

## Canyon Resources

### Breaking down the investment case

Canyon Resources, an ASX-listed exploration and development company, is advancing the high-grade, large-scale Minim Martap bauxite project in Cameroon. Minim Martap, a feasibility-stage project, is set to become an important independent source of low-cost bauxite for the fast-growing seaborne market. While we are planning to initiate full coverage of Canyon Resources soon, in this note we focus on the key elements of the company's investment case – attractive project economics, favourable bauxite market fundamentals and supportive cornerstone shareholder.

### Long-life, high-grade bauxite deposit in Cameroon

Canyon Resources is developing a long-life, high-grade Minim Martap bauxite project in Cameroon. It has a large compliant mineral resource of 1,027mt and proved reserves of 109mt at 51% Al<sub>2</sub>O<sub>3</sub> and 2% SiO<sub>2</sub>. A bankable feasibility study (BFS) published in mid-2022 envisaged production of 6.4mtpa of bauxite averaging 51% total alumina and low silica of 2% for the first 20 years of operation at a C1 cash cost of US\$24/t and initial capex of US\$253m. In September 2024, Minim Martap was granted a mining licence, a major milestone that demonstrates government support. The project focus has since shifted towards upgrading the resource base and reserves, with additional work being undertaken on the infrastructure solution that includes upgrading the existing rail line and building a transshipment operation at the Douala port. These work streams will feed into an updated BFS that is due in Q125.

### Anchor shareholder committed to build the project

Approximately 42% of the company is owned by Fortuna Holdings, a family office based in Singapore and Dubai. A prominent mining investor, Fortuna is a long-term shareholder committed to bringing the Minim Martap project into production.

### Rising bauxite prices, strong industry fundamentals

Recently bauxite prices have risen sharply on the back of export disruptions from Guinea, the largest seaborne supplier of bauxite. With its long-life, high-grade project in Cameroon, Canyon is well positioned to reduce dependence on Guinean supply, allowing for more diversified and robust bauxite market. In the long term, bauxite demand is underpinned by the growing use of aluminium in the energy transition industries such as electric vehicles, electronics and green energy. At an average FOB price of US\$45/t, the 2022 BFS estimated Minim Martap's NPV<sub>8</sub> at US\$452m. Given the project's premium product spec, the current spot benchmark price of c US\$90/t (CIF China, 45% Guinea) bodes well for Canyon's valuation.

#### Historical financials

Year end	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (A\$c)	Gross cash (A\$m)	P/E (x)
06/23	0.0	(4.4)	(5.0)	(0.5)	10.7	N/A
06/24	0.0	(9.4)	(9.5)	(0.8)	22.2	N/A

Source: Canyon Resources

#### Metals and mining

16 December 2024

**Price** **A\$0.17**  
**Market cap** **A\$241m**

#### Share price graph



#### Share details

Code	CAY
Listings	ASX
Shares in issue	1.42bn
Net cash at end September 2024	A\$20.3m

#### Business description

Canyon Resources is an ASX-listed exploration and development company, advancing the Minim Martap bauxite project in Cameroon. Minim Martap is a long-life, high-grade bauxite deposit with 1,027mt in combined mineral resources at 45% alumina and 3% silica. The project was granted the mining licence in September 2024 and the updated BFS is due in Q125.

#### Bull

- Attractive project economics, new independent bauxite supply
- Fast growing bauxite market, rising bauxite prices
- Supportive cornerstone shareholder

#### Bear

- Political risk in Cameroon
- Pre-production mining project
- Opaque and highly vertically integrated nature of the aluminium industry

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## Five key themes investors should consider

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Below we discuss the key elements of Canyon's investment case and share-price catalysts.

