

Canyon Resources Limited

ABN 13 140 087 261

Interim Report 31 December 2020

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Directors

Cliff Lawrenson
Phillip Gallagher
David Netherway
Steve Zaninovich
Peter Su
Dimitri Bacopanos

Company secretary

Nick Allan

Registered office

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Perth, Western Australia, 6000
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Principal place of business

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Share register

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Auditor

HLB Mann Judd (WA Partnership)
Level 4, 130 Stirling Street
Perth, Western Australia, 6000

Solicitors

Allion Partners
Level 9, 863 Hay Street
Perth, Western Australia, 6000

Stock exchange listing

Canyon Resources Limited shares are listed on the Australian Securities Exchange
(ASX code: CAY)

Website

www.canyonresources.com.au

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'the Group') consisting of Canyon Resources Limited (referred to hereafter as the 'the Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

The following persons were Directors of Canyon Resources Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Cliff Lawrenson - Non Executive Chairman (appointed 10 December 2020)
 Phillip Gallagher - Managing Director
 David Netherway - Non-Executive Director
 Steven Zaninovich - Non-Executive Director
 Peter Su - Non-Executive Director (appointed 16 September 2020)
 Dimitri Bacopanos - Non-Executive Director (appointed 21 October 2020)
 Emmanuel Correia - Non-Executive Director (resigned 10 December 2020)

Principal activities

The principal activities of the entities within the Group during the half-year were continued bauxite exploration and engineering studies.

Review of operations

The loss for the Group for the half-year ended 31 December 2020 after providing for income tax amounted to \$2,534,344 (31 December 2019: \$3,197,867).

Minim Martap Project

The Minim Martap Project is a world class bauxite deposit located in the Adamawa region of Cameroon. The Minim Martap Project encompasses two deposits, namely the Ngaoundal and Minim Martap deposits, which are located within 25 km of each other. The total area of the permits is 1,349 km².

The Project is located adjacent to the operating rail line in Cameroon that runs directly to the Douala Port. The Douala Port is targeted as the operating port for the Stage-1 development phase of the Project. The new Kribi Deep Water Port, located in the south-west of the country, is operational and can directly load post-Panamax and Cape Class size vessels. It is intended to utilise the Kribi Port facility for the Stage-2 development of the Project and the Company is working with the Government of Cameroon and interested parties regarding the development of the rail extension to the Kribi Port.

The bauxite within the Minim Martap Project is a high grade, low contaminant bauxite that initial testing indicates is suitable for both low and high temperature alumina refining. The Company believes that the Minim Martap Project is the only bauxite deposit of this scale and high grade, low contaminant nature located outside of Guinea.

During the half year ended 31 December 2020 the Group has substantially progressed the Minim Martap Project through undertaking the following activities and achieving the following milestones.

Pre-Feasibility Study

On 1 July 2020 the Group announced results of the Minim Martap Project Pre-Feasibility Study (PFS) for Stage-1 of the Project's development. The PFS demonstrated the Minim Martap Project's potential as a long-term producer of very high quality, low contaminant bauxite via a multi-stage development program utilising existing infrastructure in Cameroon. The Group is advancing strategic partnership and off-take agreement discussions with interested parties to accelerate the Project development timeline. The headline economic outcomes of the Pre-Feasibility Study are as follows:

Minim Martap Project ¹	Units	Stage 1
Annual Production Rate	Mtpa	5.0
Project Development Capital	US\$M	120
Average Operating Cost C1	US\$/t	35.1
Project NPV ₁₀	US\$M	291
Project IRR	%	37
Capital Intensity	US\$/t	24

Agreement with major engineering firm MCC-CIE for BFS

On 23 December 2020 the Group announced the execution of a bankable feasibility study (BFS) contract for Stage 1 of the Group's Minim Martap bauxite project, with leading Chinese engineering, procurement and construction (EPC) firm Changtian International Engineering Corporation of MCC (MCC-CIE).

MCC-CIE is part of China Metallurgical Group Corporation (MCC), which is a wholly owned subsidiary of China Minmetals Corporation (Minmetals). MCC-CIE is one of China's leading EPC companies and is a one-stop-shop for the project development life cycle, incorporating feasibility studies, engineering design, metallurgical infrastructure development, heavy industry projects and equipment manufacturing. MCC-CIE works extensively with leading banks in China and as part of the BFS scope will ensure that the BFS is compliant to the requirements of those funding institutions. The scope of the BFS work program will preserve broader funding source options for the Minim Martap Project.

