

ASX ANNOUNCEMENT | ASX: CNR

10 November 2022

Market Announcements Office
Australian Securities Exchange Limited
Level 40, Central Park
152 – 158 St Georges Terrace
PERTH WA 6000

Off-market takeover bid by Kedalion Nickel Pty Ltd for Cannon Resources Limited – Target's Statement

In accordance with item 14 of section 633(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), we attach a copy of the Target's Statement issued by Cannon Resources Limited ACN 646 149 902 (ASX: CNR) (**Cannon**) in relation to the off-market takeover bid by Kedalion Nickel Pty Ltd ACN 663 451 170 (**Kedalion**) under Chapter 6 of the Corporations Act for all the ordinary shares in Cannon.

The Target's Statement was lodged on 9th November 2022 with the Australian Securities and Investments Commission and served on Kedalion.

This announcement has been approved and authorised for release by the Board of Cannon Resources Limited.

For further information, please contact:

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CANNON
RESOURCES

TARGET'S STATEMENT

in relation to the off-market takeover bid made by **KEDALION NICKEL PTY LTD** ACN 663 451 170 (**Kedalion**) to purchase all of your fully paid ordinary shares in Cannon Resources Limited ACN 646 149 902 (**Cannon Shares**).

Your Directors unanimously recommend that you

ACCEPT

the Kedalion offer to acquire all of your Cannon Shares for A\$0.45 cash per Cannon Share (**Offer**), in the absence of a Superior Proposal.

If you have any questions about the Offer, please call the Cannon Shareholder information line on 1300 103 390 (within Australia) or +61-2-8072-1415 between 8.30am and 5.00pm (Perth time) on Business Days.

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR
IMMEDIATE ATTENTION**

**YOU SHOULD READ THIS DOCUMENT IN ITS ENTIRETY. IF YOU ARE
IN ANY DOUBT AS TO HOW TO DEAL WITH THIS DOCUMENT, YOU
SHOULD CONSULT YOUR FINANCIAL, LEGAL OR OTHER
PROFESSIONAL ADVISER IMMEDIATELY.**

THOMSON GEER

LAWYERS
Legal Advisors to Cannon

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LETTER FROM THE CHAIRMAN OF CANNON RESOURCES LIMITED

Dear fellow Cannon Shareholder

Kedalion has made an off-market takeover offer for all Cannon Shares. Kedalion is offering Cannon Shareholders consideration of A\$0.45 cash¹ per Cannon Share pursuant to the Offer (**Offer Price**), which is conditional upon the fulfilment of certain conditions including, no Material Occurrences, no Prescribed Occurrences, no Material Adverse Change and a 50.1% (on a Fully Diluted Basis) minimum acceptance condition, as set out in Section 10.3 and in the Bidder's Statement (**Offer Conditions**).

Board recommendation

After careful consideration, the Cannon Board negotiated a Bid Implementation Agreement (**BIA**) between Cannon and Kedalion (as summarised in Section 11.1) and unanimously recommends that Cannon Shareholders ACCEPT the Offer in the absence of a Superior Proposal. The key reasons for the Directors' unanimous recommendation are set out in this letter with full details of this recommendation outlined in Section 2 of this Target's Statement.

Reasons to ACCEPT the Offer

We would like to take this opportunity to highlight the key reasons why we believe that the Offer is compelling and why we unanimously recommend that you ACCEPT the Offer in the absence of a Superior Proposal.

Reasons to ACCEPT the Offer include (without limitation):

REASON 1 – Liquidity and certainty of value: The 100% cash Offer Price provides Cannon Shareholders with certainty of value for their Cannon Shares and the ability, upon satisfaction or waiver of the Offer Conditions, for all Cannon Shareholders (and Cannon Option Holders who exercise their Cannon Options) to realise value in what was, prior to the Offer, an illiquid company. In the month prior to the Announcement Date, less than A\$1 million worth of Cannon Shares was traded on ASX, compared to the Offer value of A\$45 million (on a Fully Diluted Basis), which is a substantial premium to the price of Cannon Shares in the period prior to the Announcement Date.

