim Martap Prefeasibility Study

Material assumptions used in the Pre-Feasibility Study which determined the production target and financial outcomes presented in this announcement are summarised below:

Criteria	Explanation
<b>Mineral Resources</b>	The Mineral Resource estimate announced on 27 <sup>th</sup> September 2019 was used for the PFS. These Mineral Resources have been prepared by a Competent Person in accordance with the requirements of the 2012 JORC Code as advised in the Competent Person's Statement included within this announcement. The Company is not aware of any new information or data that materially affects the information included in that announcement and all material assumptions and technical parameters underpinning the Mineral Resource estimates in that announcement continue to apply and have not materially changed.
<b>Site visits</b>	The site has been visited by the key members of the PFS team including the PFS report author, Project Director James Durrant, the Resource Competent Person (Mark Gifford), PFS lead (Ausenco), mining PFS geologists and engineers (Mining Plus), infrastructure supporting partners and sub-consultants, and Environmental and Social baseline study leads and ESIA project managers (ESS and sub-consultants).
<b>Study status</b>	This announcement is based upon the June 2020 PFS.  All relevant Modifying Factors including mining, infrastructure, environment, legal, social and commercial have been considered in the PFS.
<b>Cut-off parameters</b>	A mining cut-off was applied in the modelling: All bauxite within the resource was considered as potential product across a range of potential product grade profiles. The product grade profile was assigned an FOB (Cameroon) price based on marketing, pricing and end-user data from Wood Mackenzie.  The cut-off grades for scheduling which are anticipated to form the basis of the future Ore Reserves are as follows: <ul style="list-style-type: none"> <li>• All material above 50% Al<sub>2</sub>O<sub>3</sub> is Ore, regardless of SiO<sub>2</sub> grade is considered as Ore.</li> <li>• All material between 44% Al<sub>2</sub>O<sub>3</sub> and 50% Al<sub>2</sub>O<sub>3</sub>, and below a maximum of 2.5% SiO<sub>2</sub> is considered as Ore.</li> <li>• All other material is considered waste for the purposes of scheduling within the modelling period.</li> </ul>
<b>Mining factors or assumptions</b>	Strategic schedule optimisation was completed for the PFS utilising cost calculations for the supply chain (materially the same as those underpinning the economics presented within this document) and pricing scenarios across the product specification profile which determined an extraction schedule based on the economics of individual product grade blocks defined from the resource block model.  Optimisation software identified the most value accretive extraction and product schedules based on the resource block model generated as part of the Mineral Resource estimate announced on 27 <sup>th</sup> September 2019.  Detailed pit designs were completed for the PFS and consider rock strength and hydrogeological constraints. The mine presents low geotechnical risk due to the nature and design of the pits where the plateaux are mined sub-horizontally in progressive increments utilising the full width of the resource and not resulting in high pit walls.  Conventional surface mining methodologies and costings were used in this PFS and included utilising industry benchmarking and material testing to determine equipment productivity.  Inferred mineral resources have been included in the calculation of the Production Target: Less than 0.2% of the 20-year product tonnes are sourced from inferred mineral resources. Canyon is satisfied that the proportion of inferred mineral resource is not a determining factor in project viability and the inferred resources do not feature as a significant portion in the early mine plan.