The scope of the BFS contract includes the mine and port infrastructure. Australian-based Mining Plus who managed the PFS has been retained to focus on Resource and Reserve development and mining contract tendering, and to ensure continuity of transition and learnings from PFS to BFS.

The Group is nearing completion of the assembly of the BFS team of employees, consultants and partners and continually holding in-country face-to-face commercial and legal discussions with the representatives of the Government of Cameroon, Camrail and the Port Authority of Douala.

Subsequent to the period end, on 9 March 2021 the Group announced that leading rail engineering firm Vecturis has been engaged to optimise the technical and commercial rail solutions for the BFS.

Maiden Ore Reserve

On 10 August 2020 the Group reported a maiden JORC (2012) Ore Reserve for the Minim Martap Project based on the results of the PFS, with details of the Reserve as follows:

Reserve			
Classification	Tonnes (Mt)	Al ₂ O ₃	SiO ₂
Proven	-	-	-
Probable	97.3	51.1%	2.3%
Total Ore Reserves	97.3	51.1%	2.3%

Mineral Resource Upgrade

On 1 October 2020, the Group announced an updated Mineral Resource Estimate for the Minim Martap Project of more than 1 billion tonnes of high-grade bauxite, with details of the Resource as follows:

Resource (35% Al ₂ O ₃ cut-off)			
	Tonnes (Mt) ore	Alumina	Silica
Total	1,002.0	45.2% Al ₂ O ₃	2.8% SiO ₂
Indicated	942.5	45.2% Al ₂ O ₃	2.8% SiO ₂
Inferred	59.5	43.8% Al ₂ O ₃	3.1% SiO ₂
Contained High Grade Resource (45% Al ₂ O ₃ cut-off)			
	Tonnes (Mt) ore	Alumina	Silica
Total	484	48.8% Al ₂ O ₃	2.6% SiO ₂
Indicated	460	48.9% Al ₂ O ₃	2.6% SiO ₂
Inferred	24	47.4% Al ₂ O ₃	2.0% SiO ₂

Minim Martap Bauxite Technical Specifications and Testing

During the half year ended 31 December 2020 the Group led positive engagements with some of the world's leading and largest bauxite, alumina and aluminium producers.

Following various meetings with potential strategic partners, bauxite offtake parties and project construction/service-related companies, the Group 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 when compared with typical standard grade bauxite.

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

On 1 October 2020 the Group provided a summary of the outcomes of the Advanced Metallurgical Programme designed to further understand the digestion properties of the high-grade bauxite at Minim Martap Project. The outcomes of the testing confirmed the very high-grade of the Minim Martap Bauxite and the high rates of conversion from total alumina to available alumina at low temperature digestion conditions, with all tests achieving at least 90% alumina conversion or greater.

Memorandum of Understanding with Camrail

On 19 November 2020 the Group announced the execution of a Memorandum of Understanding (MoU) with Cameroon rail operator Camrail for the haulage of 5 million tonnes of bauxite per annum from the Group's Minim Martap Project.

As part of the MoU, Camrail agreed to assist the Group in relation to the proposed technical and commercial logistics solutions, including supporting the Group in its dealings with strategic Government representatives, key stakeholders, input into policy development, compliance and regulatory requirements and funding options. The MoU provides a sound basis for the Group to progress binding commercial agreements with Camrail.

Memorandum of Understanding with the Port of Douala

On 17 September 2020 the Group announced the execution of a Memorandum of Understanding (MoU) with the Port Authority of Douala (PAD), Cameroon.

The Group has been in discussions with the PAD during the process of completing the PFS and has established a positive working relationship with the executive team of the PAD. The execution of the MoU formalises many of the discussions and meetings and creates a pathway for the finalisation of the operating and logistics solutions and timely completion of access and operating agreements between the Group and the PAD.

The objective of the MoU is to establish an agreed framework by which the PAD and the Group will cooperate effectively to ensure the success of the Minim Martap Bauxite Project in a mutually beneficial partnership. The parties have agreed in the MoU to cooperate regarding the port logistics and to develop efficient technical and commercial solutions for the use of port facilities at the Port of Douala.

