



**CANNON**  
RESOURCES

**CANNON RESOURCES LIMITED**

**ABN 32 646 149 902**

**FINANCIAL REPORT**

**For the period from incorporation (25  
November 2020) to 30 June 2021**

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# CORPORATE DIRECTORY

## Directors

Trevor Benson – Non-Executive Chairman  
Alex Passmore – Non-Executive Director  
Richard Bevan – Non-Executive Director

## Chief Executive Officer

Stephen Lynn

## Company Secretary

Christopher Hunt

## Chief Financial Officer

Silfia Morton

## Registered Office

Level 2, 87 Colin Street  
West Perth, WA 6005  
Telephone: +61 8 9226 0044  
Email: admin@cannonres.com.au

## Auditor

Pitcher Partners BA&A Pty Limited  
Level 11, 12-14 The Esplanade  
Perth, WA 6000

## Banker

Westpac Banking Corporation  
40 St George's Terrace  
Perth WA 6000

## Stock Exchange Listing

Australian Securities Exchange (ASX)  
ASX Code: CNR

## Share Registry

Automic Group  
Level 2, 267 St Georges Terrace  
Perth, WA 6000

Email: hello@automic.com.au

Website: www.automic.com.au

## Legal Advisers and Tenement Solicitors

Thomson Geer  
Level 27, Exchange Tower  
2 The Esplanade  
Perth, WA 6000

## Company Website

www.cannonres.com.au

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# CHAIRMAN LETTER

Dear Shareholder,

On behalf of the Board, I am very pleased to present Cannon Resources Limited's ("Cannon or the Company") inaugural Annual Report post the successful Initial Public Offering (IPO) and subsequent listing of your Company onto the ASX on the 10<sup>th</sup> August 2021.

Having raised \$6 million before costs, Cannon is well funded to enable an extensive exploration campaign on The Fisher East Project located approximately 430km north of Kalgoorlie, including eleven granted exploration licences in the North-eastern Goldfields region of Western Australia, and the Collurabbie Project which is located approximately 65km to the east of the Fisher East Project, consisting of three granted exploration licences.

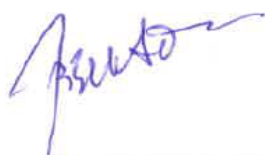
The Board is very pleased to welcome Steve Lynn as CEO, who has interpreted all the historic data, and designed and instigated the initial exploration program. His wealth of knowledge in exploring for nickel over many years and across many continents, will undoubtedly be a key attribute to the success of Cannon, and ultimately in discovering additional resources within our Projects.

The Company has commenced an initial 4,000-metre diamond drilling campaign at its flagship Fisher East Project. A diamond rig has been mobilised to site, and is currently drilling at the Musket prospect, targeting extensions to existing, high grade nickel mineralisation.

As Shareholders will be aware the Cannon Resources Limited Prospectus dated 26 May 2021 for the Company was issued as pro-rata priority offer to eligible Rox Resources Limited (**Rox**) shareholders of up to 30,000,000 Shares at an issue price of A\$0.20 each, together with one Attaching Option for every three Shares issued to raise A\$6,000,000 (before costs) (**Priority Offer**). Cannon was established to implement the demerger undertaken by Rox (**Demerger**) for the purpose of maximising the value of the Fisher East Nickel Project (**Fisher East Project**) and the Collurabbie Nickel Project (**Collurabbie Project**) (together, the **Projects**). For these reasons the figures within the Annual Report are largely historic and reflect Rox Resource's exploration expenditure on the current Projects held within Cannon.

Once again, this year the Covid-19 pandemic has brought many challenges and it seems that this trend will continue for some time. The Cannon team will monitor and manage the potential spread of the virus and ensure the well-being and safety of our employees, contractors and local communities. I am pleased to report that there has been no material impact on the Company's activities to date.

In conclusion, I welcome you as shareholders of Cannon and look forward to what I believe will be an exciting time ahead for the Company.



**Trevor Benson**  
**Non-Executive Chairman**

# THE PROJECTS

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Cannon Resources Limited (**Cannon**) is a mineral exploration company, established to implement the demerger of Fisher East Project and the Collurabbie Project from its former parent entity, Rox Resources Limited ("Rox"). The Projects, comprise a tenement package within the North Eastern Goldfields of Western Australia.

## The Fisher East Project

The Fisher East Nickel Project is located approximately 430km north of Kalgoorlie, 223km north of Leonora and 145km northeast of Leinster in the North-Eastern Goldfields region. The project consists of eleven granted exploration licences covering a total of 330.6km<sup>2</sup>.

The project contains three nickel sulphide deposits consisting of Camelwood, Cannonball and Musket discovered by Rox Resources over the period 2012 – 2014. These deposits are typical Archean komatiite-associated deposits having affinities with Kambalda-style Type 1 contact ores.

The mineralisation identified to date consists of massive, matrix and disseminated nickel sulphides, with a combined JORC 2012 Mineral Resource estimate of 4.1Mt at 1.86% Ni for 78 kT contained Ni. All three deposits remain open at depth and along strike.

There are also significant nickel exploration targets at multiple prospects on the same basal contact that hosts the Camelwood Group of deposits. There is over 20 km of strike of the contact ore position; – all contained within the Cannon tenure. Significant targets with known anomalous nickel mineralisation include the Cutlass, Sabre and Tomahawk prospects.

Cannon has developed an exploration budget and strategy to extend known mineralisation at the Camelwood Group deposits and to explore and evaluate prospects along the basal contact. The proposed exploration is dominated by drilling, with \$2.91 million budgeted for exploration over the 2021 -2023 period.

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# THE PROJECTS



*Sunset at Fisher East*

## **The Collurabbie Project**

The Collurabbie Project, located approximately 430km to the north northeast of Kalgoorlie, 195km north of Laverton and 65km to the east of the Fisher East Nickel Project also lies within the North-Eastern Goldfields region. The project consists of three granted exploration licences covering a total of 147km<sup>2</sup>.

The previous exploration within the Cannon tenure has resulted in an intrusive related nickel – copper – cobalt – PGE Mineral Resource estimate at Olympia of 0.573Mt at 1.63% Ni, 1.19% Cu, 0.082% Co, 1.49g/t Pd, 0.85g/t Pt reported under the guidelines of JORC (Table 2). The intrusive ultramafic unit hosting ore at Olympia has over 15 km of strike within the Cannon tenement package. Numerous anomalous nickel sulphide intercepts relating to this intrusion are recorded in historical drilling, with only limited follow-up subsequently completed. Cannon has proposed an exploration programme for the project totalling \$1.18 million over the 2021-2023 period.

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## THE PROJECTS



*Reverse circulation drilling at Collurabbie*

### **Mineral Resources Estimation Governance Statement**

Cannon has ensured that its mineral resources estimates are subject to appropriate levels of governance and internal controls. The mineral resources reported for the Fisher East and Collurabbie nickel projects have been estimated by independent external consultants in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources (the JORC code) 2012 Edition.

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# THE PROJECTS

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Competent Persons named by Cannon are members of the Australian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and/or of a "Recognised Professional Organisation", as included in a list on the JORC and ASX websites.

## Competent Person Statements

### Resource Statement

Cannon refers to the public report regarding its mineral resources contained in its Prospectus dated 26 May 2021 and released to the ASX Market Announcements Platform on 10 August 2021 (Prospectus) which included the Competent Persons Statement and Table 1 of Appendix 5A (JORC Code). Cannon confirms that it is not aware of any new information or data that materially affects the information included in the Prospectus and, in the case of estimates of mineral resources, that all material assumptions and technical parameters underpinning the estimates in the Prospectus continue to apply and have not materially changed.

### Exploration Results

The information in this report that relates to exploration results is extracted from Cannon's Prospectus dated 26 May 2021 and released to the ASX Market Announcements Platform on 10 August 2021 (Prospectus) which included the Competent Persons Statement and Table 1 of Appendix 5A (JORC Code). Cannon confirms that it is not aware of any new information or data that materially affects the exploration results information included in the Prospectus. Cannon confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the Prospectus.

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# DIRECTORS' REPORT

The Directors present their report on Cannon Resources Limited ("Cannon" or "the Company") for the period, from incorporation on 25 November 2020, to 30 June 2021 (the financial period).

## DIRECTORS

The following persons were Directors of Cannon Resources Limited during the whole of the financial period up to the date of this report:

Name	Position	Appointment Date
Trevor Benson	Independent Non-Executive Chairman	25 November 2020
Alex Passmore	Non-independent Non-Executive Director	25 November 2020
Richard Bevan	Independent Non-Executive Director	21 February 2021

## PRINCIPAL ACTIVITIES

The Company was established as a public limited company to effect the demerger of Rox Resources Limited's ("Rox") nickel assets ("the Projects"). The Company entered into a Demerger Scheme with its ultimate holding company, Rox on 13 May 2021.

On 14 May 2021, Rox transferred the Projects unencumbered to the Company in exchange for the issue of 45,000,000 ordinary shares. As at that date, and 30 June 2021, the Company remained a 100% owned subsidiary of Rox.

As at 30 June 2021, Cannon had lodged a Prospectus with the ASX for its shares to be publicly traded on the ASX in conjunction with the acquisition of the Projects, and the demerger of the Company from its parent entity (through an in-specie distribution of shares to Rox Shareholders).

The successful implementation of the Demerger Scheme being conditional on the following Demerger Conditions:

- (i) Rox obtaining all necessary regulatory approvals for the transfer of 100% legal and beneficial interest of the Tenements to Cannon. The tenements were transferred to Cannon on 14<sup>th</sup> of May 2021;
- (ii) Rox and Cannon entering into a split commodity agreement for Rox to retain gold rights and Cannon to retain rights to all other minerals in respect of E53/1218. The split commodity agreement was entered by both parties on 5<sup>th</sup> of July 2021;
- (iii) Rox obtaining all necessary shareholder approvals required by the Corporations Act, the Listing Rules and its Constitution to give effect to the Capital Reduction and In-specie Distribution. Rox obtained the shareholder approval on 28<sup>th</sup> of June 2021;
- (iv) Cannon raising \$6,000,000 under the Initial Public Offers ("IPO") and ASX confirming that ASX will admit Cannon to the Official List of ASX. Cannon successfully raised \$6,000,000 under the IPO and admitted to the Official List of ASX on 10<sup>th</sup> of August 2021; and
- (v) Rox will sell and transfer to Cannon the Projects subject to Cannon assuming liability for any assumed liabilities and free of any encumbrances for 45,000,000 Shares. The transfer of tenements occurred on 14<sup>th</sup> of May 2021 and subsequently on 25<sup>th</sup> of June 2021, Cannon issued 45,000,000 shares to Rox.

On 10 August 2021, Cannon successfully demerged and listed on the ASX and raised \$6,000,000 through the issue of 30 million ordinary shares.

# DIRECTORS' REPORT

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## DIVIDENDS

No amounts have been paid or declared by way of dividend of the Company since the date of incorporation and the Directors do not recommend the payment of any dividend.

## REVIEW OF OPERATIONS

Cannon Resources Limited is a public company limited by shares which was incorporated on 25 November 2020 and domiciled in Australia.

