

ASX ANNOUNCEMENT | ASX: CNR

25 January 2022

**Quarterly Activities Report
for the period ending 31 December 2021**

Highlights

- **Assay results from 6 diamond holes from the Fisher East Nickel Project intersected extensions to nickel mineralisation at Musket:**
 - **14.94m @ 1.90% nickel from 366.15m in hole MFED083**
 - **4.94m @ 1.79% nickel from 559.77m in hole MFED084**
 - **5.81m @ 2.29% nickel from 584.35m in hole MFED088**
 - **5.67m @ 1.84% nickel from 584.35m in hole MFED095W1**
 - **2.24m @ 1.86% nickel from 714.79m in hole MFED095**
 - **1.60m @ 2.03% nickel from 197.76m in hole MFED089**
- **Nickel mineralisation at Musket extended down dip by 230 metres beyond previous drilling. Musket nickel mineralisation remains open down dip and laterally to the north.**
- **Down-hole electromagnetic (DHEM) plates define strong targets along northern margin of Musket channel**
- **\$4 million placement (before costs) to sophisticated investors at \$0.40 per share completed**

Cannon Resources Limited (**ASX:CNR**) ("**Cannon**" or "**the Company**") is pleased to provide shareholders with an overview of quarterly activities for the period ending 31 December 2021 ("Quarter", "Reporting Period").

Commenting on the Quarter, Cannon CEO, Steve Lynn said:

"The December Quarter 2021 saw the conclusion of our energetic and aggressive drilling campaigns at Fisher East. Our drilling was testing orebody extension and mineralisation controls, and our results to date at Musket have been hugely successful. This has now provided a platform for further extension and resource growth with well targeted future drilling.

We plan to carry on with the strong and focused exploration at Fisher East with a diamond rig locked in for a mid-March Quarter 2022 start. I look forward to updating the market on our drilling plans and remaining results as they come to hand."

First Drill Results Extend Nickel Mineralisation at Musket

During the Quarter, the Company's maiden exploration drilling program continued at its flagship Fisher East Nickel Project, located in the North-Eastern Goldfields region of Western Australia.

Cannon commenced a nominal 4,000-metre diamond drilling campaign immediately upon its successful listing on the ASX. This drill program targeted extensions to nickel mineralisation at the Camelwood, Musket and Sabre prospects at the Fisher East Nickel Project. The drilling program successfully intersected new mineralisation at Musket with the first group of holes. It was subsequently extended from the original 4,000 metres to a final tally of over 7,500 metres and was concluded on 10 December 2021.

Assay results from the first 3 holes from the diamond drilling campaign returned significant zones of high-grade nickel sulphides at Musket. The first 3 diamond holes intersected:

| Hole | From (m) | To (m) | Downhole Interval (m) | Estimated True width (m) | Ni% | Pt+Pd g/t | Co% | Prospect |
|---------|----------|--------|-----------------------|--------------------------|-------|-----------|------|----------|
| MFED083 | 366.15 | 381.09 | 14.94 | 13.3 | 1.90 | 0.625 | 0.04 | Musket |
| MFED084 | 559.77 | 560.0 | 4.94 | 4.2 | 1.79 | 0.474 | 0.03 | Musket |
| MFED088 | 584.35 | 590.16 | 5.81 | 5.1 | 2.29 | 0.420 | 0.04 | Musket |
| and | 577.43 | 577.62 | 0.19 | 0.17 | 16.89 | 2.36 | 0.17 | Musket |

Table 1: Diamond Drilling Assay results from first 3 holes at Musket

The drilling intercepted substantial thicknesses of mineralisation on the northern margin of the main channel (MFED083 14.94m @ 1.90% Ni) and together with holes MFED084 and MFED088, extended the mineralisation approximately 100 metres below and down-plunge of the existing Musket resource.