<b>Metallurgical factors</b>	<p>Metallurgical factors are typical of high grade bauxite following two programmes of metallurgical and digestibility tests. It is noted by the Competent Person that all results to date in all areas indicated quantifiably that the bauxite present is of a high grade and quality, and that the estimation volumes and grades presented are robust relative to their resource classification.</p> <p>Further work, currently underway, will provide specific input into offtake negotiations.</p>
<b>Social and Environmental</b>	<p>The 2010 Environmental and Social Impact Assessment (ESIA) completed on behalf of the former owner of the Project has been used as a basis, along with additional assessments underway for the 2020 ESIA currently in progress. The Project design presented in the PFS utilises information derived from prior social and environmental definition and aims to minimise any adverse impact.</p> <p>Community engagement has been ongoing with a dedicated team of community liaison officers to ensure the Company understands the priorities and concerns of the communities. Feedback is overwhelmingly positive.</p> <p>The ESIA has been underway since 2019 and is required to be completed and submitted to the Government of Cameroon in mid-2021.</p> <p>Closure costs have been excluded from this assessment, however, due to continuous rehabilitation and the long mine life the impact to the economics is considered negligible.</p>
<b>Infrastructure</b>	<p>The mine site is accessible by road and rail from the capital Yaounde. The existing rail network passes within 50km of all potential mining areas. The rail currently connects to the port of Douala and will potentially connect to the port of Kribi subject to the completion of a 140km rail link.</p> <p>The Project will fund and develop the majority of the infrastructure required for the Project. The rail infrastructure will be installed by a 3<sup>rd</sup> party owner-operator and the existing public road will be upgraded by the Government of Cameroon.</p> <p>The mine will be developed with integrated water management facilities and mined in a strip-mining fashion with continuous backfill and rehabilitation. The mining area will consist of all the facilities to support a remote operation including accommodation, for a portion of the work force, power, water, administration and maintenance facilities. The accommodation will house 100% of the small expatriate workforce and 50% of the Cameroonian workforce with the remaining 50% of Cameroonians assumed to be employed from local population centres.</p> <p>A new road linking the mine to the existing public road will be developed to support the bulk product haulage trucks. The upgrade to the existing road, between the mine and the rail, is assumed to be government funded. The project will design this upgrade and will provide the ongoing maintenance of the whole route including quarrying of road maintenance materials which have been identified as part of the road build survey. The road going bulk haulage trucks will dump into bulk stockpiles at a new train loading facility just north of Makor station where front end loaders will load open-top, lidded, rotating container boxes in readiness for an arriving train. Forklifts will swap the empty containers of the incoming train with loaded containers allowing a train to depart every 4-5 hours.</p> <p>The rail will be operated by a 3<sup>rd</sup> party owner-operator. The rollingstock and rail infrastructure upgrades have been costed from first principles and integrated with the known rail upgrade schedule of the current rail operator. The rollingstock is considered to be purchased new and the locomotives second hand. The Project will supply the rotating containers and all container handling equipment. The costs to the Project for the rolling stock and rail infrastructure upgrades include benchmarked operator margins for capital returns and profit margin.</p> <p>The Project's operations will increase to a 20 tonne axle load capacity in line with rail upgrades currently underway and final stage scheduled for 2028, through appropriate equipment selection distributed between initial development capital, deferred capital and as part of the sustaining capital process. The Company will work with the rail operators and existing funding providers and the Company believes that the 20-tonne axle load rail project will be expedited to 2026.</p> <p>Douala and Kribi ports are currently operating and the Project will focus on utilising the Douala port for Stage 1 as outlined in this PFS. At the port of Douala the trains will be split in half and shuttled into the port for unloading in a dedicated area. Conveyors will transfer the loose product to the bulk stockpiles on the quayside nominated by the Douala Port Authority. Reclaim will be by front end loaders feeding telestacker conveyors which will load dumb barges operated by a transshipment</p>