### *Nature of Operations and Principal Activities*

The Company is a minerals exploration company which, following the satisfaction of the Demerger Conditions, holds a 100% interest in the Fisher East Project and a 100% interest in the Collurabbie Project.

### *Results from Operations and Financial Position*

During the year, the Company has incurred a net loss after tax for the period ended 30 June 2021 of \$1,285,628. The loss mainly related to administration and initial public offering related expenditures during the financial period. Net cash outflows from operating activities were \$482,042. At 30 June 2021, the Company had nil cash on hand. The ability of the Cannon to continue as a going concern is dependent on the satisfaction of the Demerger Conditions proposed in the prospectus and the ability to secure additional funding through an initial public offering ('IPO') on the Australian Securities Exchange ('ASX').

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than described in the Principal Activities section of the Directors' Report, there were no significant changes in the state of affairs of the Company during the financial period.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since 30 June 2021, as described in the Principal Activities section, Cannon lodged a Prospectus with the ASX for its shares to be publicly traded on the ASX in conjunction with the acquisition of the Projects, and the demerger of the Company from its parent entity (through an in-specie distribution of shares to Rox Shareholders). On 10 August 2021, Cannon successfully listed on the ASX and raised \$6,000,000 through the issue of 30 million ordinary shares with 9,999,650 free attaching options exercisable at \$0.30 each on or before 30 July 2024. There have been no other conversions to, calls of, or subscriptions for ordinary shares since the reporting date and before the completion of this financial report.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future periods.

# DIRECTORS' REPORT

## SHARES AND OPTIONS ON ISSUE

At the date of this report, the following ordinary shares and options over the ordinary shares in Cannon Resources Limited are on issue and outstanding:

Security type	No of Securities	Exercise Price	Expiry Date
Ordinary Shares	75,000,001	-	-
Unlisted Options	9,999,650	\$0.30	30 July 2024
Unlisted Incentive Options	6,750,000	\$0.30	30 June 2024

## ENVIRONMENTAL ISSUES

The Company carries out mineral exploration at its various projects which are subject to environmental regulation under both Australian Commonwealth or State law. During the period, there has been no breach of these regulations.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

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# DIRECTORS' REPORT

## INFORMATION ON DIRECTORS

### Names, Qualifications, Experience and Special Responsibilities

<b>Name</b>	<b>Trevor Benson</b>
<b>Title:</b>	Independent Non-Executive Chairman ( <i>Appointed 25 November 2020</i> )
<b>Qualifications:</b>	B.Sc
<b>Experience and expertise, and other current directorships:</b>	Mr Benson has extensive experience as an investment banker and has served on a number of ASX listed company boards as both Chairman and Director. He has specialised in cross border transactions within the natural resources sector across China, Africa and South East Asia, and has been an adviser to Chinese State-Owned Enterprises. His specialist activities include corporate funding solutions and off-take agreement negotiations within the natural resources domain. Mr Benson holds a Bachelor of Science Degree from the University of Western Australia. Mr Benson was recently Chairman and Executive Director of Walkabout Resources Limited (ASX: WKT) (from 13 September 2016 to 19 October 2020), and a Non-Executive director of Ionic Rare Earths Limited (ASX: IXR) (appointed 1 August 2020).
<b>Former directorships in the last three years:</b>	Walkabout Resources Limited (ASX: WKT)

<b>Name</b>	<b>Alex Passmore</b>
<b>Title:</b>	Non-independent Non-Executive Director ( <i>Appointed 25 November 2020</i> )
<b>Qualifications:</b>	B.Sc (Hons), GradDipAppFin, FIASIG, GAICD
<b>Experience and expertise, and other current directorships:</b>	Mr Passmore is a qualified geologist with extensive corporate experience. He holds a Bachelor of Science degree with First Class Honours in Geology from the University of Western Australia and a Graduate Diploma of Applied Finance from the Securities Institute of Australia. Mr Passmore is an experienced corporate executive and company director with recent appointments including Chief Executive Officer of Cockatoo Iron NL, Non-Executive Director of Aspire Mining Ltd, Non-Executive (and Executive) Director of Equator Resources Ltd/Cobalt One Ltd (which merged with TSX-listed First Cobalt Corp), CEO of Draig Resources (now Bellevue Gold Ltd), and Non-Executive Director of Pearl Gull Iron Ltd. Mr Passmore is currently Managing Director of Rox Resources Limited.
<b>Other previous directorships in the last three years:</b>	Blencowe Resources Limited (London listed)

## DIRECTORS' REPORT

<b>Name</b>	<b>Richard Bevan</b>
<b>Title:</b>	Independent Non-Executive Director ( <i>Appointed 21 February 2021</i> )
<b>Qualifications:</b>	BAppSc
<b>Experience and expertise, and other current directorships:</b>	Mr Bevan has experience as a Chief Executive Officer and non-executive director and Chairman for listed and unlisted companies. He brings experience in the execution and integration of mergers, acquisitions and other major corporate transactions and has been involved in a number of business areas as diverse as healthcare, construction and engineering, mining technology and information services. His roles within these businesses have included operational management, implementing organic growth strategies and acquisitions and assisting with capital raisings. Mr Bevan is a member of the Australian Institute of Company Directors and is currently a Non-Executive Director of Empired Ltd (ASX: EPD) (Non-Executive Director since 2008, including a period as Chairman from 29 November 2016 to 30 June 2018). Mr Bevan was also recently Managing Director of Cassini Resources Limited (ASX: CZI) (from 10 March 2011 to 5 October 2020).
<b>Former directorships in the last three years:</b>	Cassini Resources Ltd (ASX: CZI)

<b>Name</b>	<b>Stephen Lynn</b>
<b>Title:</b>	Chief Executive Officer ( <i>Appointed 30 March 2021</i> )
<b>Qualifications:</b>	BAppGeo, MEconGeo
<b>Experience and expertise, and other current directorships:</b>	Mr Lynn is a geologist with over 25 years' experience in exploration and development of a range of commodities including nickel, gold, and base metals. He has worked extensively within Australia, South America and Russia, including 15 years in Western Australia previously for Great Central Mines, Gold Fields Limited and IGO Limited. He has played a key role in the discovery of both nickel and VMS style base metal deposits within Western Australia. Mr Lynn is a member of the Australian Institute of Geoscientists and holds Bachelor of Geology (App) and Master of Economic Geology degrees.
<b>Former directorships in the last three years:</b>	N/A

# DIRECTORS' REPORT

## Company Secretary and Chief Financial Officer

### **Steven Wood – Company Secretary** (*Appointed 25 November 2020, resigned 21 May 2021*)

Mr Wood is a Corporate Advisor at Grange Consulting Group Pty Ltd, where he specialises in corporate advisory, company secretarial and financial management services. Mr Wood is a Chartered Accountant, and he has been involved in various private and seed capital raisings as well as successful ASX listings, whilst also providing company secretarial and financial management services to both ASX and unlisted public and private companies. Mr Wood is currently Company Secretary and CFO of a number of listed entities.

### **Matthew Worner – Company Secretary** (*Appointed 20 May 2021, resigned 1 September 2021*)

Mr Worner is a Corporate Advisor at Grange Consulting Group Pty Ltd, where he specialises in corporate advisory, company secretarial and financial management services. Mr Worner is a former lawyer, with a broad experience in IPOs, capital raisings, Listing Rules and Corporations Act issues. Mr Worner has held management, company secretarial and board positions with various ASX and AIM listed companies. Mr Worner was previously company secretary for Tap Oil Limited (ASX: TAP) and is currently a director of Talon Petroleum Limited (ASX: TPD).

### **Chris Hunt – Company Secretary** (*Appointed 2 September 2021*)

Mr Hunt is an experienced finance executive with over 25 years' experience predominately in the resources and construction industries. He had held senior finance roles for close to 15 years and has strong experience in feasibility studies, corporate financing, and mining operations. Mr Hunt's most recent resources experiences were as the Chief Financial Officer for BC Iron Limited, Crossland Resources Limited, FerrAus Limited, and Cliffs Natural Resources. He has also had significant experience as a Company Secretary for public listed mining companies. He holds a Bachelor of Business, is a Fellow CPA, a graduate from the Australian Institute of Company Directors and has completed a Graduate Diploma of Applied Finance from the Securities Institute of Australia.

### **Silfia Morton – Chief Financial Officer** (*Appointed 20 May 2021*)

Ms Morton is a corporate advisor at Grange Consulting Group Pty Ltd and specialises in financial management, financial reporting services, and risk compliance and management. She spent twelve years as senior audit manager at one of the leading international Audit Tax & Advisory firms where she was focused on engagements across the mining, technology and manufacturing sectors. She has experience in both the local and international markets and was responsible for managing the assurance and compliance requirements of a diversified group of large, medium, and small size companies in a range of industries. Ms Morton was previously joint company secretary and Chief Financial Officer for Ardiden Limited (ASX: ADV).

# DIRECTORS' REPORT

## Interest in the Share and Options of the Company

As at the date of this report, the interest of the CEO and Directors in the shares and options of the Company were:

Name	Shareholding <sup>1</sup>	Options <sup>1</sup>
Trevor Benson	250,000	1,583,333
Alex Passmore	869,345	1,599,999
Richard Bevan	250,000	833,333
Stephen Lynn	500,000	3,000,000

<sup>1</sup>Directors and CEO shareholding and free attaching options were issued on the IPO.

## Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the financial period and the numbers of meetings attended by each Director were as follows:

Name	Directors' Meetings		Meetings of Committees			
			Risk & Audit		Nomination & Remuneration	
	No. of Eligible	No. of Ineligible	No. of Eligible	No. of Ineligible	No. of Eligible	No. of Ineligible
Trevor Benson	2	-	-	-	-	-
Alex Passmore	2	-	-	-	-	-
Richard Bevan	2	-	-	-	-	-
Stephen Lynn	2	-	-	-	-	-

## Committee Membership

As at the date of this report, the Company does not have separately constituted Risk & Audit, Nomination or Remuneration Committees. The full Board acts as those committees under specific charters.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial period, the Company has not paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

# DIRECTORS' REPORT

## INDEMNIFICATION OF AUDITORS

The Company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial period, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

## AUDIT AND NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor (Pitcher Partners) for audit and non-audit services during the period are disclosed in note 9.

The Board of Directors is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Acts 2001*. The Directors are satisfied that the provision on non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

## AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires the Company's auditors to provide the Directors of Cannon with an Independence Declaration in relation to the audit of the financial report. This report has been received and is attached to the Directors' Report at page 20.

## ROUNDING OF AMOUNTS

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

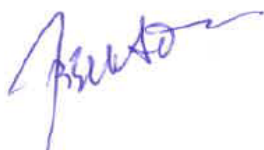


# DIRECTORS' REPORT

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This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors



**Trevor Benson**  
**Non-Executive Chairman**  
20 September 2021  
Perth

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# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the Director and executive remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including all Directors of the Company.