REASON 2 – Compelling premium: The cash Offer Price represents a 43% premium to the closing price of Cannon Shares on ASX immediately prior to the Announcement Date and a 58% premium to the 30-day VWAP of Cannon Shares on ASX prior to the Announcement Date.

REASON 3 – Support of Cannon Board and Shareholders: The Directors intend to ACCEPT the Offer in respect of the Cannon Shares they own or control, in the absence of a Superior Proposal. Major Cannon Shareholders, representing 19.72% of Cannon Shares on issue as at the Last Practicable Date, have entered into pre-bid acceptance agreements with Kedalion to ACCEPT the Offer. Refer to section 10.2 of the Bidder's Statement for further information on the pre-bid acceptance agreements.

REASON 4 – Risk Mitigation: If completed, the Offer mitigates the risks and uncertainties of remaining a Cannon Shareholder, including near-term capital requirements (and associated Cannon Shareholder dilution) as well as project development and technical risk. This is particularly relevant given the current volatility in global markets.

REASON 5 – No Superior Proposal: No Superior Proposal has emerged as at the date of this Target's Statement.

Refer to Section 2.1 for further details regarding these reasons to accept the Offer.

¹ Under the terms of the Offer, the amount of consideration you receive from Kedalion will be reduced by the amount or value of any Rights (if any) attaching to the Cannon Shares in respect of which the Offer is accepted, which arise or are paid on or after 31 October 2022, which Kedalion does not receive. See section 11.6 of the Bidder's Statement for further details regarding the payment of the consideration under the Offer.

Reasons why you may decide not to accept the Offer

Refer to Section 2.2 for a non-exhaustive list of reasons as to why you may decide not to accept the Offer.

For example, you may disagree with the conclusions of the Directors. You may prefer to participate in the future financial performance of the Cannon business. You may consider there is potential for a Superior Proposal to emerge. Due to your personal tax or superannuation circumstances, you may wish to continue to hold your Cannon Shares or you may prefer to sell your Cannon Shares on-market.

Since the Announcement Date and until the Last Practicable Date, Cannon Shares have been trading on the ASX at prices between A\$0.430 and A\$0.445 (inclusive, with the last price per Cannon Share being A\$0.44 on the Last Practicable Date). However this trading since the Announcement Date is coincidental with the announcement of the Offer and should not be taken as indicative of the price at which Cannon Shares would trade in the absence of the Offer, or if the Offer does not complete. If you sell your Cannon Shares on-market, you will lose the ability to accept the Offer, participate in any potential increase in the Offer Price (if any) or any other offer which may eventuate, and you may also incur a brokerage charge.

While your Directors acknowledge that there are reasons not to accept the Offer, they believe the reasons to accept the Offer outweigh the reasons not to accept the Offer.

The Cannon Directors' intentions in relation to their OWN SHARES

Each Cannon Director who holds or controls Cannon Shares intends to ACCEPT the Offer in respect to the Cannon Shares they own or control, in the absence of a Superior Proposal.

The Directors also reserve the discretion to accept (or not accept) the Offer even if a Superior Proposal emerges.

Cannon Option Holders

If you are also a holder of Cannon Options, you may exercise your Cannon Options and accept your Cannon Shares into the Offer prior to the end of the Offer Period in order to receive the Offer consideration of A\$0.45 per Cannon Share.

Cannon Option Holders may exercise their Cannon Options by completing a notice of exercise form which is available from <https://investor.automic.com.au/#/home> together with payment of the exercise price for their exercised Cannon Options.

You should note that each Director intends to exercise their Cannon Options and accept their resulting Cannon Shares into the Offer in the absence of a Superior Proposal and the Cannon Options being released from ASX escrow pursuant to Listing Rule 9.5.

Next steps

You should have received a Bidder's Statement from Kedalion containing its off-market cash takeover offer for your shares in Cannon. The Cannon Board encourages you to read this Target's Statement and the Bidder's Statement from Kedalion and Cannon's ASX announcements, having regard to your own circumstances, to assist you in making your decision.

Cannon Shareholders should note that the Bidder's Statement contains the Acceptance Form for the Offer.