	<p>contractor. Barges will shuttle the product to an offshore transshipment location approximately 50km from the quay where a floating crane will load capesize vessels.</p> <p>All infrastructure required to be constructed for the technical solutions outlined in the PFS has been costed within the economics of the Project. The economics of the 3<sup>rd</sup> party owner-operated rail infrastructure have been derived from first principles and benchmarked. Canyon is in discussions with various parties who have expressed an interest in supporting the Project though this mechanism.</p>																																				
Capital costs	<p>Capital costs are supported by inputs from consultants Ausenco (infrastructure, rail and transshipment), and Mining Plus (mining). Capital costs have been based on equivalent project costs, benchmarked data, industry knowledge, first principle estimates and extrapolation where required.</p> <p>Project capital costs represent the capital required for the mine, haulage, train load out, port and transshipment and are as follows:</p> <table><tr><th>WBS</th><th>Cost Element</th><th>Capital incl. Growth (USD 000)</th><th>Split (%)</th></tr><tr><td>2000</td><td>Mine and mine-site infrastructure</td><td>32,700</td><td>27.3%</td></tr><tr><td>3000-5000</td><td>Road Haulage</td><td>12,800</td><td>10.7%</td></tr><tr><td>6000-8000</td><td>Inland Rail Facility</td><td>15,400</td><td>12.9%</td></tr><tr><td>7000-8000</td><td>Douala Port</td><td>20,600</td><td>17.2%</td></tr><tr><td>10000</td><td>Project Delivery</td><td>4,400</td><td>3.7%</td></tr><tr><td>11000</td><td>Owners Costs</td><td>26,500</td><td>22.2%</td></tr><tr><td>12000</td><td>Contingency</td><td>7,200</td><td>6.0%</td></tr><tr><td></td><td><b>Total</b></td><td><b>119,600</b></td><td><b>100.0%</b></td></tr></table> <p>The capital cost of upgrading the existing public road has been derived from first principles and is assumed to be funded by the government.</p> <p>Project contingency was added to the overall capital cost estimate to account for variances between the specific items contained in the estimate and the final actual Project cost. The contingency covers additional costs that will be incurred as a result of unforeseen items such as; error/omissions, design unknowns, abnormal weather conditions, abnormal currency fluctuations, a major equipment transport event or significant damage during construction.</p> <p>The contingency costs on the Minim Martap Project were estimated as a proportion of EPCM costs. The EPCM costs were allocated depending on effort required to managed scopes of Engineered and Non-Engineered (turnkey) packages. A percentage was applied to the total direct EPCM costs including associated costs for growth to estimate the contingency. This varied from 12% for scopes requiring management, design and procurement efforts versus 5% for turnkey packages that are less complicated or requiring less management efforts.</p> <p>Mining set-up and equipment contingency has been applied as a 5% growth allowance and a 10% contingency on the pre-growth cost.</p> <p>Cost estimates are made in Q2 2020 US Dollars (USD).</p>	WBS	Cost Element	Capital incl. Growth (USD 000)	Split (%)	2000	Mine and mine-site infrastructure	32,700	27.3%	3000-5000	Road Haulage	12,800	10.7%	6000-8000	Inland Rail Facility	15,400	12.9%	7000-8000	Douala Port	20,600	17.2%	10000	Project Delivery	4,400	3.7%	11000	Owners Costs	26,500	22.2%	12000	Contingency	7,200	6.0%		<b>Total</b>	<b>119,600</b>	<b>100.0%</b>
WBS	Cost Element	Capital incl. Growth (USD 000)	Split (%)																																		
2000	Mine and mine-site infrastructure	32,700	27.3%																																		
3000-5000	Road Haulage	12,800	10.7%																																		
6000-8000	Inland Rail Facility	15,400	12.9%																																		
7000-8000	Douala Port	20,600	17.2%																																		
10000	Project Delivery	4,400	3.7%																																		
11000	Owners Costs	26,500	22.2%																																		
12000	Contingency	7,200	6.0%																																		
	<b>Total</b>	<b>119,600</b>	<b>100.0%</b>																																		
Operating costs	<p>Operating costs are supported by inputs from consultants Ausenco (infrastructure, rail and transshipment) and Mining Plus (mining). Operating costs have been based on equivalent project costs, database pricing, industry knowledge, first principle estimates and extrapolation where required.</p> <table><tr><th>WBS</th><th>Cost Element</th><th>Opex (USD/t Product)</th></tr><tr><td>2000</td><td>Mine and mine-site infrastructure</td><td>2.7</td></tr><tr><td>3000-5000</td><td>Road Haulage</td><td>2.4</td></tr><tr><td>6000</td><td>Rail to Douala Port</td><td>16.5</td></tr><tr><td>7000</td><td>Douala Port</td><td>5.8</td></tr><tr><td>8000</td><td>Transshipment</td><td>5.0</td></tr><tr><td>11000</td><td>Owners Costs</td><td>2.6</td></tr><tr><td></td><td><b>Total</b></td><td><b>35.1</b></td></tr></table>	WBS	Cost Element	Opex (USD/t Product)	2000	Mine and mine-site infrastructure	2.7	3000-5000	Road Haulage	2.4	6000	Rail to Douala Port	16.5	7000	Douala Port	5.8	8000	Transshipment	5.0	11000	Owners Costs	2.6		<b>Total</b>	<b>35.1</b>												
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	<b>Total</b>	<b>35.1</b>																																			

