

26 November 2014

Positive Results From Initial Rail Study for the Birsok Project

HIGHLIGHTS:

- ▶ **Initial rail study completed on data provided by Cameroon rail operator.**
- ▶ **The study indicates the technical suitability and availability of the rail line for the transport of commercial quantities of bauxite.**
- ▶ **Rail study indicates a limited infrastructure CAPEX requirement for an initial mine development.**

The Directors of **Canyon Resources Ltd** (ASX:CAY) are pleased to announce that the Company has received an initial rail study completed by rail consultants Clarendon Irving Pty. Ltd. and Andrew Neal & Associates, who were commissioned to review technical rail data supplied by Camrail, the operators of the existing rail line that runs alongside the Birsok Bauxite Project in Cameroon. The study has provided a positive review of the data that indicates the suitability of the rail line to transport commercial quantities of bauxite from the project area to an existing port in Cameroon.

Managing Director of Canyon Resources, Phillip Gallagher said;

"The positive review of the rail data supplied by Camrail, the rail operator in Cameroon, is a significant milestone for Canyon. The study confirms the likely suitability of the existing rail line to transport commercial quantities of bauxite from the Birsok Project directly to the Douala port and potentially the new Kribi deep-water port. We thank Camrail for supplying the technical data to Canyon and we look forward to further developing a working relationship in the near future.

While development of the Birsok Project is still in the early stages, this initial study gives Canyon further confidence that we have a viable infrastructure solution for the Project."

The Birsok Bauxite Project benefits from its proximity to existing rail line infrastructure that runs alongside the Project to the Douala Port and, potentially, to the newly built Kribi deep-water port. Following the positive results from the previously announced initial drilling program on the Birsok Project, Canyon commenced initial rail and port infrastructure studies using Australian based consultants who bring significant rail, port and infrastructure expertise for mining projects in both Africa and Australia.

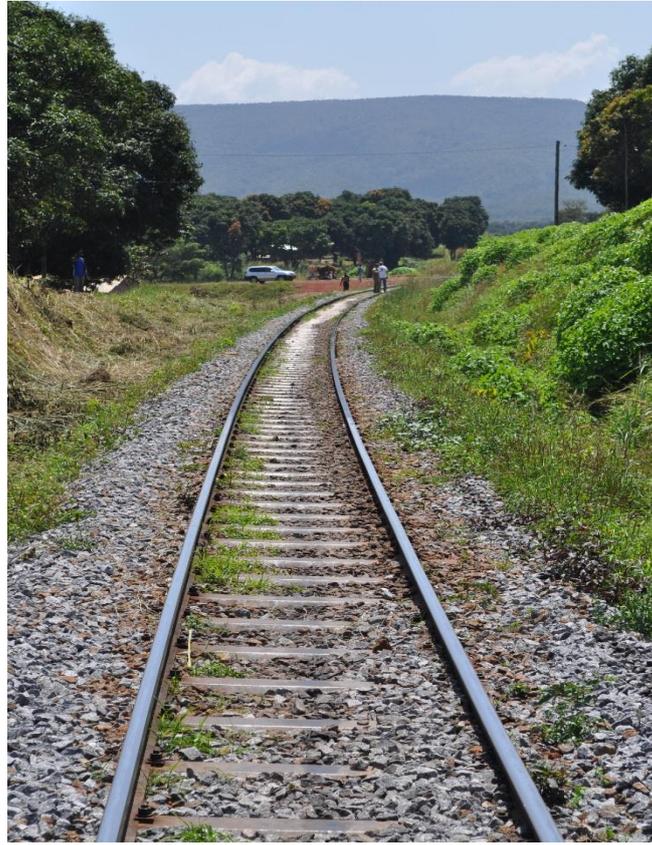


Figure 1: The Camrail rail line near to the Birsok Bauxite Project

The Company has engaged the services of specialist consultants Richard Jupp from Clarendon Irving Pty Ltd and Andrew Neal from Andrew Neal & Associates to advise on the rail and port infrastructure requirements for the Birsok Project.

Camrail have provided detailed technical data on the rail line and its operations and this data has been reviewed by Canyon's rail consultants. The study of the supplied data indicates that the rail line is capable of, and has the capacity to, transport commercial quantities of bauxite from the Birsok Project to the Douala Port, without the need for significant capital expenditure.

The study has determined that the rail system in Cameroon is metre gauge (1000mm) and extends from Douala in the west to Ngaoundal in northern central Cameroon (see Fig 4 below). Much of the line is understood to have been constructed post independence in the 1970's using concrete sleepers with the most heavily trafficked section between the principal port at Douala and the capital Yaounde subsequently upgraded and maintained for passenger and freight traffic.

The single track line to Ngaoundere passes close to the Birsok Project site near the town of Ngaoundal, a distance of some 750km from the Douala port. Elevation at the rail siding close to the Birsok Project is about 900m and the gradient against the loaded train is predominantly downhill to the port at sea level. The ruling grade against both loaded and empty traffic is about 1.6%.

Passing sidings are at regular intervals with an average spacing of some 40km. The line is understood to carry both passenger and miscellaneous freight traffic on a daily basis.