### Details of Key Management Personnel

Name	Position	Appointment Date
Stephen Lynn	Chief Executive Officer	30 March 2021
Trevor Benson	Independent Non-Executive Chairman	25 November 2020
Alex Passmore	Non-independent Non-Executive Director	25 November 2020
Richard Bevan	Independent Non-Executive Director	21 February 202

There were no changes of KMP after 30 June 2021 and before the date the financial report was authorised for issue.

### Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises Mr Trevor Benson, Mr Alex Passmore and Mr Richard Bevan. Mr Trevor Benson is the chair of the Remuneration and Nomination Committee. The remuneration of any Non-Executive Director will be decided by the Board following the recommendation of the Remuneration and Nomination Committee, without the affected Non-Executive Director participating in that decision-making process.

The Remuneration and Nomination Committee reviews and approves the Company's remuneration policy in order to ensure that the Company is able to attract and retain executives and Directors who will create value for Shareholders, having regard to the amount considered to be commensurate for an entity of the Company's size and level of activity as well as the relevant Directors' time, commitment and responsibility.

The Remuneration and Nomination Committee is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

### Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director Remuneration is separate and distinct.

#### *Non-Executive Director Remuneration*

##### Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst keeping costs acceptable to shareholders.

# DIRECTORS' REPORT

## Structure

The Constitution and the ASX Listing Rules provides that the Non-Executive Directors will be paid by way of remuneration for their services as Directors a sum not exceeding such fixed sum per annum as may be determined by the Directors prior to the first annual general meeting of the Company or pursuant to a resolution passed at a general meeting of the Company (subject to complying with the Listing Rules).

Each Non-Executive Director receives a fee for being a Director of the Company. The remuneration of Non-Executive Directors for the period ended 30 June 2021 is detailed later in this report.

## *Executive Remuneration*

### Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward executives for company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals; and
- ensure total remuneration is competitive by market standards.

### Structure

In determining the level and make-up of executive remuneration the Board considered market conditions and remuneration paid to senior executives of companies similar in nature to Cannon Resources Limited.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration – short term incentive ("STI"); and  
– long term incentive ("LTI")

## *Fixed Remuneration*

### Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Board and the process consists of a review of individual performance, relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices.

# DIRECTORS' REPORT

## Structure

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component of all of the Directors is detailed later in this report.

## Variable Remuneration – Short Term Incentive (“STI”)

### Objective

The objective of the STI program is to link the achievement of the Company’s operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve those operational targets and such that the cost to the Company is reasonable in the circumstances.

### Structure

Actual STI payments granted to executives depend on the extent to which specific targets, set at the beginning of the review period, being a calendar year, are met. The targets generally consist of a number of Key Performance Indicators (KPI’s) covering both financial and non-financial, corporate and individual measures of performance. Typically included are measures such as contribution to exploration success, share price appreciation, risk management and cash flow sustainability. These measures were chosen as they represent the key drivers for the short-term success of the business and provide a framework for delivering long term value.

The Board has predetermined benchmarks that must be met in order to trigger payments under the STI scheme. On an annual basis, after consideration of performance against KPI’s, the Board, acting as a Remuneration Committee, determines the amount, if any, of the STI to be paid to each executive. This process usually occurs in the first quarter of the following calendar year. Payments made are delivered as a cash bonus in the fourth quarter of the fiscal year.

### STI bonus for 2021

During the financial period ended 30 June 2021, 6,750,000 Incentive Options with exercise price of \$0.30 and an expiry date of 30 June 2024 were issued to Cannon’s Directors and Chief Executive Officer as part of their STI.

## Variable Remuneration – Long Term Incentive (“LTI”)

### Objective

The objective of the LTI plan is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such LTI grants are only made to executives who are able to influence the generation of shareholder wealth. The Company considers that shareholder wealth is measured by changes to the Company’s share price.

# DIRECTORS' REPORT

## Structure

LTI grants to executives are delivered in the form of options. The options, when issued to executives, will not be exercisable for a price less than the then current market price of the Company's shares. The grant of LTI's is reviewed annually, though LTI's may not be granted each year. Exercise price and performance hurdles, if any, are determined at the time of grant of the LTI.

To date no performance hurdles have been set on options issued to executives. The Company may, and at times has, imposed time-based service conditions. The Company believes that as options are issued at not less than the current market price of the Company's shares there is an inherent performance hurdle on those options as the share price of the Company's shares must increase significantly before there is any benefit to the executive.

## Executive Services Agreement

The Chief Executive Officer, Mr Stephen Lynn is employed under contract. The current employment contract has no fixed term. Under the terms of the present contract:

- Mr Lynn will receive a base salary of A\$260,000 per annum (exclusive of statutory superannuation). The salary will be reviewed annually by the Company.
- In addition, the Company may pay to Mr Lynn a performance-based bonus of up to 50% of Mr Lynn's base salary. In determining the extent of any performance based bonus, the Company shall take into consideration the key performance indicators of Mr Lynn and the Company, as the Company may set from time to time, and any other matter that it deems appropriate. No bonus payment or associated key performance indicators have been resolved by the Board as at the date of this report.
- Mr Lynn can terminate the Executive Services Agreement by giving the Company 4 weeks' written notice within the first 6 months of the Commencement Date or 6 months written notice to the Company thereafter.
- Should the Company no longer employ Mr Lynn, or in the event of diminution of duties, then the Company is deemed to have provided 4 weeks' notice of termination within the first 6 months of Commencement Date or 6 months' notice thereafter. Where the Company terminates, Mr Lynn may decide to take salary in lieu of notice of termination or combination of notice of termination and a payment in lieu of notice equivalent to the applicable notice period.

## Executive Services Agreement – Non-Executive Directors

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board's policies and terms, including compensation, relevant to the director, and among other things:

- the terms of the Directors appointment, including governance, compliance with the Company's Constitution, committee appointments, and re-election;
- the Directors' duties, including disclosure obligations, exercising powers, use of office, attendance at meetings and commitment levels;
- the fees payable, in line with shareholder approval, any other terms, timing of payments and entitlements to reimbursements;
- insurance and indemnity;
- disclosure obligations; and
- confidentiality.

# DIRECTORS' REPORT

Name	Base Salary (ex-superannuation)
<b>Non-Executive:</b>	
Trevor Benson (Chairman)	\$60,000
Alex Passmore	\$45,000
Richard Bevan	\$45,000

## Remuneration of Key Management Personnel

2021	Salary & Fees	SHORT TERM STI – Options	Other	LONG TERM	POST EMPLOYMENT Superannuation	SBP LTI	TOTAL	% Performance Related
<b>Directors:</b>								
Trevor Benson	21,699	160,108	-	-	2,170	-	<b>183,977</b>	-
Alex Passmore	18,370	160,108	-	-	1,837	-	<b>180,315</b>	-
Richard Bevan	17,415	80,054	-	-	-	-	<b>97,469</b>	-
Stephen Lynn (CEO)	81,391	320,216	-	-	6,175	-	<b>407,782</b>	-
<b>TOTAL</b>	<b>138,875</b>	<b>720,486</b>	-	-	<b>10,182</b>	-	<b>869,543</b>	-

The Company was incorporated on 25 November 2020, there is no comparative disclosure.

## Other transactions with Key Management Personnel

### Issue of Incentive Options

During the financial period, the following securities were issued to key management personnel:

EXECUTIVE AND NON-EXECUTIVE NAME	CLASS OF SECURITIES	GRANT DATE	NO OF EQUITY	SHARE BASED PAYMENTS \$
Trevor Benson	Incentive Options	25 June 2021	1,500,000	160,108
Alex Passmore	Incentive Options	25 June 2021	1,500,000	160,108
Richard Bevan	Incentive Options	25 June 2021	750,000	80,054
Stephen Lynn	Incentive Options	25 June 2021	3,000,000	320,216

For details of options granted and exercised during the period refer to Note 15 of the Financial Statements. There were no alterations to the terms and conditions of options granted as remuneration since their grant. The Company's remuneration policy prohibits Directors and executives from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements. To ensure compliance with this policy Directors and executives are required to disclose all dealings in company securities, whether vested or not.

# DIRECTORS' REPORT

## Shareholdings of Key Management Personnel

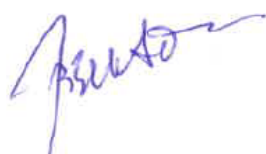
2021	Balance at Incorp'n	Granted as Remuneration	Purchased	Net change/Other	Shares issued on exercise of options	Balance at 30 June 2021
<b>Directors:</b>						
Trevor Benson	-	-	-	-	-	-
Alex Passmore	-	-	-	-	-	-
Richard Bevan	-	-	-	-	-	-
Stephen Lynn (CEO)	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-

## Options holdings of Key Management Personnel

2021	Balance at Incorp'n	Granted as Remuneration	Purchased	Net change/Other	Shares issued on exercise of options	Balance at 30 June 2021
<b>Directors:</b>						
Trevor Benson	-	1,500,000	-	-	-	1,500,000
Alex Passmore	-	1,500,000	-	-	-	1,500,000
Richard Bevan	-	750,000	-	-	-	750,000
Stephen Lynn (CEO)	-	3,000,000	-	-	-	3,000,000
<b>TOTAL</b>	-	<b>6,750,000</b>	-	-	-	<b>6,750,000</b>

## END OF REMUNERATION REPORT

Signed in accordance with a resolution of the Directors.



**Trevor Benson**  
**Non-Executive Chairman**  
20 September 2021  
Perth

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF CANNON RESOURCES LIMITED**

In relation to the independent audit for the year ended 30 June 2021, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

*Pitcher Partners BA&A Pty Ltd*

PITCHER PARTNERS BA&A PTY LTD



JOANNE PALMER  
Executive Director  
Perth, 20 September 2021

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# CORPORATE GOVERNANCE

## Corporate Governance Statement

Cannon Resources Limited ACN 646 149 902 (**Company**) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4<sup>th</sup> edition. The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained the reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at <https://www.cannonres.com.au/corporate-2/corporate-governance/>

### Charters

- Board
- Risk and Audit Committee
- Remuneration and Nomination Committee

### Policies and Procedures

- Corporate Code of Conduct
- Continuous Disclosure Policy
- Risk Management Policy
- Securities Trading Policy
- Diversity Policy
- Shareholder Communications Policy
- Whistleblower Policy
- Anti-Bribery and Anti-Corruption Policy
- Procedure for the Selection, Appointment and Rotation of External Auditor

The Company reports below on whether it has followed each of the recommendations during the 2020/2021 financial year (**Reporting Period**). The information in this statement is current at 20 September 2021. This statement was approved by a resolution of the Board on 20 September 2021.

## Principle 1 – Lay solid foundations for management and oversight

### Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management and have documented this in its Board Charter, which is disclosed on the Company's website.

### Recommendation 1.2

The Company undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether to elect or re-elect a director.

### Recommendation 1.3

The Company has a written agreement with each Director and senior executive setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with any of its Directors, and any other person or entity who is

# CORPORATE GOVERNANCE

related party of any of its Directors has been disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

## Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board as outlined in the Company's Board Charter. The Company's Secretary's role is also outlined in the consultancy agreement between the Company Secretary and the Company.

