



CANYON RESOURCES LIMITED

Equity Analysis (19 September 2024)



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Introduction

Canyon Resources Limited, together with its subsidiaries, engages in the development and exploration of bauxite properties in West Africa. Its flagship property is the 100% owned Minim Martap Bauxite project located in central Cameroon. The company was formerly known as Castlemaine Resources Limited and changed its name to Canyon Resources Limited in March 2010. Canyon Resources Limited was incorporated in 2009 and is based in West Perth, Australia.

| | | |
|--|-----------------|---|
| Recommendation | Speculative Buy | |
| Risk Profile | High | |
| Current Market Price (AU\$) | 0.090 | |
| 52 Week Low-High (AU\$) | 0.040 - 0.092 | |
| Market Capitalisation (AU\$) | 127.24 million | |
| Outstanding Shares | 1.37 billion | |
| PE (TTM) | - | |
| EPS (AU\$) (TTM) | -0.003 | |
| Dividend Yield/Frinking | 0% / - | |
| Ex-Date/Pay-Date | - | |
| Enterprise Value (EV)/Sales (LTM)/(FY-1) | - | - |
| EV/EBITDA (LTM)/(FY-1) | - | - |
| Price/Book Value (LTM)/(FY-1) | 2.5x | - |

Performance Chart



Operating Performance



Source: Company Reports, Chart Prepared by Kapitales Research

- In 1HFY24, total revenue was AU\$0.17 million against AU\$0.03 million in 1HFY23.
- In 1HFY24, the company's net loss was AU\$1.88 million against AU\$2.78 million in 1HFY23.
- Cash used in operating activities was AU\$2.17 million in 1HFY24 compared to AU\$3.00 million in 1HFY23.
- Cash used in investing activities was AU\$1.68 million in 1HFY24 compared to AU\$0.56 million in 1HFY23.
- Cash from financing activities was AU\$24.11 million in 1HFY24 compared to AU\$12.35 million in 1HFY23.

Balance Sheet Highlights



Source: Company Reports, Chart Prepared by Kapitales Research

Compared to 2HFY23, in 1HFY24:

- Total asset increased by 74.04% to AU\$51.48 million.
- Total liabilities increased to AU\$0.77 million.
- Cash and Cash Equivalents increased to AU\$30.82 million.

Ratio Analysis

| Fiscal Quarters | 2Q FY2023 | 3Q FY2023 | 4Q FY2023 | 1Q FY2024 | 2Q FY2024 |
|--|-----------|-----------|-----------|-----------|-----------|
| Return on Assets % | -11.02% | -9.59% | -9.85% | -6.10% | -4.80% |
| Return On Equity % | -18.32% | -14.93% | -15.32% | -9.43% | -7.40% |
| Return on Total Capital % | -11.33% | -9.85% | -10.10% | -6.22% | -4.87% |
| EBITDA Margin % | - | - | - | - | - |
| Gross Profit Margin % | - | - | - | - | - |
| Net Income Margin % | - | - | - | - | - |
| Asset Turnover | - | - | - | - | - |
| Days Outstanding Inventory (Avg) | - | - | - | - | - |
| Current Ratio | 16.00 | 15.20 | 15.20 | 41.30 | 41.30 |
| Days Sales Outstanding (Average Receivables) | - | - | - | - | - |
| Days Payable Outstanding (Avg) | - | - | - | - | - |
| Cash Conversion Cycle (Average Days) | - | - | - | - | - |

Source: Koyfin, Chart Prepared by Kapitales Research

Recent Updates

On 16 September 2024, Canyon Resources Limited announced successfully signing the Mining Licence for the Minim-Martap Bauxite Project in Cameroon. This achievement comes shortly after the signing of the Mining Convention in July 2024, showcasing the strong support from the Cameroon authorities. With the receipt of the Mining Licence, Canyon Resources, and its subsidiary, Camalco SA, are now authorized to mine and export bauxite and alumina at Minim Martap. The company's unwavering focus is on swiftly advancing critical activities over the next 12 months, including developing vital infrastructure solutions for port and rail access. The Minim Martap project is a top-tier, long-life scalable bauxite project with competitive operational cost estimates and an initial 20-year life of mine—this significant milestone positions Canyon Resources for sustained success and growth in the industry.

Outlook

Canyon Resources has completed a significant strategic investment by Eagle Eye Asset Holdings, which provided AU\$24.7 million in capital. The company is conducting an exploration program to discover new resources across 16 potential targets, involving 772 planned drill holes. Moreover, it is focused on the Minim Martap Bauxite Project. Canyon Resources has achieved essential milestones in anticipation of obtaining a Mining Permit from the Cameroon Government to develop Minim Martap. It has continued to prepare for the development of the Minim Martap Project. These preparations highlight the company's intention to position Canyon to capitalize on the opportunity to create a long-term project of global significance, which would provide significant value for shareholders and generate lasting employment opportunities and economic benefits for Cameroon. The company remains committed to thoroughly assessing acquisition opportunities, reflecting a promising outlook.

Risks

The company has exposure to the following risks-

- Market Competition
- Consumer preference risk
- Operational risk
- Technological Advancements

Technical Analysis



Source: TradingView, Analysis by Kapitales Research

| Company Name | Ticker | Sector | CMP (AU\$) | Advisory Date | Rating | Target 1 (AU\$) | Target 2 (AU\$) | Stop Loss (AU\$) |
|--------------------------|--------|-----------|------------|-------------------|-----------------|-----------------|-----------------|------------------|
| Canyon Resources Limited | CAY | Materials | 0.090 | 19 September 2024 | Speculative Buy | 0.105 | 0.110 | 0.084 |

The stock of metals and mining company CAY settled at AU\$0.090 on 19 September 2024. It is currently trading near its 52-week high price level.

The stock is trading above the significant exponential moving averages (EMA) of 20, 50, 100 and 200 weeks on a weekly time frame, indicating bullishness for the midterm.

The stock is trading near its pivot resistance R1 (AU\$0.089), holding a bullish momentum on a weekly time frame chart.

RSI (14 weeks) is at 64, holding a bullish momentum in the index.

Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$0.105 (Pivot resistance R2) and AU\$0.110 (Previous swing resistance) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).

Investors are advised to keep a strict stop loss at or below AU\$0.084 (previous swing support) to protect their investments in case of an unfavourable movement in the stock due to any uncertain event.

Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favourable direction.

Investment Summary

Compared to the previous corresponding period, it has shown robust growth in its total revenue in 1HFY24. Company's total assets increased by 74.04%, it means that the company's overall value and resources have expanded, indicating a positive development in its financial condition and potential for improved profitability.

The company's current ratio stood robust at 41.30x in 2QFY24, which is on the highest in the last four quarters. This indicates strong working capital management despite to inflationary pressures. Cash and cash equivalents increased, suggests improved liquidity and potentially stronger financial stability.

Considering all the above factors and the current trading level, we recommend a "Speculative Buy" rating on the stock at the current market price of AU\$0.090 as of 19 September 2024 (after-market hours).

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Disclosure: The information mentioned above has been sourced from the company reports and a third-party database, i.e. Koyfin. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.