The line is believed to be under-utilised, particularly heading SW back to Yaounde/Douala and appears suitable to carry bauxite for at least the initial stage of mine development without major capital investment on track infrastructure.

The study indicates limited initial capital expenditure will be necessary for dedicated rolling stock and locomotives. The mainline rail system terminates at Bessengue just outside Douala and is linked by a rail system to the port area.



Figures 2 & 3: The Camrail rail operation

The rail study conducted a broad initial review of the Camrail rail operation based on a base case scenario of 1 million tonnes per annum. The study focused on the following areas:

- Current rail operations;
- System layout;
- Track profile;
- Track standard;
- Estimated axle loads;
- Current rolling stock;
- Potential train configurations and loads, and;
- Initial estimate of capital and operating costs.

The rail line has had significant upgrading and investment with €108M of expenditure between 1999 and 2007 and has additional government investment planned of €193M through to 2020.

There is currently a rail spur planned for access to the newly built and operating Kribi deep-water port located to the south of the existing Douala port.

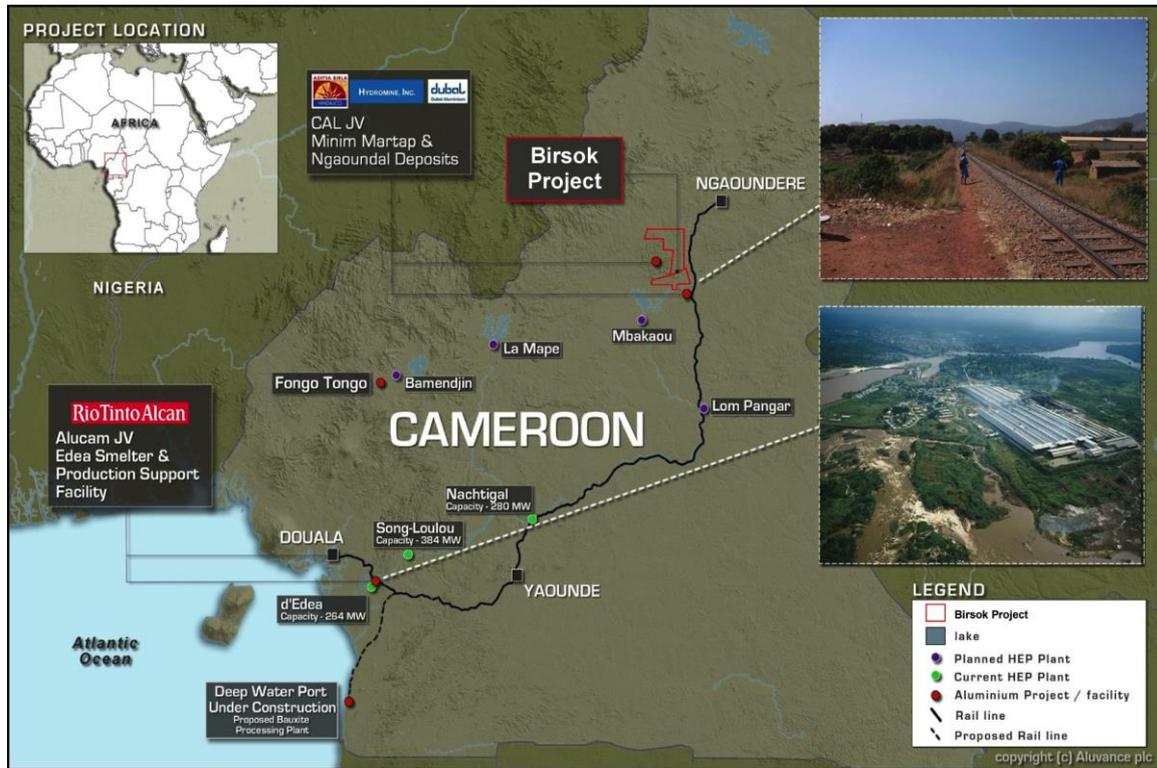


Figure 4 – Location of Canyon’s Birsook Bauxite Project, and the rail line and Douala and Kribi Ports

About Canyon Resources Limited

In 2013, Canyon announced a farm-in transaction to acquire up to 75% of the Birsook Bauxite Project in Cameroon, which is considered highly prospective for high grade DSO bauxite. The Birsook Bauxite Project is strategically located in an emerging bauxite region of Cameroon (Figure 2), contiguous with the world class Minim Martap bauxite deposit and approximately 10km from an operating rail line.

During 2014 Canyon conducted an inaugural drilling program which returned high grade, low impurity bauxite mineralisation over the key plateaux tested, with multiple intersections of $>50\% \text{Al}_2\text{O}_3$. Canyon also commenced some early broad based laboratory testing of a selection of the drill samples to determine the suitability of the bauxite. Results on the priority plateaus were encouraging with good available Al_2O_3 and low reactive silica.

In addition to the bauxite assets, Canyon has an established portfolio of highly prospective mineral exploration projects in Burkina Faso, which cover an area of approximately 3,500km² over 17 permits in the Birimian greenstone belts of the West African craton. The Company is aware of the recent political unrest in the country’s capital, Ouagadougou, and is monitoring the situation along with its in-country staff. There has been no impact on the Company’s operations or assets to date and Canyon will keep the market informed should any material developments occur.

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