## Recommendation 1.5

The Company has a Diversity Policy. However, the Diversity Policy does not include requirements for the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them. Nor has the Board set measurable objectives for achieving gender diversity. Given the Company's stage of development as an exploration company and the number of employees, the Board considers that it is not practical to set measurable objectives for achieving gender diversity at this time.

The respective proportions of men and women on the Board, in senior executive positions and across the whole organisation as at the date of this statement are set out in the following table. "Senior executive" for these purposes means a person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business or has the capacity to affect significantly the Company's financial standing. For the Reporting Period, this included the Chief Executive Officer, and Directors:

	<b>Proportion of women</b>
Whole organisation (including the Board)	0 out of 4 (0%)
Senior executive positions	0 out of 1 (0%)
Board	0 out of 3 (0%)

## Recommendation 1.6

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual Directors. The evaluations are undertaken in accordance with the Company's Process for Performance Evaluations, which is disclosed on the Company's website.

During the Reporting Period an evaluation of the Board, its committees, and individual Directors took place in accordance with the process disclosed in the Company's Process for Performance Evaluations.

## Recommendation 1.7

The Non-Executive Chairman is responsible for evaluating the performance of senior executives in accordance with the process disclosed in the Company's Process for Performance Evaluations.

## Principle 2 – Structure the board to be effective and add value

### Recommendation 2.1

The Board has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee.

Although the Board has not established a separate Nomination Committee, it has adopted a Remuneration and Nomination Committee Charter, which describes the role, composition and responsibilities of the full Board in its capacity as the Nomination Committee. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. Separate meetings of the full Board in its capacity as the Nomination Committee are held, and minutes of those meetings are taken. The Board deals with any conflicts of interest that may occur when convening in

# CORPORATE GOVERNANCE

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the capacity of the Nomination Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions.

Details of Director attendance at meetings of the full Board, in its capacity as the Nomination Committee, during the Reporting Period, are set out in a table in the Directors' Report on page 13.

## **Recommendation 2.2**

The mix of skills and diversity for which the Board is looking to achieve in its membership is represented by the Board's current composition. While the Company is at exploration stage, it does not wish to significantly increase the size of the Board and considers that the Board, which includes Directors with geological qualifications, exploration and mining industry experience, experience in the development and operation of mining projects in Australia and accounting and finance qualifications, is an appropriate mix of skills and expertise relevant to the Company. Notwithstanding the Board's current view that the composition of the Board is appropriate, as project acquisitions and development opportunities occur a review of the Board size and composition will be undertaken.

## **Recommendation 2.3**

The Board considers the independence of Directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations. The independent Directors of the Company are Mr Trevor Benson, Chairman of the Company and Mr Richard Bevan a Non-Executive Director. None of the Independent Directors of the Company have an interest position or relationship of the type described in Box 2.3.

The length of service of each Director is set out in the Directors' Report on page 7.

## **Recommendation 2.4**

During the Reporting Period, the Board have two Directors who are independent, Mr Trevor Benson, Chairman of the Company and Mr Richard Bevan a Non-Executive Director. The Board considered that the composition of the Board was adequate for the Company's size and operations and included an appropriate mix of skills and expertise relevant to the Company's business.

As noted above, a review of the Board's size and composition, including the balance of independence on the Board may be undertaken.

## **Recommendation 2.5**

The independent Chair of the Board is Mr Trevor Benson.

## **Recommendation 2.6**

The Company has an induction program that it uses when new Directors join the Board and when new senior executives are appointed. The goal of the program is to assist new Directors to participate fully and actively in Board decision-making at the earliest opportunity and to assist senior executives to participate fully and actively in management decision-making at the earliest opportunity. The Company's Induction Program is disclosed on the Company's website.

The Board in its capacity as the Nomination Committee regularly reviews whether the Directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board and the Board committees effectively using a Board skills matrix. Where any gaps are identified, the Board considers what training or development should be undertaken to fill those gaps. In particular, the Board ensures that any director who does not have specialist accounting skills or knowledge has a sufficient understanding of accounting matters to fulfil his or her responsibilities in relation to the Company's financial statements. Directors also receive ongoing education on developments in accounting standards.

# CORPORATE GOVERNANCE

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## Principle 3 – Install a culture of acting lawfully, ethically and responsibly

### Recommendation 3.1

The Company expects that its Board and senior executives will conduct themselves with integrity and honesty in accordance with the Code of Conduct. Directors, executives and employees shall deal with the Company's customers, suppliers, competitors, shareholders and each other with honesty, fairness and integrity and observe the rule and spirit of the legal and regulatory environment in which the Company operates.

The Company aims to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and the financial community and to comply with systems of control and accountability which the Company has in place as part of its corporate governance with openness and integrity.

The Company is to comply with all legislative and common law requirements which affect its business wherever it operates. Where the Company has operations overseas, it shall comply with the relevant local laws as well as any applicable Australian laws. Any transgression from the applicable legal rules is to be reported to the Chairman as soon as a person becomes aware of such a transgression.

### Recommendation 3.2

The Company has established a Code of Conduct for its Directors, senior executives and employees, which are disclosed on the Company's website. Any breach of that code is reported to the board at the next meeting of Directors.

### Recommendation 3.3

The Company has adopted a Whistleblower Policy to encourage the raising of any concerns or reporting of instances of any violations (or suspected violations) of the Code of Conduct (or any potential breach of law or any other legal or ethical concern) without the fear of intimidation or reprisal.

### Recommendation 3.4

The Company has established an Anti-Bribery and Anti-Corruption policy which is disclosed on the Company's website. Any breach of that policy is immediately reported to the Chief Executive Officer and Chairman of the Board of Directors.

## Principle 4 – Safeguard the integrity of corporate reports

### Recommendation 4.1

The Board has not established a separate Risk and Audit Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Risk and Audit Committee. Accordingly, the Board performs the role of Risk and Audit Committee.

Although the Board has not established a separate Risk and Audit Committee, it has adopted an Risk and Audit Committee Charter. When the Board convenes as the Risk and Audit Committee it carries out those functions which are delegated to it in the Company's Risk and Audit Committee Charter. Separate meetings of the full Board in its capacity as the Risk and Audit Committee are held, and minutes of those meetings are taken. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Risk and Audit Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The Company has also established a Procedure for the Selection, Appointment and Rotation of its External Auditor, which is disclosed on the Company's website. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the

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# CORPORATE GOVERNANCE

engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

Details of Director attendance at meetings of the full Board, in its capacity as the Risk and Audit Committee, held during the Reporting Period, are set out in a table in the Directors' Report on page 13.

## **Recommendation 4.2**

Before the Board approved the Company financial statements for the period ended 30 June 2021, it received from the Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively (**Declaration**).

## **Recommendation 4.3**

Processes are in place to verify the integrity of the Company's periodic corporate reports released to the market and not audited or reviewed by the external auditor. Examples of periodic corporate reports released by the company include quarterly cash flow reports. Cannon Resources Limited has adopted a Continuous Disclosure Policy which sets out how market announcements are prepared and released and has appointed the Company Secretary as the Continuous Disclosure officer who oversees the drafting of and approves the final release of announcements. The Company Secretary is responsible for satisfying him/herself that the content of any announcement is accurate and not misleading and is supported by appropriate verification.

## **Principle 5 – Make timely and balanced disclosure**

### **Recommendation 5.1**

The Company has established written policies and procedures for complying with its continuous disclosure obligations under the ASX Listing Rules. A summary of the Company's Policy on Continuous Disclosure and Compliance Procedures are disclosed on the Company's website.

### **Recommendation 5.2**

The Company Secretary circulates all material market announcements to the Board prior to release to ASX.

### **Recommendation 5.3**

All new presentations are released to ASX Market Announcements Platform ahead of any presentation to investors.

## **Principle 6 – Respect the rights of security holders**

### **Recommendation 6.1**

The Company provides information about itself and its governance to investors via its website at <https://www.cannonres.com.au/corporate-2/corporate-governance/>.

### **Recommendation 6.2**

The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. The program is set out in the Company's Shareholder Communication Policy.

# CORPORATE GOVERNANCE

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## Recommendation 6.3

The Company has in place a Shareholder Communication Policy which outlines the policies and processes that it has in place to facilitate and encourage participation at meetings of shareholders.

## Recommendation 6.4

All resolutions put to meetings of shareholders are decided by way of a poll.

## Recommendation 6.5

Shareholders are given the option to receive communications from, and send communications to, the Company and its share registry electronically. The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Automic Group at <https://www.automicgroup.com.au/>.

## Principle 7 – Recognise and manage risk

### Recommendation 7.1

The Board has not established a separate Risk Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Risk Committee. As noted above, the Board performs the role of an Risk and Audit Committee. Please refer to the disclosure above under Recommendation 4.1 in relation to the Risk and Audit Committee.

### Recommendation 7.2

The Board reviews the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board. The Board carried out these reviews during the Reporting Period.

### Recommendation 7.3

The Company does not have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's Risk Management Policy.

### Recommendation 7.4

As with most exploration projects and mining operations, the Company's operations and activities are expected to have an impact on the environment. This impact will likely increase once the Company is in production. The Company takes care to ensure that its operations comply with any environmental laws applicable to it, including the conditions attaching to any of its tenements.

Except as identified above the Company has not identified any significant exposure to any environmental and/or social sustainability risks in this financial year.

However, the Company does have a material exposure to the following economic risks:

- Market risk - movements in commodity prices. The Company manages its exposure to market risk by monitoring market conditions and making decisions based on industry experience.
- Future capital risk - cost and availability of funds to meet the Company's business requirements. The Company manages this risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

# CORPORATE GOVERNANCE

The Board has adopted a Risk Management Policy and Risk Management Procedures. Under the Risk Management Policy, the Board oversees the processes by which risks are managed. This includes defining the Company's risk appetite, monitoring of risk performance and the risks that may have a material impact on the business. Management is responsible for the implementation of the risk management and internal control system to manage the Company's risk and to report to the Board whether those risks are being effectively managed.

The Company's system to manage its material business risks includes the preparation of a risk register by management to identify the Company's material business risks, analyse, evaluate, and treat those risks (including assigning a risk owner to each risk). Risks and their management are to be monitored and reviewed at least annually by senior management. The risk register is to be updated and a report submitted to the Chief Executive Officer. The Chief Executive Officer is to provide a risk report at least annually to the Board.

## **Principle 8 – Remunerate fairly and responsibly**

### **Recommendation 8.1**

The Board has not established a separate Remuneration Committee. Given the current size and composition of the Company, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of Remuneration Committee. Although the Board has not established a separate Remuneration Committee, it has adopted a Remuneration and Nomination Committee Charter, which describes the role, composition and responsibilities of the full Board in its capacity as the Remuneration Committee. When the Board convenes as the Remuneration and Nomination Committee it carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Separate meetings of the full Board in its capacity as the Remuneration and Nomination Committee are held, and minutes of those meetings are taken. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Remuneration and Nomination Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions.

Details of Director attendance at meetings of the full Board, in its capacity as the Remuneration and Nomination Committee, during the Reporting Period, are set out in a table in the Directors' Report on page 13.

