



CANNON RESOURCES LIMITED

ABN 32 646 149 902

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

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Corporate Directory

Directors:

Mr Trevor Benson
Non-Executive Chairman

Mr Richard Bevan
Non-Executive Director

Mr Alex Passmore
Non-Executive Director

Chief Executive Officer:

Mr Stephen Lynn

Company Secretary:

Mr Chris Hunt

Bank:

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

Auditor:

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

Telephone: (08) 9322 2022
 Facsimile: (08) 9322 1262

Solicitor:

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

Telephone: (08) 9404 9100
 Facsimile: (08) 9300 1338

For shareholder information contact:

Share registry:

Automic Group
 Level 2
 267 St George's Terrace
 Perth WA 6000

Telephone: 1300 288 664
 Email: hello@automic.com.au

Stock exchange:

ASX Limited

Company code:

CNR (Fully Paid Shares)

Capital structure:

85,416,444 Fully paid ordinary shares

3,750,000	\$0.30, 30 June 2024 options ⁽¹⁾
3,000,000	\$0.30, 30 June 2024 options
9,583,207	\$0.30, 30 July 2024 options

(1) Escrowed 24 months from quotation

For information on the Company contact:

Principal & registered office:

Level 2, 87 Colin Street
 West Perth WA 6005

Telephone: (08) 6383 9911
 Facsimile: (08) 9322 6254
 Email: admin@cannonres.com.au
 Web: www.cannonres.com.au

Directors' Report

Your Directors submit the financial report on Cannon Resources Limited ("the Company") for the half-year ended 31 December 2021.

Directors

The names of the Company's Directors in office during the financial period and until the date of this report are:

Mr Trevor Benson
Mr Alex Passmore
Mr Richard Bevan

Directors have been in office since the start of the financial period to the date of the report, unless otherwise stated.

Review of operations

The net loss after tax for the half-year ended 31 December 2021 was \$3.5 million. This loss is predominantly attributable to expenditure on exploration and evaluation activities during the period totalling \$3.0 million.

Projects

The Company has a suite of advanced nickel projects:

- Fisher East; and
- Collurabbie

All projects contain JORC mineral resource estimates and are located in Western Australia.



Figure 1: Project Location

Fisher East

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 331km².

The project contains three nickel sulphide deposits consisting of Camelwood, Cannonball and Musket. These deposits are typical Archean komatiite-associated deposits having affinities with Kambalda-style Type 1 contact ores.

During the half-ended 31 December 2021 the Company commenced a maiden exploration drilling program at Fisher East with the following assays subsequently received:

- 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; and
- 1.60m @ 2.03% nickel from 197.76m in hole MFED089.

All assays intersected extensions to nickel mineralisation at Musket, with mineralisation extended down dip by 230 metres beyond previous drilling. Musket nickel mineralisation remains open down dip and laterally to the north.

In addition a down-hole electromagnetic (DHEM) survey was completed with plates defining strong targets along the northern margin of the Musket channel.