Later in the period, Cannon released additional drill results that further extended the nickel mineralisation at Musket.

| Hole | From (m) | To (m) | Downhole Interval (m) | Estimated True width (m) | Ni% | Pt+Pd g/t | Co% | Prospect |
|-----------|----------|--------|-----------------------|--------------------------|------|-----------|------|----------|
| MFED089 | 197.76 | 199.36 | 1.60 | 1.33 | 2.03 | 0.625 | 0.03 | Musket |
| MFED095 | 714.79 | 717.03 | 2.24 | 2.10 | 1.86 | 0.340 | 0.04 | Musket |
| MFED095W1 | 584.35 | 590.16 | 5.67 | 5.31 | 1.84 | 0.341 | 0.04 | Musket |

| Hole | From (m) | To (m) | Downhole Interval (m) | Estimated True width (m) | Cu% | Ag g/t | Au g/t | Prospect |
|---------|----------|--------|-----------------------|--------------------------|------|--------|--------|-----------------|
| MFED095 | 568.69 | 569.14 | 0.45 | unknown | 4.23 | 161.1 | 0.31 | Musket footwall |

Table 2: Additional Diamond Drilling Assay results at Musket

The additional drilling intercepted extensions to mineralisation below the main channel at Musket and extended mineralisation a further 130 metres below previously reported Cannon drillholes, MFED084 and MFED088. The new holes confirmed that mineralisation continues beyond the current known limits and that the Musket resource remains open both down plunge and laterally to the north.

A DHEM (down-hole electromagnetic) survey crew arrived on site in late September 2021 to survey the completed Cannon holes to that date. Cannon holes MFED084, MFED088 and MFED089 were surveyed at Musket and a new integrated interpretation using new and historical DHEM survey data was completed.

DHEM anomalies were detected below and along the northern channel margin at Musket. These were subsequently modelled and corresponding DHEM plates were constructed as shown in Figure 1. The plate models matched the existing geological interpretation and provided compelling targets for new mineralisation along the northern edge of the Musket channel.

The targeted drilling of this program has been successful in defining the mineralisation trends and will facilitate ongoing drilling to grow the resource beyond the current limits. Importantly the Musket resource remains open down plunge and laterally to the north.

In addition to the Musket nickel mineralisation, diamond hole MFED095 intersected a zone of chalcopyrite – quartz stringer veins within the footwall sediments from 567 – 607 metres downhole. A 0.45 metre interval with better frequent veining was sampled and returned significant copper and silver values of 4.23% Cu and 161.1g/t Ag.



Figure 1: NQ core from diamond hole MFED095 with chalcopyrite - quartz veining in the sediment footwall adjacent to the Musket nickel deposit. This sample interval of 568.69 - 569.14 metres downhole returned 4.23% copper and 161.1 g/t silver.