### **Recommendation 8.2**

Details of remuneration, including the Company's policy on remuneration and "clawback policy" regarding the lapsing of performance-based remuneration in the event of fraud or serious misconduct and the clawback of the performance-based remuneration in the event of a material misstatement in the Company's financial statements, are contained in the "Remuneration Report" which forms part of the Directors' Report and commences at page 16 of the Company's Annual Report for period ended 30 June 2021.

### **Recommendation 8.3**

The Company's Securities Trading Policy includes a statement of the Company's policy that participations in the Company's equity-based remuneration schemes are prohibited from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

# STATEMENT OF FINANCIAL POSITION

For the Period Ended 30 June 2021

	Notes	As at 30 June 2021 (\$)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	10	-
<b>Total Current Assets</b>		-
<b>Non-Current Assets</b>		
Exploration Expenditure	11	9,000,000
Property, plant, and equipment		5,305
<b>Total Non-Current Assets</b>		9,005,305
<b>TOTAL ASSETS</b>		9,005,305
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	12	76,490
Provision	13	6,610
Related party payables	20	542,009
<b>Total Current Liabilities</b>		625,109
<b>TOTAL LIABILITIES</b>		625,109
<b>NET ASSETS</b>		8,380,196
<b>EQUITY</b>		
Contributed equity	14	8,945,338
Reserves	14	720,486
Accumulated losses	16	(1,285,628)
<b>TOTAL EQUITY</b>		8,380,196

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



# STATEMENT OF COMPREHENSIVE INCOME

For the Period Ended 30 June 2021

	Notes	Incorporation to 30 June 2021 (\$)
Interest income		-
Other income		-
Corporate expenses		(392,395)
Salaries and wages		(105,082)
Directors' fees		(57,483)
Superannuation		(10,182)
Share based payments KMPs		(720,486)
<b>Loss before income tax</b>		<b>(1,285,628)</b>
Income tax benefit/(expense)		-
<b>Loss after income tax</b>		<b>(1,285,628)</b>
Other comprehensive income net of tax		-
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(1,285,628)</b>
<b>Loss is attributable to Owners of Cannon Resources Limited</b>		<b>(1,285,628)</b>
Loss per share for the year attributable to ordinary equity holders:		
Basic and diluted loss per share	7	(1.03)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOWS

For the Period Ended 30 June 2021

	Note	2021 (\$)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees		(482,042)
Net cash used in operating activities	10	(482,042)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for property, plant and equipment		(5,305)
Net cash used in investing activities		(5,305)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from inter-company loan		542,008
Share issue costs		(54,661)
Net cash provided by financing activities		487,347
Net decrease in cash and cash equivalents		-
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		-

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

For the Period Ended 30 June 2021

	Contributed equity	Reserves	Accumulated losses	Total
	(\$)	(\$)	(\$)	(\$)
<b>At Incorporation</b>	-	-	-	-
Loss for the year	-	-	(1,285,628)	(1,285,628)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(1,285,628)	(1,285,628)
<b>Transactions with owners</b>				
Issue of share capital	9,000,000	-	-	9,000,000
Share issue costs	(54,662)	-	-	(54,662)
Share-based payments	-	720,486	-	720,486
<b>Balance as at 30 June 2021</b>	<b>8,945,338</b>	<b>720,486</b>	<b>(1,285,628)</b>	<b>8,380,196</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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# NOTES TO THE FINANCIAL STATEMENTS

## For the Period Ended 30 June 2021

### NOTE 1 CORPORATE INFORMATION

Cannon Resources Limited (“Cannon” or “the Company”) is a for profit company incorporated in Australia and owned 100% by Rox Resources Limited (“Rox”), a listed company trading on the Australian Stock Exchange (ASX). Cannon is a stand-alone entity with no subsidiaries.

The Company was established as a public limited company to effect the demerger of Rox Resources Limited’s (“Rox”) nickel assets (“the Projects”). The Company entered into a Demerger Scheme with its ultimate holding company, Rox on 13 May 2021.

On 14<sup>th</sup> of May 2021, Rox transferred the Projects unencumbered to the Company in exchange for the issue of 45,000,000 ordinary shares. As at that date, and 30 June 2021, the Company remained a 100% owned subsidiary of Rox.

As at 30 June 2021, Cannon had lodged a Prospectus with the ASX for its shares to be publicly traded on the ASX in conjunction with the acquisition of the Projects, and the demerger of the Company from its parent entity (through an in-specie distribution of shares to Rox Shareholders).

The successful implementation of the Demerger Scheme being conditional on the following Demerger Conditions:

- (i) Rox obtaining all necessary regulatory approvals for the transfer of 100% legal and beneficial interest of the Tenements to Cannon. The tenements were transferred to Cannon on 14<sup>th</sup> of May 2021;
- (ii) Rox and Cannon entering into a split commodity agreement for Rox to retain gold rights and Cannon to retain rights to all other minerals in respect of E53/1218. The split commodity agreement was entered by both parties on 5<sup>th</sup> of July 2021;
- (iii) Rox obtaining all necessary shareholder approvals required by the Corporations Act, the Listing Rules and its Constitution to give effect to the Capital Reduction and In-specie Distribution. Rox obtained the shareholder approval on 28<sup>th</sup> of June 2021;
- (iv) Cannon raising \$6,000,000 under the Initial Public Offers (“IPO”) and ASX confirming that ASX will admit Cannon to the Official List of ASX. Cannon successfully raised \$6,000,000 under the IPO and admitted to the Official List of ASX on 10<sup>th</sup> of August 2021; and
- (v) Rox will sell and transfer to Cannon the Projects subject to Cannon assuming liability for any assumed liabilities and free of any encumbrances for 45,000,000 Shares. The transfer of tenements occurred on 14<sup>th</sup> of May 2021 and subsequently on 25<sup>th</sup> of June 2021, Cannon issued 45,000,000 shares to Rox.

On 10 August 2021, Cannon successfully demerged and listed on the ASX and raised \$6,000,000 through the issue of 30 million ordinary shares.

These financial statements of the Company for period since incorporation, on 25 November 2020, to 30 June 2021 (“the financial period”) were authorised for issue in accordance with a resolution of the Directors on 20 September 2021.

The nature of the operations and principal activities of the Company are described in the Directors Report.

# NOTES TO THE FINANCIAL STATEMENTS

## For the Period Ended 30 June 2021

### NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporation Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company was incorporated on 25 November 2020, and accordingly, there are no comparatives.

#### (b) New accounting standards and interpretations

The Company 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 or Interpretations that are not yet mandatory have not been early adopted.

The following relevant standards and interpretations have been issued by the Australian Accounting Standards Board (AASB) but are not yet effective for the year ending 30 June 2021:

#### ***AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 – 2020 and Other Amendments***

AASB 2020-3 amends AASB 1 First-time Adoption of Australian Accounting Standards, AASB 3 Business Combinations, AASB 9 Financial Instruments, AASB 116 Property, Plant and Equipment, AASB 137 Provisions, Contingent Liabilities and Contingent Assets and AASB 141 Agriculture. The main amendments relate to:

- (a) AASB 1 – simplifies the application by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;
- (b) AASB 3 – updates references to the Conceptual Framework for Financial Reporting;
- (c) AASB 9 – clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
- (d) AASB 116 – requires an entity to recognise the sales proceeds from selling items produced while preparing PP&E for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset;
- (e) AASB 137 – specifies the costs that an entity includes when assessing whether a contract will be loss making; and
- (f) AASB 141 – removes the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

AASB 2020-3 mandatorily applies to annual reporting periods commencing on or after 1 January 2022 and will be first applied by the Company in the financial year commencing 1 July 2022.

The likely impact of this accounting standard on the financial statements of the Company has not been determined.

# NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2021

## NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) New accounting standards and interpretations (cont'd)

***AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections***

AASB 2014-10 amends AASB 10: Consolidated Financial Statements and AASB 128: Investments in Associates and Joint Ventures to clarify the accounting for the sale or contribution of assets between an investor and its associate or joint venture by requiring:

- (a) a full gain or loss to be recognised when a transaction involves a business, whether it is housed in a subsidiary or not; and
- (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

These amending standards mandatorily apply to annual reporting periods commencing on or after 1 January 2022 and will be first applied by the Company in the financial year commencing 1 July 2022.

This accounting standard is not expected to have a material impact on the financial statements of the Company.

***AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current, AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date***

AASB 2020-1 amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It requires a liability to be classified as current when entities do not have a substantive right to defer settlement at the end of the reporting period.

AASB 2020-6 defers the mandatory effective date of amendments that were originally made in AASB 2020-1 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022. They will first be applied by the Company in the financial year commencing 1 July 2023.

The likely impact of this accounting standard on the financial statements of the Company has not been determined.

***AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates***

AASB 2020-1 amends AASB 7 Financial Instruments: Disclosures, AASB 101 Presentation of Financial Statements, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, AASB 134 Interim Financial Reporting and AASB Practice Statement 2 Making Materiality Judgements. The main amendments relate to:

- (a) AASB 7 – clarifies that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- (b) AASB 101 – requires entities to disclose their material accounting policy information rather than their significant accounting policies;
- (c) AASB 108 – clarifies how entities should distinguish changes in accounting policies and changes in accounting estimates;
- (d) AASB 134 – to identify material accounting policy information as a component of a complete set of financial statements; and
- (e) AASB Practice Statement 2 – to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

# NOTES TO THE FINANCIAL STATEMENTS

## For the Period Ended 30 June 2021

### NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (b) New accounting standards and interpretations (cont'd)

AASB 2021-2 mandatorily applies to annual reporting periods commencing on or after 1 January 2023 and will be first applied by the Company in the financial year commencing 1 July 2023.

The likely impact of this accounting standard on the financial statements of the Company has not been determined.

#### (c) Summary of significant accounting policies

##### (i) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flows comprise cash at bank and in hand and deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### (ii) Property, Plant, and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

	<b>3 – 10 years</b>
Plant and equipment	3 – 7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

##### (iii) Exploration and evaluation expenditure

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

# NOTES TO THE FINANCIAL STATEMENTS

## For the Period Ended 30 June 2021

### NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) Summary of significant accounting policies (cont'd)

##### *(iv) Trade and other payables*

Trade payables and other payables are initially recognised at fair value and are subsequently carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

##### *(v) Issued capital*

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction, net of tax, of the share proceeds received.

##### *(vi) Income tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint operations, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint operations, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.



# NOTES TO THE FINANCIAL STATEMENTS

## For the Period Ended 30 June 2021

### NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) Summary of significant accounting policies (cont'd)

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the preferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

##### *(vii) Employee benefits*

Provision is made for the employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits expected to be settled within 12 months of the reporting date are measured at the nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national corporate bonds, which have terms to maturity approximating the terms of the related liability, are used.

The Company recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows. The Company has classified its long service leave as current as it is expected to be settled wholly within 12 months of each reporting date as it is unconditional.