Figure 2: Drilling program commences at Fisher East

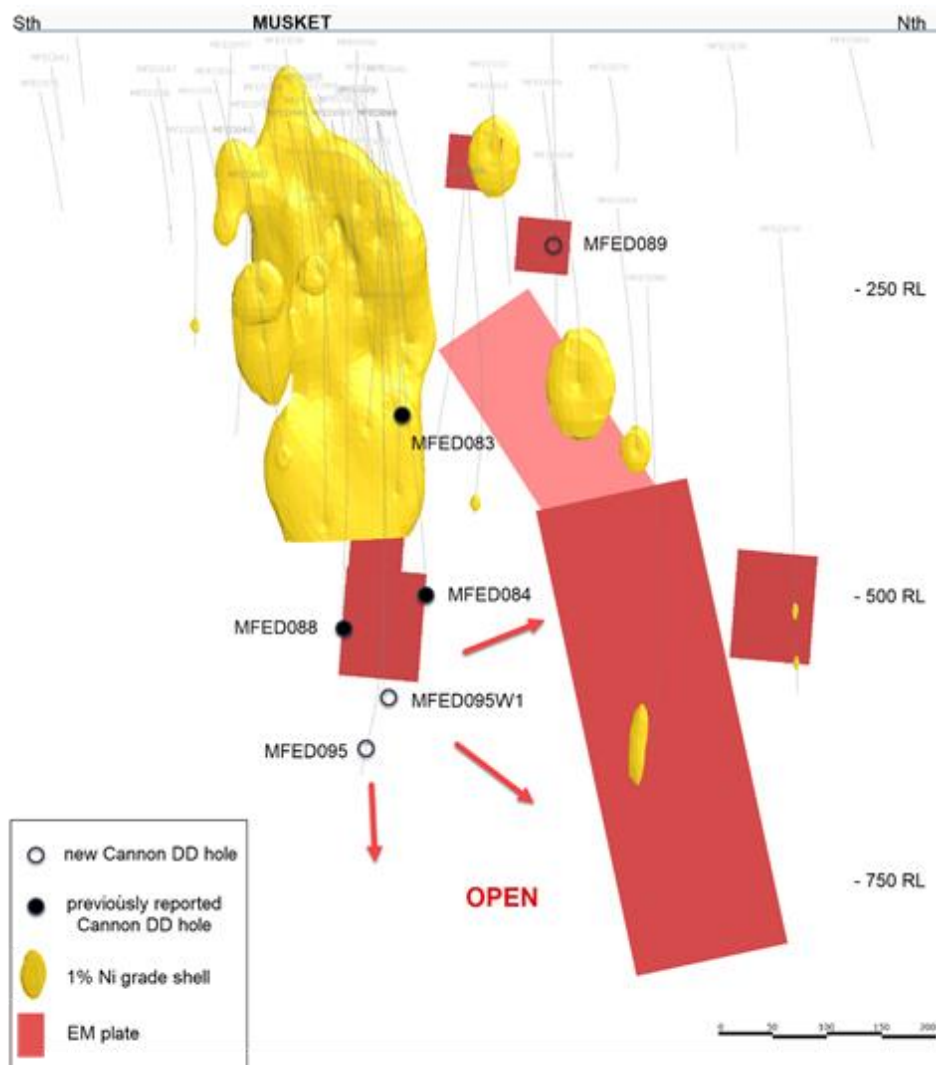


Figure 3: Musket long section showing mineralised intercepts of latest Cannon drilling and EM plate models incorporating survey data from holes MFED080, MFED079, MFED062, MFED059, MFED089, MFED084 and MFED088

During the period 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 and generated geochemical anomalies for further follow-up exploration.

The ore position was successfully intersected and tested at the 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 31 December 2021.

Collurabbie

The Collurabbie Project is located approximately 430km to the northeast of Kalgoorlie, 195km north of Laverton and 65km to the east of the Fisher East Nickel Project. It also lies within the North-Eastern Goldfields region. The project consists of three granted exploration licences covering a total of 147km².

During the period the Company progressed exploration activities on these tenements.

Significant changes in state of affairs

On 12 August 2021, following a successful Initial Public Offering (“IPO”) raising \$6.0m (before costs), the Company listed on the Australian Securities Exchange (ASX), with Canaccord Genuity (Australia) Limited and Taylor Collison acting as Joint Lead Managers to the raise. As a result of the IPO the following shares and options were issued during the reporting period:

- 30,000,000 at \$0.20 each to raise \$6.0 million (before costs);
- 6,750,000 unlisted incentive options to Directors and the Chief Executive Officer with an exercise price of \$0.30 and expiry of 30 June 2024; and
- 9,999,650 unlisted options with an exercise price of \$0.30 and expiry of 30 July 2024 to shareholders who participated in the IPO. As at the date of this report 416,443 options have been converted to ordinary shares.

On 19 October 2021, the Company announced it had received binding commitments to raise \$4.0 million (before costs) via a placement of 10.0 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 \$4.0 million (before costs) was completed successfully and the funding has been utilised to significantly expand and accelerate the Fisher East drilling program, specifically at Musket, Sabre, Tomahawk and Camelwood, with the overall target to grow the existing nickel resource.

No other significant change in the Company’s state of affairs occurred during the reporting period.

Matters subsequent to the end of the financial period

On 27 January 2022 the following wholly owned subsidiaries of Cannon Resources Limited were incorporated:

- Cannon Fisher East Pty Ltd; and
- Cannon Collurabbie Pty Ltd.