The cooperation framework aims to help both Parties effectively fulfil their responsibilities for the development of the Minim Martap Project, including through structured information sharing and collaborative milestones.

Environmental Studies

On 23 September 2020 the Group announced the completion of the Water Resources Interim Baseline Report as part of the Environmental and Social Impact Assessment (ESIA) baseline studies, incorporating hydrology, hydrogeology and water quality data obtained to date for the Minim Martap Project.

Other key aspects of the ESIA will include biodiversity, air quality and noise, and socio-economic conditions. The final ESIA report is due for completion mid-2021.

Competent Person's Statement – Ore Reserves

The information in this report that relates to Ore Reserves is based on information compiled or reviewed by Mr John Battista, a Competent Person who is a Member and Chartered Professional (Mining) of the Australasian Institute of Mining and Metallurgy (AusIMM) and is currently employed by Mining Plus (UK) Ltd. Mr Battista has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code).

Mr Battista consents to the disclosure of information in this report in the form and context in which it appears.

Competent Person's Statement – Mineral Resources

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 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 they are undertaking to qualify as a Competent Person as defined in the 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.

Mineral Resource estimate

The data in this announcement that relates to the Mineral Resource estimates for the Minim Martap Bauxite Project is based on information in the Resources announcement of 16 October 2020 and available to view on the Company's website and ASX.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the original market announcement continue to apply and have not materially changed. The Company confirms that the form and the context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Pre-Feasibility Study

The data in this announcement that relates to the Pre-Feasibility Study for the Minim Martap Bauxite Project and associated production targets and forecast financial information, is based on information in the PFS announcement of 1 July 2020 and available to view on the Company's website and ASX.

The Company confirms that all the material assumptions underpinning the production target and forecast financial information derived from the production target continue to apply and have not materially changed.

Ore Reserve estimate

The data in this announcement that relates to the Ore Reserve estimate for the Minim Martap Bauxite Project is based on information in the maiden Ore Reserve announcement of 10 August 2020 and available to view on the Company's website and ASX.

Forward looking statements

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the original market announcement continue to apply and have not materially changed. The Company confirms that the form and the context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

All statements other than statements of historical fact included in this document including, without limitation, statements regarding future plans and objectives of the Group, are forward-looking statements. When used in this document, 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 the Group that could cause the Group's actual results to differ materially from the results expressed or anticipated in these statements.

The Group cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this document will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. The Group 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 document, except where required by applicable law and stock exchange listing requirements.

Corporate

Placement

In August 2020 the Company announced it had agreed to place a total of 100 million new fully paid ordinary shares at \$0.10 per share to institutional and sophisticated and strategic investors to raise a total of \$10m, before costs.

The placement introduced Mr Peter Su as a new strategic investor in the Group who agreed to subscribe for approximately \$5.6m at \$0.10 per Share as part of the Placement (representing a 9.4% shareholding in the Group post-Placement). Mr Su's investment was made in two equal tranches, with the first tranche of \$2.8 million issued on 7 September 2020 and the second tranche of \$2.8m issued on 29 September 2020.

Mr Su is a strategic investor based in Perth, Western Australia with a diverse range of business interests and is actively involved in property investment and development in Australia and overseas. The Su family have historically held commercial interests in bauxite and alumina refining in China. Mr Su's engagement is expected to assist the Group to accelerate the development of the Minim Martap Bauxite Project and to provide introductions and commercial assistance relating to bauxite offtake, EPCM and project financing.

Board Changes and Restructure

The Company appointed Mr Su to the Board of Directors in September 2020, as prescribed in the subscription agreement. Mr Su has the further right under the agreement to appoint a second director to the Company, subject to maintaining a minimum shareholding of 7.5%. Accordingly, Mr Dimitri Bacopanos was appointed to the board of the Company in October 2020.

In December 2020 the Company announced the appointment of experienced mining professional Mr Cliff Lawrenson as Non-Executive Chairman. With the appointment of Mr Lawrenson, Mr David Netherway stepped down as Chairman and remains as a Non-Executive Director, and Mr Emmanuel Correia elected to step off the Board for personal reasons after four-and-a-half years as a non-executive director.