	<p>Rail operating margins have been applied at rates consistent with industry benchmarked data and consider first principle operating costs, capital repayment and operating profit and are modelled to provide industry acceptable rates of return. The Cameroon government retains a 5% royalty tax, a 1% community development fund and 30% corporate tax. A 5-year tax and royalty holiday has been assumed consistent with industry norms from equivalent projects in Cameroon.</p> <p>Cost estimates are made in Q2 2020 US Dollars (USD).</p>
<b>Revenue factors</b>	<p>Product pricing is based on Canyon's estimates and forecasts for the Minim Martap Project within the modelling capabilities of the 1Q2020 Wood Mackenzie's Bauxite Price Forecast Model for the period 2019-2040. Forecasts have been determined from using Minim Martap product grades and metallurgical factors and include consideration for current supply and anticipated future supply, grade degradation forecasts for existing suppliers and future refinery input costs including, freight, fuel and caustic soda. The Cameroon FOB price has been derived from a value in use-adjusted marginal tonne supply curve on a delivered basis to the end use market.</p> <p>The value-in-use (VIU) adjustment recognises product grades which have been determined by assuming available Alumina is 90% of the total and reactive Silica is 70% of the total Silica. VIU pricing includes recognition of the grade and the average moisture content.</p> <p>Modelled pricing is forecast as commencing at \$43.5/t FOB and increasing up to the long term, average of 51.2/t FOB.</p>
<b>Market assessment</b>	<p>Wood Mackenzie and Canyon's Chief Development Officer, Rick Smith, have contributed to the PFS in market analysis, future demand and product pricing.</p> <p>The market is forecast to be in oversupply for the short to medium term before returning to a more balanced and rational market before 2030. The PFS recognises suppressed prices, at the bottom of the cost cycle, between 2020 and 2025, with a price growth up curve following in the economic analysis.</p> <p>Aluminium fundamentals support strong demand for bauxite to support the growing aluminium industry being largely balanced by new and expanding projects with premiums attached to higher grade bauxite products. The largest and growing end use market is China.</p> <p>China currently imports two thirds of the total global seaborne bauxite supply (150 million tonnes) importing 100 million tonnes per annum, 50% of which is from Guinea. The proportion of Guinean imports to China is growing and the need for source diversification is an industry priority. Bauxite demand into China is forecast to continue to grow rapidly for another decade at least.</p>
<b>Economic</b>	<p>The financial model for the Project was initially prepared by Mazars and has been refined by the Company.</p> <p>The PFS has been completed on a 100% Project ownership basis for the financial assessment. Funding of the Project is modelled as 100% equity funded for the purposes of the PFS.</p> <p>An after-tax discount rate of 10% has been used for the Project financial analysis. All costs and prices are stated in real terms as at Q2 2020. The modelling period is 20 years.</p> <p>Sensitivity of the Project to changes in the key drivers of sale price, operating cost and capex was carried out and showed the Project NPV and IRR to be most sensitive to changes in product pricing and least sensitive to changes in capex.</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p><i>Project NPV sensitivity post-tax (US\$)</i></p> </div> <div style="text-align: center;">  <p><i>Project IRR sensitivity post-tax</i></p> </div> </div> <p>Project funding is modelled as 100% equity funded for the purposes of the PFS. Given the market capitalisation of Canyon (c. AUD \$80-90m as at June 2020) this is thought to be an appropriate and achievable funding path. The Company recognises the benefit of alternate solutions and intends to</p>