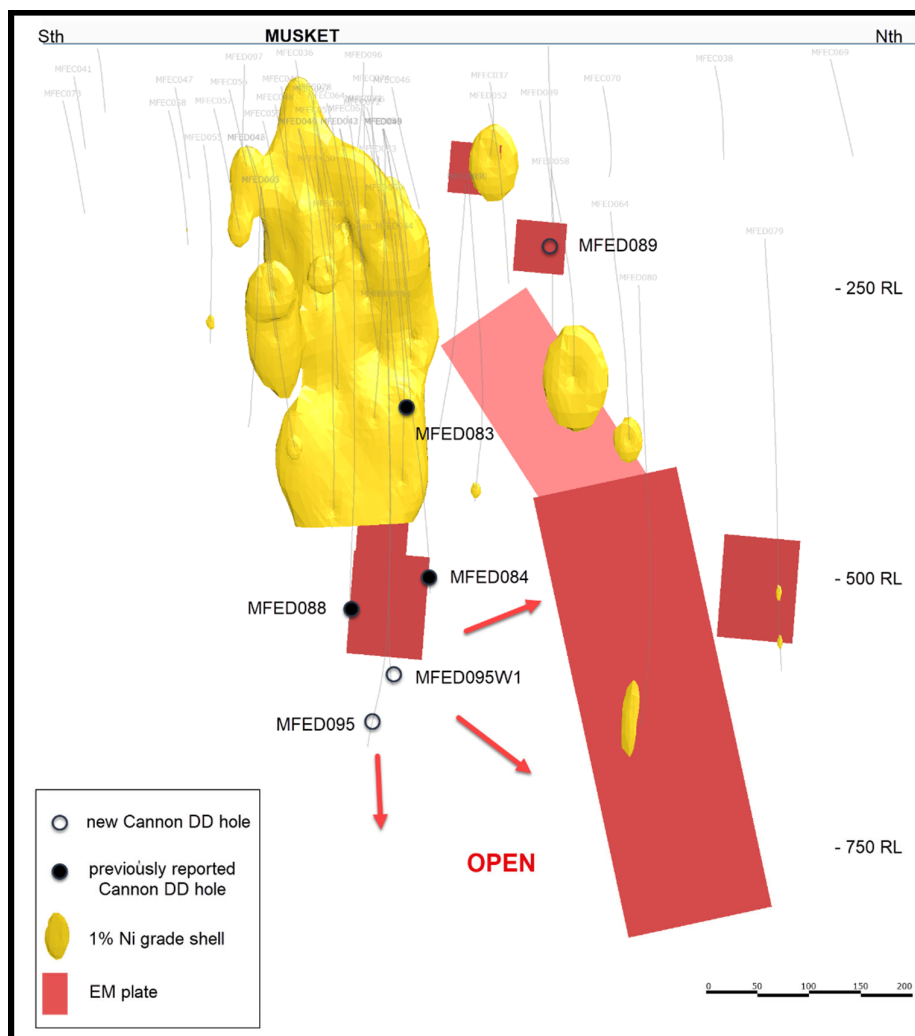


Figure 2: Musket long section showing mineralised intercepts of latest Cannon drilling and EM plate models incorporating survey data from holes MFED080, MFED079, MFED062, MFED059, MFED089, MFED084 and MFED088

AC/RC drilling program at Fisher East

In October 2021 the Company completed a 138 hole combined AC/RC (air core / reverse circulation) drilling program targeting the basal komatiite contact at Fisher East. This is the ore position contact that hosts the Camelwood, Cannonball and Musket orebodies. The drilling specifically targeted the shallow oxide zone along the contact to generated geochemical anomalies for further follow-up exploration.

The ore position was successfully intersected and tested at Musket, Cutlass, Sabre, Tomahawk and Horatio prospects. Up-plunge mineralised gossans were intersected and visually observed at Musket and Sabre. Assay results were still pending at Quarter end.

\$4 million Equity Raise Completed

In October, Cannon announced it had received binding commitments to raise \$4 million (before costs) via a placement of 10 million new shares to sophisticated investors at an issue price of \$0.40 per share. The issue price represented a 9% discount to the last closing price on 18 October 2021 and a 16% premium to the VWAP since listing on 12 August 2021.

The Company received significant interest from key investors following exploration success which translated into on market buying and support for the equity raising.

The placement of \$4 million was completed successfully and the funding has been utilised to significantly expand and accelerate the Fisher East drilling program, specifically at Sabre, Tomahawk, Camelwood and Musket, with the overall target to grow the existing nickel resource.