Matters subsequent to the end of the financial half-year

On 12 February 2021, 10,000,000 ordinary shares were issued pursuant to the agreement dated 14 February 2019 in consideration for the acquisition of the Birsok Project as approved at the Company's Annual General Meeting on 30 November 2020.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

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

On behalf of the Directors



Phillip Gallagher
Managing Director

16 March 2021
Perth

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 2020, 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
16 March 2021

L Di Giallonardo
Partner

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Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

Canyon Resources Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020



	Note	Half-year ended 31 December 2020 \$	Half-year ended 31 December 2019 \$
Other income	5	64,420	-
Interest received		4,172	13,321
Expenses:			
Foreign exchange loss		-	(8,389)
Employee expense		(305,878)	(827,568)
Consultants and contractors		(174,612)	(214,639)
Depreciation and amortisation expense		(51,188)	(54,448)
Impairment of exploration		(111,566)	(509,237)
Directors' fees		(396,360)	(274,996)
Compliance and regulatory		(71,627)	(88,582)
Legal and professional fees		(51,810)	(78,942)
Share based payments		(1,341,337)	(573,727)
Interest expense		(54)	-
Occupancy		(21,600)	(96,916)
Administration		(76,904)	(483,744)
Loss before income tax expense		(2,534,344)	(3,197,867)
Income tax expense		-	-
Loss after income tax expense for the half-year		(2,534,344)	(3,197,867)
Other comprehensive loss			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Change in fair value of equity instruments		(9,560)	637
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(155,103)	(77,761)
Other comprehensive loss for the half-year, net of tax		(164,663)	(77,124)
Total comprehensive loss for the half-year		(2,699,007)	(3,274,991)
		Cents	Cents
Basic earnings per share		(0.45)	(0.73)
Diluted earnings per share		(0.45)	(0.73)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	31 December 2020 \$	30 June 2020 \$
Assets			
Current assets			
Cash and cash equivalents		7,960,281	1,610,466
Trade and other receivables		114,826	69,688
Other		345,753	296,566
Total current assets		8,420,860	1,976,720
Non-current assets			
Financial assets	6	36,647	46,207
Property, plant and equipment		395,857	426,892
Exploration and evaluation	7	13,884,813	12,144,907
Total non-current assets		14,317,317	12,618,006
Total assets		22,738,177	14,594,726
Liabilities			
Current liabilities			
Trade and other payables		1,595,676	1,434,170
Employee benefits		189,782	184,376
Total current liabilities		1,785,458	1,618,546
Total liabilities		1,785,458	1,618,546
Net assets		20,952,719	12,976,180
Equity			
Issued capital	8	64,695,650	52,441,940
Reserves		3,637,349	5,380,176
Accumulated losses		(47,380,280)	(44,845,936)
Total equity		20,952,719	12,976,180

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Canyon Resources Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2020



	Issued capital \$	Fair value reserve \$	Foreign currency reserve \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	41,462,717	11,235	141,544	5,000,420	(36,325,421)	10,290,495
Loss after income tax expense for the half-year	-	-	-	-	(3,197,867)	(3,197,867)
Other comprehensive income for the half-year, net of tax	-	637	(77,761)	-	-	(77,124)
Total comprehensive income for the half-year	-	637	(77,761)	-	(3,197,867)	(3,274,991)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued for exploration and evaluation acquisition	-	-	-	33,534	-	33,534
Shares issued for cash	6,500,000	-	-	-	-	6,500,000
Share issue costs	(306,192)	-	-	-	-	(306,192)
Value of performance rights expensed	-	-	-	573,727	-	573,727
Balance at 31 December 2019	47,656,525	11,872	63,783	5,607,681	(39,523,288)	13,816,573
	Issued capital \$	Fair value reserve \$	Foreign currency reserve \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	52,441,940	36,728	147,521	5,195,927	(44,845,936)	12,976,180
Loss after income tax expense for the half-year	-	-	-	-	(2,534,344)	(2,534,344)
Other comprehensive loss for the half-year, net of tax	-	(9,560)	(155,103)	-	-	(164,663)
Total comprehensive loss for the half-year	-	(9,560)	(155,103)	-	(2,534,344)	(2,699,007)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued for exploration and evaluation acquisition	-	-	-	930,055	-	930,055
Share issued for cash	10,000,000	-	-	-	-	10,000,000
Share issue costs	(911,457)	-	-	245,666	-	(665,791)
Value of performance rights expensed	-	-	-	411,282	-	411,282
Performance shares converted	3,165,167	-	-	(3,165,167)	-	-
Balance at 31 December 2020	64,695,650	27,168	(7,582)	3,617,763	(47,380,280)	20,952,719