	explore different financing structures, during subsequent study phases, including a potential combination of debt and equity.																												
Rail	<p>The Company has assumed that the required rail rolling stock and public access rail infrastructure will be acquired, owned and operated separately to the Project. The Company has modelled from first principles the capital and operating costs of the rail and rolling stock requirements and has included payment of a capital return and operating margin to the owner-operator. The margins to the owner-operator have been modelled and the rate of return benchmarked to similar operational arrangements. Canyon has commenced discussions with appropriate companies, including specialist African rolling stock providers and logistics operators who have expressed a high degree of interest in participating in the purchase, funding and operation of the rolling stock and associated infrastructure.</p> <p><i>Rail Rolling Stock and Public Access Rail Infrastructure Cost (US\$)</i></p> <table><tr><th>WBS</th><th>Cost Element</th><th>Capital incl. Growth (USD 000)</th><th>Split (%)</th></tr><tr><td>6000</td><td>Locomotives</td><td>54,600</td><td>44.9%</td></tr><tr><td>6000</td><td>Flatbed wagons</td><td>49,000</td><td>40.3%</td></tr><tr><td>3000</td><td>Rail Access Infrastructure</td><td>10,600</td><td>8.7%</td></tr><tr><td>10000</td><td>EPCM - Non Engineering</td><td>900</td><td>0.7%</td></tr><tr><td>12000</td><td>Contingency</td><td>6,500</td><td>5.3%</td></tr><tr><td></td><td><b>Total</b></td><td><b>121,600</b></td><td><b>100.0%</b></td></tr></table>	WBS	Cost Element	Capital incl. Growth (USD 000)	Split (%)	6000	Locomotives	54,600	44.9%	6000	Flatbed wagons	49,000	40.3%	3000	Rail Access Infrastructure	10,600	8.7%	10000	EPCM - Non Engineering	900	0.7%	12000	Contingency	6,500	5.3%		<b>Total</b>	<b>121,600</b>	<b>100.0%</b>
WBS	Cost Element	Capital incl. Growth (USD 000)	Split (%)																										
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	<b>Total</b>	<b>121,600</b>	<b>100.0%</b>																										
Other	<p>This PFS has confined itself to determining the economic viability of developing the Project, and its potential material impacts on the environment and community.</p> <p>Canyon holds 3 current Exploration Licences over the area, within which the Mineral Resource is estimated. Canyon also has interests in the surrounding areas. Access to the site is not subject to any restrictions.</p> <p>Project development funding will be required and would occur after completion of the final bankable feasibility study, along with tendering for suitable contractors to construct the mine and associated infrastructure.</p> <p>A range of governmental agreements and licences are required prior to the decision to commence construction can be made, in particular the Mining Agreement and the rail and port access agreements.</p>																												
Classification	<p>The underlying Mineral Resource classification consists of Indicated and Inferred Mineral Resources. Inferred mineral resources have been included in the calculation of the Production Target: Less than 0.2% of the 20-year product tonnes are sourced from inferred geology. Canyon is satisfied that the proportion of inferred mineral resource is not a determining factor in project viability and the inferred resources do not feature as a significant portion in the early mine plan.</p> <p>Ore Reserves have not been estimated to date and are planned to be compiled on the basis of this PFS.</p>																												
Audits or reviews	<p>Expert external consultants have contributed to this PFS and the various elements of the contributing data and reports have been internally reviewed, but no external audits or independent peer reviews of the consolidated PFS have been completed.</p> <p>The Project Director responsible for the PFS is an employee of the Company and is a mining and mechanical engineer with thirteen years of bulk commodity mining experience in large operating assets and in project development in Australia and Africa.</p>																												
Study accuracy	The estimates in this PFS are based on a ±25% level of accuracy in technical studies and costings.																												