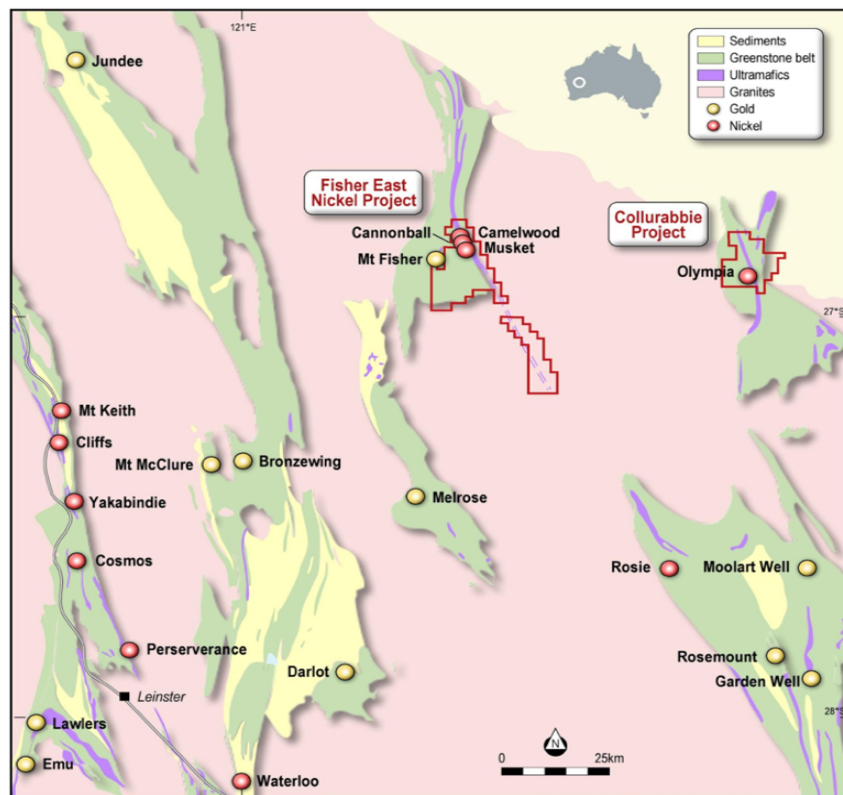


Figure 3: Project Location

Financial

As at 31 December 2021, the Company's cash balance was \$6.2m, an increase of \$1.9m from the previous quarter, represented as follows:

- Cash inflows from capital raise and exercise of options \$4.1m;
- Exploration and evaluation costs (\$1.9m);
- Administration and employee costs (\$0.1m); and
- IPO and capital raising costs (\$0.2m).

Payments to related parties of the entity and their associates totalled \$0.16m which consisted of the following:

- \$0.12m payments by Rox Resources on behalf of Cannon (relating to operating costs as disclosed in Item 1 of the Appendix 5B); and
- \$0.04m Non-Executive Director Fees.

A comparison of the use of funds as per the Cannon Prospectus (ASX: 10 August 2021) and actual use of funds since listing is provided below:

| Use of Funds (\$m) | Prospectus Estimate (2 years after ASX Admission) | Actual Use From Listing until 31/12/21 | Variance Under/ (Over) |
|--|---|--|------------------------|
| Exploration expenditure - Fisher East Project | 2.9 | 2.2 | 0.7 |
| Exploration expenditure - Collurabbie Project | 1.2 | 0.2 | 1.0 |
| Working capital | 1.2 | 0.6 | 0.6 |
| Repayment of Rox expenses loan | 0.3 | 0.4 | (0.1) |
| Estimated costs of the offer (exc. amount paid by Rox) | 0.4 | 0.5 | (0.1) |
| Total | 6.0 | 3.9 | 2.1 |

Use of funds variance explanations are outlined below:

- Exploration expenditure at Fisher East: \$0.7m favourable as a result of the Company listing in August 2021 and hence being less than 5 months into the 2 year Prospectus estimate;
- Exploration expenditure at Collurabbie: \$1.0m favourable as a result of the Company listing in August 2021 and hence being less than 5 months into the 2 year Prospectus estimate;
- Working Capital: \$0.6m favourable as a result of the Company listing in August 2021 and hence being less than 5 months into the 2 year Prospectus estimate;
- Repayment of Rox Expenses Loan: in-line with Prospectus estimate; and
- Estimated costs of the offer (exc. amount paid by Rox): in-line with Prospectus estimate.

Authorised for release to the ASX by the Board of Cannon Resources Limited.