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

	Note	Half-year ended 31 December 2020 \$	Half-year ended 31 December 2019 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,038,759)	(2,463,147)
Interest received		4,172	13,321
Government grants received		50,000	-
Net cash used in operating activities		(984,587)	(2,449,826)
Cash flows from investing activities			
Payments for property, plant and equipment		(2,035)	(32,263)
Payments for exploration and evaluation	7	(2,043,230)	(1,948,952)
Net cash used in investing activities		(2,045,265)	(1,981,215)
Cash flows from financing activities			
Proceeds from issue of shares	8	10,000,000	6,500,000
Share issue transaction costs		(665,791)	(306,192)
Net cash from financing activities		9,334,209	6,193,808
Net increase in cash and cash equivalents		6,304,357	1,762,767
Cash and cash equivalents at the beginning of the financial half-year		1,610,466	2,219,716
Effects of exchange rate changes on cash and cash equivalents		45,458	7,365
Cash and cash equivalents at the end of the financial half-year		7,960,281	3,989,848

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Canyon Resources Limited as the Group consisting of Canyon Resources Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Canyon Resources Limited's functional and presentation currency.

Canyon Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 9, 863 Hay Street
Perth, Western Australia, 6000
T: +61 8 6382 3342
F: +61 8 9324 1502

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 16 March 2021.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted and methods of computation are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

In the Directors' opinion, none of the new or amended Accounting Standards and Interpretations have had, or will have a material effect on the Group's financial performance or position.

Going concern

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

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 4. Operating segments

The following table presents the profit & loss and assets & liabilities information by segment provided to the Board of Directors:

	Exploration (Africa) \$	Unallocated (Corporate) \$	Total \$
Half-year ended 31 December 2020			
Interest income	-	4,172	4,172
Other income	-	64,420	64,420
Expenses	(161,089)	(2,441,847)	(2,602,936)
Loss before income tax expense	(161,089)	(2,373,255)	(2,534,344)
Income tax expense			-
Loss after income tax expense			(2,534,344)
Assets			
Segment assets	14,774,046	7,964,131	22,738,177
Total assets			22,738,177
Liabilities			
Segment liabilities	121,218	1,664,240	1,785,458
Total liabilities			1,785,458

Note 4. Operating segments (continued)

	Exploration (Africa) \$	Unallocated (Corporate) \$	Total \$
Half-year ended 31 December 2019			
Interest income	-	13,321	13,321
Expenses	(1,322,938)	(1,888,250)	(3,211,188)
Loss before income tax expense	(1,322,938)	(1,874,929)	(3,197,867)
Income tax expense			-
Loss after income tax expense			(3,197,867)
30 June 2020			
Assets			
Segment assets	12,853,475	1,741,251	14,594,726
Total assets			14,594,726
Liabilities			
Segment liabilities	70,174	1,548,372	1,618,546
Total liabilities			1,618,546

Note 5. Other income

	Half-year ended 31 December 2020 \$	Half-year ended 31 December 2019 \$
Net foreign exchange gain	26,920	-
Subsidies and grants	37,500	-
Other income	64,420	-

Note 6. Non-current assets - Financial assets

Financial assets carried at fair value through other comprehensive income:

	31 December 2020 \$	30 June 2020 \$
Shares in Rumble Resources Ltd	36,647	46,207
Reconciliation	Half-year ended 31 December 2020 \$	Year ended 30 June 2020 \$
Reconciliation of the fair values at the beginning and end of the current and previous financial half-year are set out below:		
Opening fair value	46,207	20,714
Changes in the fair value of equity investment	(9,560)	25,493
Closing fair value	36,647	46,207

Note 6. Non-current assets - Financial assets (continued)

The shares held in Rumble Resources Ltd are categorised as Level 1 securities and designated as fair value through Other Comprehensive Income.