Timing

The Offer is scheduled to close at 7:00pm (Perth time) on 21 December 2022, unless withdrawn or extended by Kedalion. To ACCEPT the Offer, please refer to the acceptance instructions set out in the section titled 'How to accept the Offer' and section 11.3 of the Bidder's Statement and in the Acceptance Form that accompanies the Bidder's Statement.

Further information

You should continue to monitor Cannon's ASX announcements. If you have any queries in relation to the Offer, please contact the Cannon Shareholder information line on 1300 103 390 (within Australia) or +61-2-8072-1415 (outside Australia) between 8.30am and 5.00pm (Perth time) on Business Days.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'A. Passmore', written in a cursive style.

Alex Passmore
Non-Executive Chairman,
Cannon Resources Limited

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

YOU SHOULD READ THIS DOCUMENT IN ITS ENTIRETY. IF YOU ARE IN ANY DOUBT AS TO HOW TO DEAL WITH THIS DOCUMENT, YOU SHOULD CONSULT YOUR FINANCIAL, LEGAL OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

IMPORTANT NOTICES

Nature of this document

This Target's Statement is dated 9 November 2022 and is given under section 633 of the Corporations Act by Cannon Resources Ltd ACN 646 149 902 in response to the Bidder's Statement lodged by Kedalion Nickel Pty Ltd ACN 663 451 170 with ASIC and served on Cannon on 9 November 2022.

Defined terms and interpretation

Capitalised terms used in this Target's Statement are either defined in brackets when first used or are defined in the Glossary in Section 13. The Glossary also sets out some rules of interpretation which apply to this Target's Statement.

References Sections

References to Sections are to the named Sections in this Target's Statement.

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and ASX. Neither ASIC, ASX nor any of their respective officers take responsibility for the content of this Target's Statement.

No account of personal circumstances

This Target's Statement does not constitute financial product advice and has been prepared without reference to the individual investment objectives, financial situation, taxation position or particular needs of any Cannon Shareholder or any other person. It is important that you read this Target's Statement before making any decision, including a decision on whether or not to accept the Offer. If you are in doubt as to what you should do, you should consult your legal, investment, taxation or other professional adviser.

Cannon Shareholders should consult their taxation adviser as to the applicable tax consequences of the Offer. A non-exhaustive summary of the Australian taxation considerations is detailed in Section 9 of this Target's Statement.

Forward looking statements

Certain statements in this Target's Statement relate to the future, including forward looking statements and information ("forward looking statements"). The forward looking statements in this Target's Statement, are not based on historical facts, but rather reflect the current views and expectations of Cannon concerning future events and circumstances. These statements may generally be identified by the use of forward looking verbs such as "aim", "anticipate", "believe", "estimate", "expect", "foresee", "intend" or "plan", qualifiers such as "may", "should", "likely" or "potential", or similar words. Similarly, statements that describe the expectations, goals, objectives, plans, targets and future costs and financial performance of Cannon are, or may be, forward looking statements.

Forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performances or achievements of Cannon, to be materially different from future results, performances or achievements expressed or implied by such statements. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which Cannon will operate in the future, such as future financial performance and position, contractual and other matters impacting on Cannon's business, the price of commodities, anticipated costs and the ability to achieve goals. Certain important factors that could cause actual results, performances or achievements to differ materially from those in the forward looking statements include, among others,

various risk factors detailed in Sections 5 and 8. Forward looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on them. All forward looking statements should be read in light of such risks and uncertainties.

You should note that the historical performance of Cannon is no assurance of its future financial performance. The forward looking statements in this Target's Statement reflect views and expectations held only at the date of this Target's Statement. Cannon believes that all forward looking statements included in this Target's Statement have been made on a reasonable basis. However, none of Cannon, its directors nor any other person gives any representation, assurance or guarantee that any outcome, performance or results expressed or implied by any forward looking statements in this Target's Statement will actually occur. Cannon Shareholders should therefore treat all forward looking statements with caution and not place undue reliance on them.

Subject to any continuing obligations under law or the Listing Rules, Cannon and its Directors disclaim any obligation to revise or update, after the date of this Target's Statement, any forward looking statements to reflect any change in views, expectations or assumptions on which those statements are based.