No matter or circumstance has 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 subsequent financial periods.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, the amounts in the Directors' Report and in the Financial Report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, Pitcher Partners, to provide the Directors of Cannon Resources Limited with an Independence Declaration in relation to the review of the half-year Financial Report. This Independence Declaration is attached to the Independent Review Report to Members.

Signed in accordance with a resolution of the Directors.



Trevor Benson
Non-Executive Chairman
Perth, Western Australia
Date: 3 March 2022

Mineral Resources

Fisher East Nickel, WA

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	0.24	2.9	7.0
	Inferred	0.02	1.9	0.3
	Total	0.26	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

Collurabbie Nickel, WA

Deposit	Category	Tonnes (kt)	Grade Ni%	Grade Cu%	Grade Co%	Grade Pd g/t	Grade Pt g/t
Olympia	Inferred	573	1.63	1.19	0.082	1.49	0.85

Figures in all tables may not add up exactly due to rounding.

Competent person statements:

Exploration results

The information in this report that relates to previous Exploration Results, were 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 original announcement to 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 on the basis that the information has not materially changed since it was last reported.

Resource statements

The Company refers to the public report regarding its mineral resources contained in its Prospectus which included the Competent Persons Statement and Table 1 of Appendix 5A (JORC Code). The Company 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.

Condensed Financial Statements

Interim Period to 31 December 2021

Condensed Statement of Financial Position

As at 31 December 2021

	Notes	31 Dec 2021 (\$'000's)	30 Jun 2021 (\$'000's)
Assets			
Current assets			
Cash and cash equivalents		6,153	-
Trade and other receivables		94	-
Total current assets		6,247	-
Non-current assets			
Property, plant and equipment		58	5
Capitalised exploration and evaluation expenditure	4	9,000	9,000
Total non-current assets		9,058	9,005
Total assets		15,305	9,005
Liabilities			
Trade and other payables		887	76
Provisions		22	7
Related party payables	10	17	542
Total current liabilities		926	625
Total liabilities		926	625
Net assets		14,379	8,380
Equity			
Issued capital	5	18,466	8,945
Reserves	6	720	720
Accumulated losses		(4,807)	(1,285)
Total equity attributable to shareholders		14,379	8,380

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

Condensed Statement of Comprehensive Income

For the half-year Ended 31 December 2021

	Notes	31 Dec 2021 (\$'000's)	Unreviewed 31 Dec 2020 (\$'000's)
Expenses			
Corporate expenses		(446)	-
Salaries, wages and superannuation		(61)	-
Exploration and evaluation expenditure		(3,013)	-
Depreciation and amortisation		(2)	-
Loss before income tax		(3,522)	-
Income tax expense		-	-
Net loss after income tax		(3,522)	-
Other comprehensive income			-
Other comprehensive income net of tax		-	-
Total comprehensive loss for the period		(3,522)	-
Loss per share for the period attributable to shareholders		Cents	Cents
Basic loss per share		(4.83)	-
Diluted loss per share		(4.83)	-

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

Condensed Statement of Cash Flows

For the half-year Ended 31 December 2021

	Notes	31 Dec 2021 (\$'000's)	Unreviewed 31 Dec 2020 (\$'000's)
Cash flows from operating activities			
Payments to suppliers and employees		(474)	-
Expenditure on mineral interests		(2,358)	-
Net cash used in operating activities		(2,832)	-
Cash flows from investing activities			
Purchase of property, plant and equipment		(3)	-
Net cash used in investing activities		(3)	-
Cash flows from financing activities			
Proceeds from issue of ordinary shares		10,000	-
Proceeds from exercise of options		124	-
Share issue costs		(602)	-
Funds loaned from Rox Resources Limited		131	-
Funds repaid to Rox Resources Limited		(665)	-
Net cash provided by financing activities		8,988	-
Net increase in cash and cash equivalents		6,153	-
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the period		6,153	-

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

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2021

	Issued capital (\$'000's)	Reserves (\$'000's)	Accumulated losses (\$'000's)	Total (\$'000's)
Balance as at incorporation (unreviewed)	-	-	-	-
Loss for the period	-	-	-	-
Total comprehensive loss for the period	-	-	-	-
Transactions with shareholders				
Issue of share capital	-	-	-	-
Share issue costs	-	-	-	-
Exercise of options	-	-	-	-
Balance as at 31 December 2020 (unreviewed)	-	-	-	-
Balance as at 1 July 2021	8,945	720	(1,285)	8,380
Loss for the period	-	-	(3,522)	(3,522)
Total comprehensive loss for the period	-	-	(3,522)	(3,522)
Transactions with shareholders				
Issue of share capital	10,000	-	-	10,000
Share issue costs	(602)	-	-	(602)
Exercise of options	123	-	-	123
Balance as at 31 December 2021	18,466	720	(4,807)	14,379