Note 7. Non-current assets - exploration and evaluation

	31 December 2020 \$	30 June 2020 \$
Exploration and evaluation - Minim Martap	13,334,813	11,594,907
Exploration and evaluation - Birsok	658,770	550,000
Less: Impairment	(108,770)	-
	550,000	550,000
	13,884,813	12,144,907

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial half-year are set out below:

	\$
Balance at 1 July 2019	8,179,090
Acquisition of tenements	29,808
Capitalised expenditure - Minim Martap	4,416,715
Exchange differences	45,449
Impairment of assets	(526,155)
Balance at 1 July 2020	12,144,907
Expenditure during the half-year	2,043,230
Exchange differences	(194,554)
Impairment of assets ¹	(108,770)
Balance at 31 December 2020	13,884,813

¹As the Birsok tenements are still in the process of being renewed, all additional expenditure recognised is being expensed. Until such time that the renewals are finalised, any further acquisition costs are unable to be capitalised in accordance with the Company's accounting policy.

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

Note 8. Equity - issued capital

	31 December 2020 Shares	30 June 2020 Shares	31 December 2020 \$	30 June 2020 \$
Ordinary shares - fully paid	613,903,552	499,170,219	64,695,650	52,441,940

Note 8. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2019	418,276,469	41,462,717
Shares issued for cash		45,893,750	7,343,000
Shares issued in lieu of payment		35,000,000	4,135,000
Cost of share issues		-	(498,777)
Balance	1 July 2020	499,170,219	52,441,940
Shares issued for cash		100,000,000	10,000,000
Conversion of performance rights		14,733,333	3,165,167
Cost of share issues		-	(911,457)
Balance	31 December 2020	613,903,552	64,695,650

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 9. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 10. 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 value 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 2020 \$	30 June 2020 \$				
Equity investments designated as fair value through other comprehensive income	36,647	46,207	Level 1	Share price	None	None

There have been no transfers between the levels of the fair hierarchy during the six months to Half-year ended 31 December 2020.

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

Note 10. Financial instruments (continued)

Fair value of the Group's financial assets and 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 recognised in the consolidated financial statements approximate their fair values.

Note 11. Contingent liabilities

The Company received a claim from Jeantet AARPI (Jeantet), a law firm based in Paris, in respect of fees for legal advice and services in the amount of EUR 887,399 (approximately A\$1.4 million) as at 31 December 2020.

The Company has challenged the amount claimed on the basis that it does not represent a reasonable charge for the services undertaken by Jeantet or the outcomes achieved. The Company also sought separate legal advice in respect of this matter.

Subsequent to 31 December 2020 a settlement agreement was reached with Jeantet to pay EUR 550,000 (approximately A\$872,000). Canyon has provided for this amount outstanding to Jeantet as at 31 December 2020 and the amount has been paid in full, subsequent to 31 December 2020.

There are no contingencies outstanding as at 31 December 2020.

Note 12. Commitments

Commitments remain as those disclosed in the 30 June 2020 annual financial report.

Note 13. Related party transactions

For details of share-based payments to Directors refer to note 15. Other arrangements continue to be in place. For details of these arrangements, refer to the 30 June 2020 annual report.

Note 14. Events after the reporting period

On 12 February 2021, 10,000,000 ordinary shares were issued pursuant to the agreement dated 14 February 2019 in consideration for the acquisition of the Birsok Project as approved at the Company's Annual General Meeting on 30 November 2020.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 15. Share-based payments

Performance rights

(a) On 27 November 2019 shareholders approved the issue of 1.8 million Performance Rights to Non-executive Director Steve Zaninovich.

The Performance Rights were issued for nil cash consideration and are convertible into fully paid ordinary shares in the capital of the Company on the terms and conditions under the Canyon Long Term Incentive Plan and subject to the following Vesting Conditions:

- (1) one third vest upon the completion of 12 months tenure as a Non-executive director of the Company from the date of the AGM;
- (2) one third vest upon the Company completing a capital raising of a minimum \$10 million within the next 24 months; and
- (3) one third vest upon the Company completing a PFS over the Minim Martap Bauxite Project, from which a maiden Bauxite ore reserve can be calculated.

Note 15. Share-based payments (continued)

During the period vesting conditions 2 and 3 have been satisfied in respect of the Performance Rights issued to Mr Zaninovich and have been converted into ordinary shares. Vesting condition 1 has been satisfied but is pending conversion into ordinary shares.