Diagrams, charts, graphs and tables

Any diagrams, charts, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding (unless otherwise stated). Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement, and any discrepancies in any table between totals and sums of amounts listed in that table or to previously published figures are due to rounding.

Currency

All references in this Target's Statement to "\$", "AUD", "A\$" "Australian dollars" are to Australian currency.

Notice to foreign Cannon Shareholders

The distribution of this Target's Statement may, in some countries, be restricted by law or regulation. Persons who come into possession of this Target's Statement should inform themselves of and observe those restrictions.

Privacy and personal information

Cannon has collected your information from the Cannon Register for the purpose of providing you with this Target's Statement. Such information may include the name, contact details and shareholdings of Cannon Shareholders. Without this information, Cannon would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders to be held in a public register. Personal information of the type described above may be disclosed to Cannon, Kedalion and their registries, print and mail and other service providers, authorised securities brokers, related bodies corporate of Cannon and Kedalion, and may be required to be disclosed to regulators, such as ASIC. Cannon Shareholders have certain rights to access personal information that has been collected. Cannon Shareholders should contact the Share Registry in the first instance, if they wish to access their personal information.

1 DIRECTORS' RECOMMENDATION

1.1 Summary of the Offer

Kedalion Nickel Pty Ltd (**Kedalion**) is offering to acquire all of your Cannon Shares for A\$0.45 cash per Cannon Share.²

The Offer is subject only to various conditions, which are described in Section 10.3 of this Target's Statement and in section 11.7 of the Bidder's Statement.

Refer to the Bidder's Statement for full particulars of the Offer.

1.2 Recommendation of the Directors

This Target's Statement sets out the formal response of the Directors to the Offer, including the reasons why the Directors unanimously recommend that you ACCEPT the Offer in the absence of a Superior Proposal. The key reasons for the Directors' unanimous recommendation are set out in Section 2.1.

1.3 Intentions of the Directors

Each Cannon Director who holds or controls Cannon Shares intends to ACCEPT the Offer in respect of the Cannon Shares they own or control, in the absence of a Superior Proposal.

Each Director also intends to exercise their Cannon Options and ACCEPT their resulting Cannon Shares into the Offer in the absence of a Superior Proposal and the Cannon Options being released from ASX escrow pursuant to Listing Rule 9.5.

The Directors also reserve the discretion to accept (or not accept) the Offer even if a Superior Proposal emerges.

As at the date of this Target's Statement, the Directors own or control approximately 1.36% of the issued and outstanding Cannon Shares.³

Details of the Notifiable Interests of each Director in Cannon Shares are set out in Section 11.2.

1.4 What to do next

To **ACCEPT** the Offer, you must follow the instructions set out in the section titled 'How to accept the Offer' and section 11.3 of the Bidder's Statement. The Offer closes at 7:00pm (Perth time) on 21 December 2022, unless the Offer Period is extended.

If you do not wish to accept the Offer, you do not need to do anything and can remain a Cannon Shareholder, but noting that Kedalion proposes to compulsorily acquire your Cannon Shares if it becomes entitled to do so (e.g. if Kedalion acquires 90% of the Cannon Shares on issue).

² Under the terms of the Offer, the amount of consideration you receive from Kedalion will be reduced by the amount or value of any Rights (if any) attaching to the Cannon Shares in respect of which the Offer is accepted, which arise or are paid on or after 31 October 2022, which Kedalion does not receive.

³ Alex Passmore owns or controls 869,345 Cannon Shares, Richard Bevan owns or controls 250,000 Cannon Shares and Mark Stowell owns or controls 62,665 Cannon Shares.

2 REASONS TO ACCEPT OR NOT ACCEPT THE OFFER

Set out below are the key reasons why the Directors consider that you should accept the Offer. Also set out below is a summary of some of the reasons why you may decide not to accept the Offer. You should read the entire Bidder's Statement, this Target's Statement and Cannon's ASX announcements before deciding whether or not to accept the Offer.

You should particularly consider the risk factors in Sections 5 and 8, which apply to the information in this Section 2.