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

Notes to the Condensed Financial Statements

For the half-year 31 December 2021

Note 1: Corporate information

Cannon Resources Limited (Company) is a for profit company incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX). The Company is a stand-alone entity with no subsidiaries. The interim financial statements of the Company for the half-year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 3 March 2022.

Note 2: Significant accounting policies

Basis of preparation

The interim condensed financial statements of the Company for the half-year ended 31 December 2021 are condensed general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB134 ensures compliance with International Financial reporting Standard IAS 34 Interim Financial Reporting.

These interim condensed financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

It is recommended that the half-year financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2021 and considered together with any public announcements made by Cannon Resources Limited during the half-year ended 31 December 2021 in accordance with the continuous disclosure obligations of the ASX listing rules.

Comparatives

As the Company was incorporated on 25 November 2020, the comparative period is for the period from 25 November 2020 to 31 December 2020. As at 31 December 2020, the entity was 100% owned by Rox Resources Limited and did not meet the definition of a disclosing entity. Accordingly, the Company was not required to present 31 December 2020 financial statements and have them reviewed. Comparative amounts for the period from incorporation on 25 November 2020 to 31 December 2020 as included in the condensed Statement of Comprehensive Income, Condensed Statement of Cashflows and Condensed Statement of Changes in Equity have therefore not been subject to review.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Notes to the Condensed Financial Statements

For the half-year 31 December 2021

Note 1: Corporate information

Cannon Resources Limited (Company) is a for profit company incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX). The Company is a stand-alone entity with no subsidiaries. The interim financial statements of the Company for the half-year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 4 March 2022.

Note 2: Significant accounting policies

Basis of preparation

The interim condensed financial statements of the Company for the half-year ended 31 December 2021 are condensed general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB134 ensures compliance with International Financial reporting Standard IAS 34 Interim Financial Reporting.

These interim condensed financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

It is recommended that the half-year financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2021 and considered together with any public announcements made by Cannon Resources Limited during the half-year ended 31 December 2021 in accordance with the continuous disclosure obligations of the ASX listing rules.

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Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Notes to the Condensed Financial Statements

For the half-year 31 December 2021

Note 2: Significant accounting policies (continued)

Accounting standards issued but not yet effective

The Australian Accounting Standards Board (AASB) has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of these new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below.

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 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:

- (i) 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.
- (ii) AASB 3 – updates references to the Conceptual Framework for Financial Reporting.
- (iii) 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.
- (iv) 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.
- (v) AASB 137 – specifies the costs that an entity includes when assessing whether a contract will be loss making.
- (vi) 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.

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.

Notes to the Condensed Financial Statements

For the half-year 31 December 2021

Note 2: Significant accounting policies (continued)

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:

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

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

AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

AASB 2021-5 amends AASB 112 Income Taxes to clarify the accounting for deferred tax transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions for which entities recognise both an asset and a liability and that give rise to equal taxable and deductible temporary differences.

This amending standard mandatorily apply 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.

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.

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

Notes to the Condensed Financial Statements

For the half-year 31 December 2021

Note 2: Significant accounting policies (continued)

Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Company has incurred a net loss after tax for the period ended 31 December 2021 of \$3.5 million and experienced net cash outflows used in operating activities of \$2.8 million. As at 31 December 2021, the Company had net current assets of \$5.3 million.

The Directors believe there are sufficient funds to meet the Company's committed minimum expenditure requirements and as at the date of this report the Directors believe they can meet all liabilities as and when they fall due. The Directors have reviewed the business outlook and the assets and liabilities of the Company and are of the opinion that the use of the going concern basis of accounting is appropriate.

Note 3: Operating segments

Identification of reportable segments

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 executive management team currently receive a Condensed Statement of Financial Position and Condensed Statement of Comprehensive Income information that is prepared in accordance with Australian Accounting Standards therefore there is no additional information to disclose.