These performance rights were valued, using a valuation methodology based on the guidelines set out in AASB 2 *Share based payment*. The 10 day VWAP was used given the fluctuations in the Company's share price on and around the grant date.

Assumptions:

Valuation date	27 November 2019
10 day VWAP	\$0.2008

Indicative value per Performance Right	\$0.2008
- Mr Steve Zaninovich	\$361,440

The value of the Performance Rights is being expensed over the deemed life of the Rights. During the period \$102,538, was recognised as an expense in relation to the rights.

(b) On 21 August 2020 the Directors approved the issue of 3.6 million Performance Rights to key management personnel, being 2 million to Mr James Durrant and 1.6 million to Mr Nick Allan.

The Performance Rights were issued for nil cash consideration and are convertible into fully paid ordinary shares in the capital of the Company on the terms and conditions under the Canyon Long Term Incentive Plan and subject to the following Vesting Conditions:

- (1) 12 months continuous employment following completion of 3 month probation period (16.67%)
- (2) 24 months continuous employment following completion of 3 month probation period (16.67%)
- (3) Completion of a successful PFS, as determined by the Board of Directors (33.33%)
- (4) Completion of a successful Feasibility Study, as determined by the Board of Directors (33.33%)

These performance rights were valued, using a valuation methodology based on the guidelines set out in AASB 2 *Share based payment*. The 10 day VWAP was used given the fluctuations in the Company's share price on and around the grant date.

Assumptions:

Valuation date	21 August 2020
10 day VWAP	\$0.1337

Indicative value per Performance Right	\$0.1337
- Mr James Durrant	\$267,400
- Mr Nick Allan	\$213,920

During the period, vesting conditions 1 and 3 have been satisfied in respect of the Performance Rights issued to Mr Durrant whilst vesting condition 3 has been satisfied in relation of the Performance Rights issued to Mr Allan and have been converted into ordinary shares.

The value of the Performance Rights is being expensed over the deemed life of the Rights. During the period \$308,743, was recognised as an expense in relation to the rights.

Note 15. Share-based payments (continued)

Ordinary Shares

Acquisition of Birsok

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

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

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

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

- (1) 5,000,000 ordinary Canyon shares, to be issued to Altus upon the execution of a mining convention on the Minim Martap project and subject to a 12 month voluntary escrow ("Tranche 3");
- (2) a US\$1.50 per tonne royalty on ore mined and sold from the Birsok project.

After receiving shareholder approval, Canyon issued Tranche 1 Shares on 10 February 2020 to Altus pursuant to the agreement to terminate the JVA. As a result, the company recorded an amount of \$2,775,000 as a cost of acquisition of the Birsok Project being the fair value (market price) of the first tranche of shares (15,000,000) at the measurement date being 12 October 2018, the date the agreement was entered into. The Tranche 2 shares are vesting 12 months following the initial share issue, and the total value of this tranche namely \$1,850,000, is being brought to account over the vesting period.

As at the balance date \$1,657,924 has been recognised in relation to Tranche 2, of which an amount of \$930,055 was recognised during the current period.

All amounts recognised are being expensed, as the Birsok tenements are still in the process of being renewed. Until such time that the renewals are finalised, any further acquisition costs are unable to be capitalised in accordance with the Company's accounting policy.

Subsequent to reporting date, the Tranche 2 shares vested and 10,000,000 ordinary shares have been issued.

The Directors are actively working on meeting the Tranche 3 milestone; however, the value of the shares has not been brought to account at this stage.

Advisor options

On 7 September 2020, the Company issued 4,000,000 unlisted options to Ashanti Capital and arranging parties to the placement which completed on the same day. The unlisted options have an exercise price of \$0.20 per share and an expiry date of 7 September 2023. \$245,666 was recognised as capital raising costs during the period.

For these options, the valuation model inputs used to determine the fair value at the grant date, are as follows:

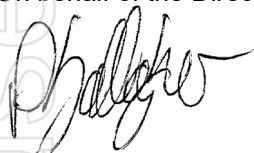
Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
07/09/2020	07/09/2023	\$0.13	\$0.20	90.32%	-	0.28%	\$0.061

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Phillip Gallagher
Managing Director

16 March 2021
Perth

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Canyon Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Canyon Resources Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

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

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

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

Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
16 March 2021



L Di Giallonardo
Partner