*****ENDS*****

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About Cannon Resources

Cannon Resources is a West Australian focused nickel exploration company with two flagship projects, Fisher East and Collurabbie. Both Projects are located in the northern Goldfields region of Western Australia, approximately 200 km northeast of Leonora. The Fisher East Project has the following JORC 2012 Mineral Resource estimate:

| Deposit | Category | Tonnes (Mt) | Grade Ni % | Contained Metal Nickel (kt) |
|--------------|--------------|-------------|------------|-----------------------------|
| Camelwood | Indicated | 1.7 | 2.0 | 34.0 |
| | Inferred | 0.3 | 1.5 | 5.0 |
| | TOTAL | 2.0 | 1.9 | 39.0 |
| Cannonball | Indicated | 0.2 | 2.9 | 7.0 |
| | Inferred | 0.0 | 1.9 | 0.3 |
| | TOTAL | 0.3 | 2.8 | 7.3 |
| Musket | Indicated | 1.8 | 1.7 | 30.0 |
| | Inferred | 0.1 | 1.5 | 1.6 |
| | TOTAL | 1.9 | 1.7 | 31.6 |
| TOTAL | Indicated | 3.7 | 1.9 | 71.0 |
| | Inferred | 0.5 | 1.5 | 7.0 |
| | TOTAL | 4.2 | 1.9 | 78.0 |

The Collurabbie Project has the following JORC 2012 Inferred Mineral Resource estimate:

| Deposit | Category | Tonnes (Mt) | Grade Ni % | Grade Cu % | Grade Co % | Grade Pd g/t | Grade Pt g/t |
|---------|----------|-------------|------------|------------|------------|--------------|--------------|
| Olympia | Inferred | 573 | 1.63 | 1.19 | 0.082 | 0.082 | 0.850 |

Competent Person Statements

Exploration Results

The information in this report that relates to Data and Exploration Results is based on information compiled and reviewed by Mr Stephen Lynn a Competent Person who is a Member of the Australian Institute Geoscientists (AIG) and Chief Executive Officer of Cannon Resources Limited. Mr Lynn has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Lynn consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Where reference is made to previous releases of exploration results in this announcement, the Company confirms that it is not aware of any new information or data that materially affects the information included in those announcements and all material assumptions and technical parameters underpinning the exploration results included in those announcements continue to apply and have not materially changed.

The information in this report that relates to previous Exploration Results, was either prepared and first disclosed under the JORC Code 2004 or under the JORC Code 2012 and has been properly and extensively cross-referenced in the text to the date of the original announcement to the ASX. In the case of the 2004 JORC Code Exploration Results and Mineral Resources, they have not been updated to comply with the JORC Code 2012.

Resource Statement

Cannon refers to the public report regarding its mineral resource contained in its Prospectus dated 26 May 2021 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 relevant market announcement continue to apply and have not materially changed.

Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Rox Resources Limited planned exploration program(s) and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may", "potential," "should," and similar expressions are forward looking statements.

Mining Tenements

| Project | Interest | Tenement Number | Interest Held at beginning of period | Interest Held at date of this report |
|-----------------|-------------------------------|-----------------|--------------------------------------|--------------------------------------|
| Fisher East, WA | All Minerals (excluding Gold) | E53/1218 | 100% | 100% |
| | All Minerals | E53/1318 | 100% | 100% |
| | All Minerals | E53/1716 | 100% | 100% |
| | All Minerals | E53/1802 | 100% | 100% |
| | All Minerals | E53/1884 | 100% | 100% |
| | All Minerals | E53/1885 | 100% | 100% |
| | All Minerals | E53/1886 | 100% | 100% |
| | All Minerals | E53/1887 | 100% | 100% |
| | All Minerals | E53/1950 | 100% | 100% |
| | All Minerals | E53/2018 | 100% | 100% |
| | All Minerals | E53/2090 | 100% | 100% |
| | All Minerals | E53/2200 | 0% | Pending |
| Collurabbie, WA | All Minerals | E38/2009 | 100% | 100% |
| | All Minerals | E38/2912 | 100% | 100% |
| | All Minerals | E38/3193 | 100% | 100% |