While your Directors acknowledge that there are reasons not to accept the Offer, they believe the reasons to accept the Offer outweigh the reasons not to accept the Offer.

2.1 Reasons why Cannon Shareholders should ACCEPT the Offer

The Directors have carefully considered the Offer in the context of the Cannon business and its future prospects in the absence of the Offer.

The Directors unanimously recommend that you should ACCEPT the Offer (in the absence of a Superior Proposal) for the following key reasons:

Reason 1: Liquidity and certainty of value	The 100% cash Offer Price provides Cannon Shareholders with certainty of value for their Cannon Shares and the ability, upon satisfaction or waiver of the Offer Conditions, for all Cannon Shareholders (and Cannon Option Holders who exercise their Cannon Options) to realise value in what was, prior to the Offer, an illiquid company. In the month prior to announcement of the Offer, less than A\$1 million worth of Cannon Shares was traded on ASX, compared to the Offer value of A\$45 million (on a Fully Diluted Basis), which is a substantial premium to the price of Cannon Shares in the period prior to the announcement of the Offer.
Reason 2: Compelling premium	The cash Offer Price represents a 43% premium to the closing price of Cannon Shares on ASX immediately prior to the Announcement Date and a 58% premium to the 30-day VWAP of Cannon Shares on ASX prior to the Announcement Date.
Reason 3: Support of Cannon Board and Shareholders	The Directors intend to ACCEPT the Offer in respect of the Cannon Shares they own or control, in the absence of a Superior Proposal. Major Cannon Shareholders, representing 19.72% of Cannon Shares on issue as at the Last Practicable Date, have entered into pre-bid acceptance agreements with Kedalion to ACCEPT the Offer. Refer to section 10.2 of the Bidder's Statement for further information on the pre-bid acceptance agreements.
Reason 4: Risk Mitigation	If completed, the Offer mitigates the risks and uncertainties of remaining a Cannon Shareholder, including near-term capital requirements (and associated Cannon Shareholder dilution) as well as project development and technical risk. This is particularly relevant given the current volatility in global markets.
Reason 5: No Superior Proposal has emerged as at the date of this Target's Statement	<p>As at the date of this Target's Statement, no Superior Proposal has been forthcoming, and the Directors are not aware of any Superior Proposal for Cannon Shareholders to consider.</p> <p>If another competing proposal to the Offer is received by Cannon, the Cannon Board will carefully consider the proposal and advise Cannon Shareholders of their recommendation. No forecast is made of whether, or when, any such competing proposal may be received, nor whether it may be a Superior Proposal.</p>

2.2 Reasons why you may decide not to accept the Offer.

Notwithstanding the reasons outlined above, the Directors recognise that some Cannon Shareholders may consider rejecting the Offer. Some of the reasons why you may decide not to accept the Offer are provided below.