##### *(viii) Revenue recognition*

###### *Interest revenue*

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

##### *(ix) Goods and service tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

# NOTES TO THE FINANCIAL STATEMENTS

## For the Period Ended 30 June 2021

### NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) Summary of significant accounting policies (cont'd)

##### (x) Earnings/loss per share

Basic earnings/loss per share is calculated by dividing the profit/loss from ordinary activities after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings/loss per share is calculated as net profit/loss attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus element.

##### (xi) Share based payment transactions

The Company provides benefits to employees (including Directors) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the shares at the grant date. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Cannon Resources Limited ('market conditions').

The cost of equity-settled transactions is recognised in the Statement of Profit or Loss, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects

- (i) the extent to which the vesting period has expired; and
- (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance sheet date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transactions a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were modification of the original award, as described in the previous paragraph.

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# NOTES TO THE FINANCIAL STATEMENTS

## For the Period Ended 30 June 2021

### NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) Summary of significant accounting policies (cont'd)

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

##### *(xii) Financial instruments*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is the date that the Company commits itself to either purchase or sale of assets.

##### Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit and loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

An instrument is a financial liability when an issuer is, or can be required, to deliver either cash or another financial asset (e.g. ordinary shares in the company) to the holder.

Where the Company has the choice of settling a financial instrument in cash or otherwise is contingent on the outcome of circumstances beyond the control of both the Company and the holder, the Company accounts for the instrument as a financial liability.

All financial liabilities are initially recognised at fair value. The Company's financial liabilities include trade payables and related party payables.

##### Financial assets

Financial assets are initially recognised at fair value. The Company does not have any financial assets at the balance date.

##### *(xiii) Comparative Figures*

No comparative figures are presented for the 30 June 2021 financial year end as the Company was incorporated in 25 November 2020. Refer to Note 1 for further information

### NOTE 3 FINANCIAL RISK MANAGEMENT AND POLICIES

#### Overview

This note presents information about the Company's exposure to each of the below risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- interest rate risk

# NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2021

## NOTE 3 FINANCIAL RISK MANAGEMENT AND POLICIES (Cont'd)

### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk exposure arises principally from the Company's other financial assets, receivables, including receivables from related parties, security deposits and cash and cash equivalents.

#### *Cash and cash equivalents*

The Company's cash and cash equivalents are maintained in banks with credit ratings of AA as per Standard & Poor's as at year-end.

#### *Trade and other receivables*

As the Company operates in the mining exploration sector its receivables generally relate to GST receivable from the Australian Taxation Authority and the credit risk is low.

Presently, the Company undertakes exploration and evaluation activities in Australia. At the balance sheet date there were no significant concentrations of credit risk and none of the Company receivables are past due or impaired.

#### *Exposure to credit risk*

The carrying amount of the Company's financial assets represents the Company's maximum credit exposure. None of the Company's trade and other receivables are past due. At 30 June 2021, the Company does not have any collective impairment on its other receivables.

#### *Guarantees*

At the date of this report there are no outstanding guarantees.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Following the Company's admission to the ASX, and the raise of \$6,000,000 before costs, the Company manages liquidity risk by maintaining adequate cash reserves by continuously monitoring forecast and actual cash flows.

The Company's liquidity risk arises from other financial liabilities and trade and other payables, together comprising the Company's financial liabilities.

Financial liabilities maturing profiles as follows:

	<b>2021</b> <b>(\$)</b>
Less than 6 months	<b>625,109</b>
6 months to 1 year	-
Later than 1 year but not later than 5 years	-
Over 5 years	-
<b>Total</b>	<b>625,109</b>

The above liabilities existing at 30 June 2021 are planned to be settled through the \$6,000,000 (before costs) equity raise. The settlement of the Rox IPO loan occurred on 20 Augusts 2021.

# NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2021

## NOTE 3 FINANCIAL RISK MANAGEMENT AND POLICIES (cont'd)

### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and price risk will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### *Currency risk*

The Company considers that its exposure to currency risk is minimal and has not developed any policies or procedures to manage such risk.

The Company has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency.

#### *Exposure to currency risk*

The Company's exposure to foreign currency risk at reporting date was nil.

#### *Interest rate risk*

The Company is exposed to interest rate risk. The Company considers that its exposure to interest risk is minimal, however it has a policy of monitoring interest rates offered by competing financial institutions to ensure it is aware of market trends and it receives competitive interest rates.

#### *Profile*

At the reporting date the Company's only exposure to interest rate risk is related to the balance of its cash and cash equivalents. As at 30 June 2021, the Company cash balance is nil.

#### *Price risk*

The Company is currently on exploration phase and therefore is not exposed to commodity price risk.

### Fair Values

#### *Fair values versus carrying amounts*

The fair values of financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2021	
	Carrying amount	Fair Value
Trade and other payables	625,109	625,109
	<u>625,109</u>	<u>625,109</u>

The Directors consider the carrying amount of the financial liabilities to be a reasonable approximation of their fair value on account of the short maturity cycle.

### Capital Management

When managing capital, management's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## For the Period Ended 30 June 2021

### NOTE 3 FINANCIAL RISK MANAGEMENT AND POLICIES (cont'd)

Following the Company's initial \$6,000,000 raise on the ASX, the Company will raise equity through the issue of shares from time to time as the Board sees fit to ensure it meets its objective of continuing as a going concern. The Company does not have any other external borrowings other than the related party payable at 30 June 2021 and has no current plans to obtain any debt facilities; as a result, the Company's total capital is defined as shareholders' equity, and at 30 June 2021 stood at:

Equity	<b>2021</b> <b>8,380,196</b>
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The Company is not subject to any externally imposed capital requirements.

### NOTE 4 SIGNIFICANT 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 and estimates on historical experience and on various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

#### *Recoverability of capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

#### *Share options*

The Company 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 using the Black Scholes formula. For options issued in this financial year, the assumptions detailed as per Note 15 were used.

#### *Benefit from Deferred Tax Losses*

The future recoverability of the carried forward tax losses are dependent upon Company's ability to generate taxable profits in the future in the same tax jurisdiction in which the losses arise. This is also subject to determinations and assessments made by the taxation authorities. The recognition of a deferred tax asset on carried forward tax losses (in excess of taxable temporary differences) is dependent on management's assessment of these two factors. The ultimate recoupment and the benefit of these tax losses could differ materially from management's assessment.

# NOTES TO THE FINANCIAL STATEMENTS

## For the Period Ended 30 June 2021

### NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

Potential future income tax benefits attributable to gross tax losses carried forward have not been brought to account at 30 June 2021 because the Directors do not believe it is appropriate to regard realisation of the future tax benefit as probable. These benefits will only be obtained if:

- (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses and deductions to be released;
- (ii) the Company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

### NOTE 5 SEGMENT INFORMATION

#### Identification of Reportable Segments

Operating segments that meet the quantitative criteria of AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to the users of the financial statements.

The Company operates within the mineral exploration industry within Australia.

The Company determines its operating segments by reference to internal reports that are reviewed and used by the Board of Directors (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The Board of Directors currently receive Statement of Financial Position and Statement of Comprehensive Income information that is prepared in accordance with Australian Accounting Standards.

The Statement of Financial Position and Statement of Comprehensive Income information received by the Board of Directors does not include any information by segment. The executive team manages each exploration activity of each exploration concession through review and approval of statutory expenditure requirements and other operational information. Based on this criterion, the Company has only one operating segment, being exploration, and the segment operations and results are the same as the Company results.

# NOTES TO THE FINANCIAL STATEMENTS

## For the Period Ended 30 June 2021

2021  
(\$)

### NOTE 6 INCOME TAX EXPENSE

#### a) Components of Income Tax Expense:

Current income tax charge/(benefit)	-
Deferred Tax	-
Income tax expense/(benefit) reported in the statement of comprehensive income	-

#### b) Prima facie tax payable

Accounting (loss)/ profit before tax from continuing operations	<b>(1,285,628)</b>
---	--------------------

At the Company's statutory income tax rate of 26%	<b>(334,263)</b>
---	------------------

Add/(Less) Tax Effect of:

Share based payments	<b>187,326</b>
----------------------	----------------

Non-deductible expenditure	<b>88</b>
----------------------------	-----------

Deferred tax assets not brought to account	<b>146,849</b>
--	----------------

Income tax expense/(benefit) reported in the Statement of Comprehensive Income	-
--	---

#### c) Current Tax Liability

Current tax relates to the following:

<i>Current tax liabilities/(assets)</i>	
Opening balance	-
Income tax expense	-
	-

#### d) Deferred Tax

Deferred tax relates to the following:

*Deferred tax assets balance comprises:*

Accrual	<b>19,887</b>
---------	---------------

Provision of annual leave and long service leave	<b>1,719</b>
--	--------------

Capital raising costs	<b>11,369</b>
-----------------------	---------------

Business related costs	<b>36,653</b>
------------------------	---------------

DTA not recognised	<b>(161,060)</b>
--------------------	------------------

Tax losses	<b>91,432</b>
------------	---------------

<b>Net Deferred Tax</b>	-
-------------------------	---

#### e) Deferred income tax(revenue)/expenses included in income tax expense comprises:

Decrease/(increase) in deferred tax assets	<b>(161,060)</b>
--	------------------

(Decrease)/increase in deferred tax liabilities	-
---	---

Offset against DTA not recognised	<b>161,060</b>
-----------------------------------	----------------

	-
--	---



# NOTES TO THE FINANCIAL STATEMENTS

## For the Period Ended 30 June 2021

### NOTE 6 INCOME TAX (cont'd)

#### f) Deferred income tax related to items charged or credited directly to equity:

Decrease/(increase) in deferred tax assets	(14,212)
(Decrease)/increase in deferred tax liabilities	-
Offset against DTA not recognised	14,212
	<u>-</u>

#### g) Deferred tax assets not brought to account:

Temporary differences	69,628
(Decrease)/increase in deferred tax liabilities	-
Operating tax losses	91,432
	<u>161,060</u>

Potential future income tax benefits attributable to gross tax losses of \$91,432 carried forward have not been brought to account at 30 June 2021 because the Directors do not believe it is appropriate to regard realisation of the future tax benefit as probable. These benefits will only be obtained if:

- (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses and deductions to be released;
- (ii) the Company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

Tax losses carried forward have no expiry date.

### NOTE 7 EARNINGS PER SHARE

	<u>2021</u> <u>(\$)</u>
<b>Basic and diluted profit/(loss) per share</b>	
Basic profit/(loss) per share (per share)	(1,285,628)
Basic profit/(loss) per share from continuing operations (per share)	(1.03)
Diluted profit/(loss) per share (per share)	(1,285,628)
Diluted profit/(loss) per share from continuing operations (per share)	(1.03)

The following reflects the income and share data used in the calculation of basic and diluted earnings per share

Net loss	<u>(1,285,628)</u>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,244,241</u>
Effect of dilutive securities:	
- Share options (i)	<u>-</u>
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,244,241</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the Period Ended 30 June 2021

### NOTE 7 EARNINGS PER SHARE (cont'd)

(i) Share options are not dilutive as their inclusion would give rise to a reduced loss per share.