The Condensed Statement of Financial Position and Condensed Statement of Comprehensive Income information received by the executive team 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 Condensed Financial Statements

For the half-year 31 December 2021

Note 6: Reserves

	31 Dec 2021 (\$000's)	30 Jun 2021 (\$000's)
Share based payments reserve		
Balance at the beginning of the period	720	720
Options issued to Directors and employees	-	-
Closing Balance	720	720

Note 7: Share based payment reserve

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 six months ended 31 June 2021 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.

Fair value of options granted under ESS

The fair value for options issued under the ESS was calculated using the Black-Scholes valuation methodology using the following parameters.

	31 Dec 2021	30 Jun 2021
Weighted average exercise price (cents)	-	30.0
Weighted average life of the option	-	3 years
Weighted average underlying share price (cents)	-	20.0
Expected share price volatility	-	100%
Risk-free interest rate	-	0.10%
Number of options issued	-	6,750,000
Fair value per option (cents)	-	10.7

Notes to the Condensed Financial Statements

For the half-year 31 December 2021

Note 8: Commitments and contingencies

There are no material changes to the commitments and contingencies disclosed in the most recent annual financial report.

Note 9: Events after the balance sheet date

On the 27th of January 2022 the following 100% subsidiaries of Cannon Resources Limited were incorporated:

- Cannon Fisher East Pty Ltd; and
- Cannon Collurabbie Pty Ltd.

No matter or circumstance has 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 subsequent financial periods.

Note 10: Related party transactions

During the half-year ended 31 December 2021 an amount of \$160,551 (31 December 2020: nil) was paid to LG Mining Pty Ltd, a company of which Mr Passmore is a Director, for the provision of labour hire services, specifically geologists and field assistants. An amount of \$9,075 was payable at 31 December 2021 (30 June 2021: nil). The transactions were on an arms-length basis and utilised by the Company, on a discretionary basis, for recruitment and labour hire of predominantly field staff which are in high demand in the current tight labour market. Other recruitment and labour hire firms are also utilised by the Company as required and including when terms are offered on an equal basis. Mr Passmore does not receive any remuneration from LG Mining Pty Ltd.

Directors' fees for the financial period totalled \$75,155. Bayreef Investments Pty Ltd, a company in which Mr Richard Bevan is a Director and shareholder, received his share of fees, totalling \$24,750. No Directors' fees were outstanding as at 31 December 2021.

The Company entered into a Demerger Agreement with its ultimate holding company, Rox Resources Limited ("Rox") on 13 May 2021. On 10 August 2021 the Company successfully demerged and listed on the ASX and raised \$6.0 million through the issue of 30 million shares. As at 30 June 2021 the Company had a loan payable of \$542,009 to Rox. The loan payable was related to all costs and expenses associated with the listing of the Company and operating costs up to the listing date. The loan was unsecured, non-interest bearing and repayable to Rox with 5 business days of completion of the Company's Initial Public Offering. The loan was repaid on 20 August 2021.

During the half-year ended 31 December 2021, Rox funded \$331,369 on behalf of the Company. The balance outstanding as at 31 December 2021 was \$8,354.

All amounts are excluding GST.

There were no other significant changes to the related party arrangements of the Company during the half-year ended 31 December 2021.

Directors' Declaration

For the half-year 31 December 2021

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

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 31st December 2021 and the performance for the half-year ended on that date; and
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Trevor Benson
Non-Executive Chairman
Perth, Western Australia
Date: 3 March 2022

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

In relation to the independent review for the half-year ended 31 December 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



J C PALMER
Executive Director
Perth, 3 March 2022

CANNON RESOURCES LIMITED
ABN 32 646 149 902

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Cannon Resources Limited, (the "Company"), which comprises the condensed statement of financial position as at 31 December 2021, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Company does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 annual 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 review report.

Other Matter

As described in Note 2, the comparatives for the half year period ended 31 December 2020, were not subject to review. Our conclusion is not modified in respect of this matter.

Responsibility of the Directors for the Financial Report

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

CANNON RESOURCES LIMITED
ABN 32 646 149 902

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Pitcher Partners BA&A Pty Ltd

PITCHER PARTNERS BA&A PTY LTD



J C PALMER
Executive Director
Perth, 3 March 2022