### High-grade independent bauxite project with attractive economics

Canyon's Minim Martap project in Cameroon has the potential to become an important independent supplier of bauxite to the international market. In mid-2022, Canyon released the results of the BFS, which envisaged a direct shipping ore operation producing up to 6.4mtpa of high-grade bauxite averaging 51% total alumina and low silica of 2% for the first 20 years of operation. It is underpinned by the large compliant mineral resource of 1,027mt at 45.3%  $Al_2O_3$  and 2.7%  $SiO_2$ , with proved reserves of 109mt at 51.1%  $Al_2O_3$  and 2%  $SiO_2$ , representing only c 10% of total resources. The project's capital cost was estimated at US\$253m, including rail upgrade, rolling stock and port transshipment solutions, while its C1 operating expense was indicated at US\$24.0/t. At an average FOB bauxite price of US\$45/t, compared to the current spot benchmark price of c US\$90/t (CIF China, 45% Guinea), the project's pre-tax NPV8 was estimated at US\$452m on a 100% basis. We note that thanks to its high-grade nature and low silica content, Minim Martap's product should attract premium pricing compared to benchmarks.

### An upcoming updated BFS is an important near-term catalyst

In July 2024, Canyon was granted a mining convention followed by a mining licence in September, a major milestone highlighting strong support for the project from local authorities. The licence is valid for 20 years with an opportunity to renew, while the development work is required to start within two and production within five years. The project focus has since shifted towards additional resources definition to further increase the size of the resource base and to upgrade reserves. Additional work is being undertaken on the infrastructure solution that, given the conventional free dig nature of the mining operation, is a crucial part of the overall development. It entails upgrading the existing rail line and building a transshipment operation at the Douala port. The company is negotiating rail and port access agreements and is set to receive A\$35m via options upon signing from its key shareholder. Updated infrastructure studies and mineral resource estimate will feed into the upcoming updated BFS, due in Q125, providing up-to-date operating and capital cost estimates. In the meantime, Canyon continues to build out its technical team in Cameroon, positioning itself for future development of the project.

### Strong bauxite fundamentals underpinned by growing aluminium demand

While historically the aluminium market had a high degree of vertical integration, with the increasing number of independent refineries and stricter environmental regulations, the international and seaborne markets for bauxite has been on the rise. China, by far the largest global consumer of bauxite, imported record 142mt in 2023, up 13% y-o-y, with the majority of supply coming from Guinea and Australia. The seaborne bauxite market reached 177mt in 2023, a 16% increase just over two years. In addition to the above factors, the increase in bauxite trade and demand is underpinned by the growing consumption of aluminium, in particular in China, driven by its use in the energy transition industries such as electric vehicles, electronics and green energy. In the nine months to October 2024, global primary aluminium production grew c 3% (China +4%) to 61mt and industry sources suggest that energy transition may require some 15–22mt in additional aluminium by 2030. This growth should continue to support bauxite demand.

### Bauxite prices are on the rise, supporting valuation

Bauxite prices have been gradually rising since the end of the COVID-19 pandemic, averaging US\$75/t (CIF China, 45% Guinea) year-to-date compared to a c US\$45/t trough in 2021, driven by

growing demand, the bauxite export ban in Indonesia and production curtailments in China. This growth has recently accelerated with prices exceeding US\$90/t in December on the back of the supply disruptions in Guinea, providing support to Canyon shares, which have reached their highest levels in five years. With its deposit in Cameroon, Canyon is well positioned to alleviate reliance on Guinea, building a more robust and diversified bauxite supply.

An equity market for independent bauxite producers is almost non-existent, with Canyon shares representing an attractive opportunity to gain exposure to the fast-growing bauxite market. While not a perfect comparator, one of the closest peers for Canyon is Metro Mining (ASX: MMI), which is valued at c A\$380m compared to c A\$240m for Canyon. Metro is an Australian bauxite producer with annual output of c 6mt (wet) and mineral resources of just 119mt at 49% alumina and relatively high silica of 14% (cf 3% for Canyon). Canyon is well capitalised and had cash of A\$20m at end September 2024. These funds will allow the company to advance Minim Martap to the updated BFS stage, which should be an important near-term catalyst for the stock.

### **Cornerstone investor with an intention to build the asset**

Canyon has a strong backing from Fortuna Holdings (Eagle Eye Asset Holdings), which currently owns a 42% stake in the company. A family office based in Singapore and Dubai, Fortuna is a prominent mining investor with interests in Canyon Resources, FG Gold, Fura Gems and Prospect Resources among its investments. It is a long-term investor that has been gradually building its ownership in Canyon via on the market share purchases and is committed to bringing the Minim Martap project into production.

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