There was a total of 6,750,000 share options that were potentially dilutive to shares on issue at 30 June 2021.

### Conversion, calls, subscriptions or issues after 30 June 2021

Since the reporting date the Company issued 30 million of ordinary shares as part of the Initial Public Offering at \$0.20 per shares with 9,999,650 free attaching options exercisable at \$0.30 each and expiry date of 30 July 2024. There have been no other conversions to, calls of, or subscriptions for ordinary shares since the reporting date and before the completion of this financial report.

### NOTE 8 DIRECTOR AND EXECUTIVE DISCLOSURES

#### (a) Details of Key Management Personnel

Trevor Benson	Non-Executive Chairman ( <i>appointed 18 February 2021</i> )
Alex Passmore	Non-Executive Director ( <i>appointed 1 February 2021</i> )
Richard Bevan	Non-Executive Director ( <i>appointed 21 February 2021</i> )
Stephen Lynn	Chief Executive Officer ( <i>appointed 30 March 2021</i> )

#### (b) Compensation of Key Management Personnel by Category

	2021 (\$)
Short Term	138,875
Other Long Term	-
Post-Employment	10,182
Share-Based Payments	720,486
	<u>869,543</u>

### NOTE 9 AUDITOR'S REMUNERATION

Remuneration of the auditor of the Company, Pitcher Partners BA&A Pty Ltd for:

	2021 (\$)
Auditing and reviewing the financial report	15,000
Investigating Accountants Report	20,900
Income tax return	5,000
	<u>40,900</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the Period Ended 30 June 2021

### NOTE 10 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents	-
Cash at bank earns interest at floating rates based on daily deposit rates	
(b) Reconciliation of net loss after income tax to net cash flow from operations:	
Net loss after Income Tax	<b>(1,285,628)</b>
Adjustments for reconcile profit before tax to net operating cash flows	
- Share based payments	<b>720,486</b>
Changes in assets and liabilities	
- Increase (decrease) in trade payables/accruals	<b>76,490</b>
- Increase (decrease) in provision	<b>6,610</b>
Cash out-flow from operations	<b><u>(482,042)</u></b>
(c) There were no non-cash financing and investing activities in the 2021 financial year.	
(d) The Company does not have any credit standby arrangements, used or unused loan facilities.	

### NOTE 11 CAPITALISED EXPLORATION EXPENDITURE

	<b>2021</b>
	<b>(\$)</b>
Acquisition of Fisher East and Collurabbie Projects <sup>(i)</sup>	<b>9,000,000</b>
	<b><u>9,000,000</u></b>

- (i) On 25 June 2021, Cannon issued 45,000,000 ordinary shares to Rox which was related to the transfer of tenement assets, Fisher East Nickel Project and Collurabbie Nickel Project from Rox as part of the demerger transaction.

The value of the Company's interest in carried forward exploration expenditure is dependent upon the continuance of the Company's rights to tenure of the areas of interest, the results of future exploration, and the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

### NOTE 12 TRADE AND OTHER PAYABLES

	<b>2021</b>
	<b>(\$)</b>
Accruals	<b>76,490</b>
Total trade and other payables	<b><u>76,490</u></b>

#### (a) Terms and Conditions

Creditors, including related parties, are non-interest bearing and generally on 30-day terms.

# NOTES TO THE FINANCIAL STATEMENTS

## For the Period Ended 30 June 2021

### NOTE 13 PROVISIONS

	2021 (\$)
<b>Current</b>	
Employee benefits – annual leave	6,610
Employee benefits – long service leave	-
	<u>6,610</u>

### NOTE 14 CONTRIBUTED EQUITY AND RESERVES

#### (i) Contributed Equity

##### (a) Issued and paid up capital

	No of shares	2021 (\$)
Ordinary shares fully paid	<u>45,000,001</u>	<u>8,945,338</u>

##### (b) Movement in shares on issue

Issued and paid up capital – Ordinary shares fully paid

	No of shares	2021 (\$)
Ordinary shares at beginning of period	<u>1</u>	<u>-</u>
Issue of 45,000,000 shares at \$0.20 per share	45,000,000	9,000,000
Share issue costs	-	(54,662)
Closing balance	<u>45,000,001</u>	<u>8,945,338</u>

##### (c) Terms and Conditions of Contributed Equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting on the Company.

##### (d) Share Based Payment Reserve

During the year 6,750,000 options with an exercise price of \$0.30 and option life of 3 years were issued to Directors and CEO. Refer to Note 15 for further details.

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# NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2021

## NOTE 14 CONTRIBUTED EQUITY AND RESERVES (cont'd)

2021  
(\$)

### Share Based Payments Reserve

#### Movements

Balance at beginning of year	-
Options issued to Directors and CEO	<b>720,486</b>
Balance at end of year	<b>720,486</b>

### Nature and Purpose of Reserves

#### Share Based Payment Reserve

This reserve is used to record the value of equity benefits provided to Directors and CEO as part of their STI and LTI.

## NOTE 15 SHARE BASED PAYMENTS

### A. Directors and Employees

#### (i) Employee Share Incentive Scheme

An Employee Share Scheme (ESS) has been established where Cannon Resources Limited may, at the discretion of Directors, grant options over the ordinary shares of Cannon Resources Limited to Directors, Executives and employees of the Company. The plan is designed to provide long-term incentives for employees and to deliver long term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive guaranteed benefits. In addition, under the Plan, the Board determines the terms of the options including exercise price, expiry date and vesting conditions, if any.

Options granted under the plan are unlisted and carry no dividend or voting rights. When exercised, each option is convertible into an ordinary share of the Company with full dividend and voting rights.

During the year 6,750,000 options were issued pursuant to the ESS and there are no other options on issue that have been issued under the plan.

Set out below is a summary of options issued.

2021

Grant Date	Expiry Date	Exercise Price	Value per option at grant date	Balance of the start of the year (number)	Granted during the year (number)	Exercised during the year (number)	Forfeited during the year (number)	Balance at end of the year (number)	Vested and exercisable at end of the year (number)
25 June 21	30 June 24	0.30	0.10674	-	6,750,000	-	-	6,750,000	6,750,000
				-	6,750,000	-	-	6,750,000	6,750,000

The weighted average remaining contractual life of share options outstanding at the end of the year was 3 years.

# NOTES TO THE FINANCIAL STATEMENTS

## For the Period Ended 30 June 2021

### NOTE 15 SHARE BASED PAYMENTS (cont'd)

*Fair value of options granted under ESS*

For 2021, the fair value for options issued was calculated by the Black-Scholes valuation methodology using the following parameters.

	2021
<b>Number of options</b>	6,750,000
<b>Grant date share price</b>	\$0.20
<b>Exercise price</b>	\$0.30
<b>Expected volatility</b>	100%
<b>Option life</b>	3 years
<b>Risk-free rate</b>	0.10%
<b>Fair value per option (\$)</b>	\$0.10674

### NOTE 16 ACCUMULATED LOSSES

2021  
(\$)

Balance at beginning of year	-
Net loss attributable to members of Cannon Resources Limited	<b>1,285,628</b>
Balance at end of year	<b>1,285,628</b>

No dividends were paid during or since the financial year. There are no franking credits available (2020: nil).

### NOTE 17 EXPENDITURE COMMITMENTS

#### (a) Exploration Commitments

The Company has entered into certain obligations to perform minimum work on mineral tenements held. The Company is required to meet tenement minimum expenditure requirement which are set out below. These may be varied or deferred on application and are expenditures expected to be met in the normal course of business.

	2021 \$
Not later than one year	<b>596,300</b>
Later than one year and not later than five years	<b>373,236</b>
	<b>969,536</b>

### NOTE 18 CONTINGENT LIABILITIES

At the financial reporting date there are no contingent liabilities. Royalties exist over a number of tenements held by the company and become payable upon the receipt of revenue from mining activities.

# NOTES TO THE FINANCIAL STATEMENTS

## For the Period Ended 30 June 2021

### NOTE 19 EVENTS SUBSEQUENT TO REPORTING DATE

Since 30 June 2021, as described in the Principal Activities section, Cannon lodged a Prospectus with the ASX for its shares to be publicly traded on the ASX in conjunction with the acquisition of the Projects, and the demerger of the Company from its parent entity (through an in-specie distribution of shares to Rox Shareholders). On 10 August 2021, Cannon successfully listed on the ASX and raised \$6,000,000 through the issue of 30 million ordinary shares with 9,999,650 free attaching options exercisable at \$0.30 each on or before 30 July 2024. There have been no other conversions to, calls of, or subscriptions for ordinary shares since the reporting date and before the completion of this financial report.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future periods.

### NOTE 20 RELATED PARTY TRANSACTIONS

The Company entered into a Demerger Agreement with its ultimate holding company, Rox, on 13 May 2021. The Demerger Agreements have the following material terms:

- (i) Rox obtaining all necessary regulatory approvals for the transfer of 100% legal and beneficial interest of the Tenements to Cannon. The tenements were transferred to Cannon on 14<sup>th</sup> of May 2021;
- (ii) Rox and Cannon entering into a split commodity agreement for Rox to retain gold rights and Cannon to retain rights to all other minerals in respect of E53/1218. The split commodity agreement was entered by both parties on 5<sup>th</sup> of July 2021;
- (iii) Rox obtaining all necessary shareholder approvals required by the Corporations Act, the Listing Rules and its Constitution to give effect to the Capital Reduction and In-specie Distribution. Rox obtained the shareholder approval on 28<sup>th</sup> of June 2021;
- (iv) Cannon raising \$6,000,000 under the Initial Public Offers ("IPO") and ASX confirming that ASX will admit Cannon to the Official List of ASX. Cannon successfully raised \$6,000,000 under the IPO and admitted to the Official List of ASX on 10<sup>th</sup> of August 2021; and
- (v) Rox will sell and transfer to Cannon the Projects subject to Cannon assuming liability for any assumed liabilities and free of any encumbrances for 45,000,000 Shares. The transfer of tenements occurred on 14<sup>th</sup> of May 2021 and subsequently on 25<sup>th</sup> of June 2021, Cannon issued 45,000,000 shares to Rox.

On 10 August 2021, Cannon successfully demerged and listed on the ASX and raised \$6,000,000 through the issue of 30 million ordinary shares.

As at 30 June 2021, Cannon had a loan payable of \$542,009 to Rox. The loan payable was related to all costs and expenses associated with the Offers and operating costs of Cannon up to the listing. The loan was unsecured, non-interest bearing and repayable to Rox within 5 business days of completion of the Company's Initial Public Offering (IPO). The loan payable was settled on 20 August 2021.

## DIRECTORS' DECLARATION

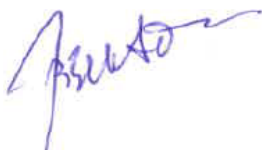
For the Period Ended 30 June 2021

In accordance with a resolution of the Directors of Cannon Resources Limited, I state that:

1. In the opinion of the Directors':

- (a) The financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2021 and its performance for the period ended on that date; and
  - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a); and
- (c) Subject to the matters set out in Note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the period ended 30 June 2021.