**CANYON RESOURCES LIMITED – INTEREST IN MINERAL PROPERTIES**

Permits	Location	Interest at 30 June 2020	Interest at 31 March 2020
<u>MINIM MARTAP PROJECT</u>			
Ngaoundal	Cameroon	Own 100%	Own 100%
Minim Martap	Cameroon		
Makan	Cameroon		
<u>BIRSOK BAUXITE PROJECT</u>			
Birsok	Cameroon	Agreement to earn up to 75%.	Agreement to earn up to 75%.
Mandoum	Cameroon		
Mambal (application)	Cameroon	Agreement to earn up to 75%.	Agreement to earn up to 75%.
Ndjimom (Mayouom Project)	Cameroon	Own 100%	Own 100%
<u>TAPARKO NORTH PROJECT</u>			
Karga 2	Burkina Faso	Own 100%	Own 100%
Bani	Burkina Faso		
Diobou	Burkina Faso	Rights to 100%	Rights to 100%
Tigou	Burkina Faso		
<u>TAO PROJECT</u>			
Tao	Burkina Faso	Own 100%	Own 100%
<u>PINARELLO PROJECT</u>			
Sokarani	Burkina Faso	Own 49% (sale of 51% to Acacia Mining plc)	Own 49% (sale of 51% to Acacia Mining plc)
Niofera	Burkina Faso		
Baniera	Burkina Faso		
Sokarani 2	Burkina Faso		
Soukoura 2	Burkina Faso		
<u>KONKOLIKAN PROJECT</u>			
Konkolikan	Burkina Faso	Own 49% (sale of 51% to Acacia Mining plc)	Own 49% (sale of 51% to Acacia Mining plc)
<u>DEROSA PROJECT</u>			
Bompela	Burkina Faso	15% interest in joint venture with Rumble Resources Ltd	15% interest in joint venture with Rumble Resources Ltd
Sapala	Burkina Faso		



## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Canyon Resources Limited

ABN

13 140 087 261

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(410)	(1,997)
	(e) administration and corporate costs	(273)	(1,444)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	15
1.5	Interest and other costs of finance paid	(3)	(3)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	50	50
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(635)</b>	<b>(3,379)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(6)	(38)
	(d) exploration & evaluation (if capitalised)	(536)	(4,100)
	(e) investments	-	-
	(f) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	1	1
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(541)</b>	<b>(4,137)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	7,343
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(14)	(499)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(14)</b>	<b>6,844</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,739	2,216
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(635)	(3,379)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(541)	(4,137)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(14)	6,844

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(3)	2
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,546</b>	<b>1,546</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,546	2,739
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,546</b>	<b>2,739</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

78

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Salaries and fees paid to directors in the quarter including superannuation.

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. <b>Financing facilities</b>		<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>			
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>			
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(635)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(536)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(1,171)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	1,546
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	1,546
8.7	<b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	1.32

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

The reported quarter had a higher than usual expenditure due to costs associated with the completion of the Pre-Feasibility Study. Most of these expenses were paid during this and previous quarters and will not be repeated to the same extent in the future.

Having completed the PFS, the Company has been able to reduce and defer its operating expenses by way of reduction of non-critical staff numbers and deferral of staff costs, some non-critical operating expenditure items and reduction of other corporate overheads. Accordingly it is expected that the level of expenditure incurred during the quarter will be reduced.

In addition to the above, during the quarter ending 30 September 2020 the Company is planning to continue elements of its Covid-19 compensation program whereby directors, management and staff have accepted a 20-50% cash payment deferral of their salary entitlements which can be converted into shares of the Company when this program ends.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

The Company continues to review its financing options as it progresses with its Definitive Feasibility Study. Given the forecast reduced cash outflows for the Company and the ability to defer costs the Company considers that it has sufficient time to consider and execute its preferred financing option prior to the end of 2020.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

The entity expects to be able to continue its operations and meet its business objectives, on the basis that the majority of costs related to the PFS have been paid and the cost reduction measures noted above are not expected to interfere with the entity's capacity to progress the Minim Martap project.

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2020 .....

Authorised by: By the board .....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.