On behalf of the Board



**Trevor Benson**  
**Non-Executive Chairman**  
Perth, 20 September 2021.



CANNON RESOURCES LIMITED  
ABN 32 646 149 902

INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
CANNON RESOURCES LIMITED

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Cannon Resources Limited (the "Company"), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**CANNON RESOURCES LIMITED  
ABN 32 646 149 902**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
CANNON RESOURCES LIMITED**

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
<p>Share based payments <i>Refer to Note 14 (c)</i></p> <p>During the year ended 30 June 2021, the Company issued the 6,750,000 incentive options to the Directors.</p> <p>Under Australian Accounting Standards, equity settled awards are measured at fair value on grant date taking into consideration the probability of the vesting conditions (if any) attached. This amount is recognised as an expense either immediately if there are no vesting conditions, or over the vesting period if there are vesting conditions.</p> <p>In calculating the fair value there are a number of judgements management must make, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Estimating the likelihood that the equity instruments will vest;</li> <li>• Estimating expected future share price volatility;</li> <li>• Expected dividend yield; and</li> <li>• Risk-free rate of interest.</li> </ul> <p>Due to the significance to the Company's financial report and the level of management judgment involved in determining the valuation of the share based payments, we consider the Company's calculation of the share based payment expense to be a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <p>Obtaining an understanding of and evaluating the design and implementation of the processes and controls associated with the preparation of the valuation model used to assess the fair value of share-based payments, including those relating to volatility of the underlying security and the appropriateness of the model used for valuation.</p> <p>Critically evaluating and challenging the methodology and assumptions of management in their preparation of valuation models, agreeing inputs to internal and external sources of information.</p> <p>Assessing the appropriateness of share-based payments expensed during the year pursuant to the requirements of Australian Accounting Standards.</p> <p>Assessing the adequacy of the disclosures in the financial report including the Company's accounting policy for compliance with the requirements of AASB 2 <i>Share-based Payments</i>.</p>

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**CANNON RESOURCES LIMITED  
ABN 32 646 149 902**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
CANNON RESOURCES LIMITED**

Carrying Value of exploration and evaluation assets

*Refer to Note 11*

As disclosed in Note 11 of the financial report, as at 30 June 2021, the Company held capitalised exploration and evaluation assets of \$9,000,000.

The carrying value of exploration and evaluation expenditure is assessed for impairment by the Company when facts and circumstances indicate that the exploration and evaluation expenditure may exceed its recoverable amount.

The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of management judgments including but not limited to:

- Whether the Company has tenure of the tenements;
- Whether the Company has sufficient funds to meet the tenement minimum expenditure requirements;
- Whether there is sufficient information for a decision to be made that the area of interest is not commercially viable; and
- Whether the valuation methodology to determine the value of the tenements are appropriately selected by the Company.

Our procedures included, amongst others:

Obtaining an understanding of and evaluating the design and implementation of the processes and controls associated with the capitalisation of exploration and evaluation expenditure, and those associated with the assessment of impairment indicators.

Examining the Company's right to explore in the relevant area of interest, which included obtaining and assessing supporting documentation. We also considered the status of the exploration licences as it related to tenure and whether the minimum expenditure of the tenements have been met.

Evaluating the appropriateness of the valuation methodology selected by the Company to determine the value of the tenements.

Considering and reviewing the Company's intention and capacity to carry out significant exploration and evaluation activity, including but not limited to the minimum expenditure requirements, in the relevant area of interest, including assessing the Company's cash-flow forecast models, discussions with management and directors as to the intentions and strategy of the Company.

Reviewing management's evaluation and judgement as to whether the exploration activities within each relevant area of interest have reached a stage where the commercial viability of extracting the resource could be determined.

Assessing the adequacy of the disclosures in the financial report.

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**ABN 32 646 149 902**

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF**  
**CANNON RESOURCES LIMITED**

*Other Matter – Comparative Figures*

*As noted in Note 2 (xiii) the Company was incorporated in 25 November 2020 and consequently there are no comparative figures to present. Our opinion is not modified in respect of this matter.*

*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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**CANNON RESOURCES LIMITED  
ABN 32 646 149 902**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
CANNON RESOURCES LIMITED**

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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CANNON RESOURCES LIMITED  
ABN 32 646 149 902

INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
CANNON RESOURCES LIMITED

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the period from incorporation to 30 June 2021. In our opinion, the Remuneration Report of Cannon Resources Limited, for the period from incorporation to 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Pitcher Partners BA&A Pty Ltd*

PITCHER PARTNERS BA&A PTY LTD



J C PALMER  
Executive Director  
Perth, 20 September 2021

## MINING TENEMENTS

Project	Interest	Tenement Number	Interest Held at beginning of period	Interest Held at date of this report
<b>Fisher East, WA</b>	Application	E53/1218	0%	100%
	All Minerals	E53/1318	0%	100%
	All Minerals	E53/1716	0%	100%
	All Minerals	E53/1802	0%	100%
	All Minerals	E53/1884	0%	100%
	All Minerals	E53/1885	0%	100%
	All Minerals	E53/1886	0%	100%
	All Minerals	E53/1887	0%	100%
	All Minerals	E53/1950	0%	100%
	All Minerals	E53/2018	0%	100%
	All Minerals	E53/2090	0%	100%
<b>Collurabbie, WA</b>	Application	E38/2009	0%	100%
	All Minerals	E38/2912	0%	100%
	All Minerals	E38/3193	0%	100%

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## ASX Additional Information

### For the Period Ended 30 June 2021

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Financial Report is set out below.

#### SHAREHOLDINGS

The issued capital of the Company at 27 August 2021 is 75,000,001 ordinary fully paid shares including 8,553,130 ordinary shares on escrowed for 24 months from quotation. All ordinary shares carry one vote per share. The Company has used the cash it had at the time of admission to the Official List of the ASX in accordance with its stated business objectives.

#### TOP 20 SHAREHOLDERS AS AT 27 AUGUST 2021

		No of Shares Held	% Held
1	ROX RESOURCES LIMITED	8,553,130	11.40%
2	CITICORP NOMINEES PTY LIMITED	6,508,769	8.68%
3	PONDEROSA INVESTMENTS WA PTY LTD <THE PONDEROSA INVESTMENT A/C>	3,250,000	4.33%
4	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	2,603,330	3.47%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,519,089	2.03%
6	MR MARK JOHN BAHEN & MRS MARGARET PATRICIA BAHEN <SUPERANNUATION ACCOUNT>	1,000,000	1.33%
6	LONGREACH 52 PTY LTD	1,000,000	1.33%
7	LOKTOR HOLDINGS PTY LTD <TAYBIRD A/C>	993,495	1.32%
8	AYERS CAPITAL PTY LTD	880,804	1.17%
9	KENDALI PTY LTD	800,000	1.07%
10	MR ALEXANDER ROSS PASSMORE	757,673	1.01%
11	MR STEPHEN PAUL BAXTER & MRS SARAH-MAY BAXTER	750,000	1.00%
12	MR STEPHEN FRANCIS LYNN	500,000	0.67%
13	COOPER CORPORATE AND CONSULTING PTY LTD	440,000	0.59%
14	RAH (STC) PTY LTD <MEH RETIREMENT A/C>	400,000	0.53%
14	MR PHILIP JOHN CAWOOD	400,000	0.53%
15	C G HEATH PTY LTD <C HEATH STAFF SUPER FUND A/C>	391,090	0.52%
16	BUSHWOOD NOMINEES PTY LTD	375,000	0.50%
17	CERTANE CT PTY LTD <BC1>	360,000	0.48%
18	PERSHING AUSTRALIA NOMINEES PTY LTD	328,402	0.44%
19	MR GREGORY JAMES BLIGHT & MR STEPHEN MAXWELL BLIGHT <GREGORY BLIGHT S/F A/C>	319,598	0.43%
19	NALMOR PTY LTD JOHN CAMPBELL SUPER FUND A/C	319,598	0.43%
20	ALUA CAPITAL PTY LTD	310,241	0.41%
	<b>Total</b>	<b>32,760,219</b>	<b>43.68%</b>
	<b>Balance of register</b>	<b>42,239,782</b>	<b>56.32%</b>
	<b>Grand total</b>	<b>75,000,001</b>	<b>100.00%</b>



## ASX Additional Information

### For the Period Ended 30 June 2021

#### RANGE & LOCATION OF SHAREHOLDERS AS AT 27 AUGUST 2021

Shares Range	No. of Holders	No. of Shares
100,001 and Over	93	44,640,228
10,001 to 100,000	854	24,099,551
5,001 to 10,000	473	3,462,118
1,001 to 5,000	825	2,777,703
1 to 1,000	26	20,401
<b>Total</b>	<b>2,271</b>	<b>75,000,001</b>
<b>Holdings less than a marketable parcel</b>	-	-

Shareholders by Location	No. of Holders	No. of Shares
Australian holders	2,192	73,152,710
Overseas holders	79	1,847,291
<b>Total</b>	<b>2,271</b>	<b>75,000,001</b>

#### VOTING RIGHTS

The holders of ordinary shares are entitled to one vote per share at meetings of the Company.

#### RESTRICTED SECURITIES

Type of security	No. of Holders	No. of Shares
CNRESC24 Escrowed ordinary fully paid shares 24 months from quotation	1	8,553,130
CNREOPT Incentive Options with exercise price of \$0.30 and expiry date of 30 June 2024. Escrowed 24 months from quotation.	84	2,136,407

There are no other restricted securities.

## ASX Additional Information

### For the Period Ended 30 June 2021

#### SUBSTANTIAL SHAREHOLDER NOTICES AS AT 27 AUGUST 2021

		No. of Shares Held	% Held
1	Rox Resources Ltd	8,553,130	11.40%
2	Hawke's Point (RRL) L.P.	4,845,667	6.46%

#### OPTION HOLDINGS

The Company has the following classes of incentive options and unlisted options on issue at 13 August 2021 as detailed below. Options do not carry any rights to vote.

Class	Terms	No. of Options
CNREOPT	Exercise price of \$0.30 with expiry date of 30 June 2024 <sup>1</sup>	3,750,000
CNRIOPT	Exercise price of \$0.30 with expiry date of 30 June 2024	3,000,000
CNROPT	Exercise price of \$0.30 expiry 3 years from issue	9,999,650
		<b>16,749,650</b>

<sup>1</sup> Escrowed 24 month from quotation

The following Option holders hold more than 20% of a particular class of the Company's Incentive and Unlisted Options.

Holder	INCENTIVE AND UNLISTED OPTIONS		
	CNREOPT	CNRIOPT	CNROPT
Mr Trevor Benson	1,500,000 40%	-	-
Mr Richard Bevan	750,000 20%	-	-
Mr Alex Passmore	1,500,000 40%	-	-
Mr Steven Lynn	-	3,000,000 100%	-
<b>Total</b>	<b>3,750,000</b>	<b>3,000,000</b>	<b>-</b>
<b>Balance of register</b>	<b>-</b>	<b>-</b>	<b>9,999,650</b>
<b>Total Number of Holders</b>	<b>3</b>	<b>1</b>	<b>934</b>