<p>You may disagree with the conclusions of the Directors</p>	<p>In recommending the Offer (in the absence of a Superior Proposal), the Directors are making judgements based on future events which are not predictable with certainty, and which may prove to be incorrect (either positively or negatively).</p> <p>You may believe that the Offer Price of A\$0.45 per Cannon Share is insufficient and you may hold a different view as to the value of Cannon Shares to that of the Directors.</p>
<p>You may prefer to participate in the future financial performance of the Cannon business</p>	<p>You may wish to keep your Cannon Shares to maintain your exposure to Cannon. You may hold the view that the future prospects of Cannon outweigh accepting the immediate cash consideration at a substantial premium to recent trading prices. The Directors have evaluated the risks and benefits and prospects of the current Cannon business against the Offer Price and the other terms of the Offer. In deciding to recommend the Offer, the Directors have decided that the short term realisation of value and certainty provided by the cash Offer provides greater benefit to Cannon Shareholders than the uncertainty of retaining their Cannon Shares.</p>
<p>You may consider that there is potential for a Superior Proposal to emerge</p>	<p>You may believe that a Superior Proposal for all Cannon Shares could emerge in the future. Once you accept the Offer in respect of all of your Cannon Shares you will not be able to sell those Cannon Shares or otherwise deal with the Rights attaching to those Cannon Shares.</p> <p>Consequently, if a Superior Proposal is announced, Cannon Shareholders who have accepted the Offer may not be able to withdraw their acceptance in order to accept a Superior Proposal. As at the date of this Target's Statement, no Superior Proposal has been forthcoming, and the Directors are not aware of any Superior Proposal for Cannon Shareholders to consider.</p>
<p>The potential tax consequences of accepting cash consideration pursuant to the Offer may not be attractive to you</p>	<p>The tax consequences of the Offer will depend on your personal situation. You may consider that the tax consequences of the Offer are not attractive to you. A general guide to the taxation implications of the Offer is contained in Section 9 of this Target's Statement. However, Section 9 is expressed in general terms only, and Cannon Shareholders should consult with their own independent taxation advisers regarding the taxation implications of the Offer applicable to their circumstances.</p> <p>Acceptance of the Offer may have implications under your superannuation arrangements or on your social security entitlements. If in any doubt, you should seek specialist advice.</p>
<p>You may prefer to sell your Cannon Shares on-market</p>	<p>You may wish to realise your investment in Cannon through the sale of some or all of your Cannon Shares on the ASX market.</p> <p>Since the Announcement Date and until the Last Practicable Date, Cannon Shares have been trading on the ASX at prices between A\$0.430 and A\$0.445 (inclusive, with the last price per Cannon Share being A\$0.44 on the Last Practicable Date). However this trading since the Announcement Date is coincidental with the announcement of the Offer and should not be taken as indicative of the price at which Cannon Shares would trade in the absence of the Offer or if the Offer does not complete.</p> <p>If you sell your Cannon Shares on-market, you will lose the ability to accept the Offer, participate in any potential increase in the Offer Price (if any) or any other offer which may eventuate, and you may also incur a brokerage charge.</p>

3 FREQUENTLY ASKED QUESTIONS

The following table provides brief answers to questions you may have in relation to the Offer but must be read in conjunction with the more detailed information included in this Target's Statement, the Bidder's Statement and Cannon's ASX announcements. You are urged to read the Bidder's Statement and this Target's Statement in their entirety, and to read Cannon's ASX announcements.

Question	Answer
Who is the bidder?	<p>Kedalion Nickel Pty Ltd ACN 663 451 170 (Kedalion), a wholly owned subsidiary of Terranu Transition Metals Pty Ltd ACN 663 445 387, which itself is a wholly owned subsidiary of Kinterra Battery Metals Mining Fund, LP.</p> <p>Refer to section 4 of the Bidder's Statement and Section 7 of this Target's Statement for information on Kedalion (as derived from the Bidder's Statement).</p>
What is the Offer for my Cannon Shares?	Kedalion, has made an off-market cash offer of A\$0.45 for each of your Cannon Shares. ⁴
What is the Bidder's Statement?	The Bidder's Statement is the document prepared by Kedalion which sets out the terms of the Offer. Kedalion lodged its Bidder's Statement with ASIC on 7 November 2022 and dispatched a copy of its Bidder's Statement on 9 November 2022 to all persons registered as the holder of shares and options to acquire shares in Cannon in the register of Cannon Shareholders as at the Register Date, being 9:00am (Sydney time) on 7 November 2022.
What is the Target's Statement?	This Target's Statement is the Cannon Board's formal response to the Offer, as required by the Corporations Act. Accordingly, this document has been prepared by Cannon and contains important information to help you decide whether to accept the Offer.
What choices do I have as a Cannon Shareholder?	<p>As a Cannon Shareholder you can:</p> <ul style="list-style-type: none"> • ACCEPT the Offer. The Directors recommend that you accept the Offer in the absence of a Superior Proposal; • sell some or all of your Cannon Shares on-market (which may be at a higher or lower price than the Offer Price) and accept or not accept the Offer in respect of your remaining Cannon Shares (if any); or • not accept the Offer by doing nothing.
What are the Directors recommending?	<p>Your Directors unanimously recommend that you ACCEPT the Offer in the absence of a Superior Proposal.</p> <p>The reasons for the Directors' recommendation are set out in Section 2.1.</p> <p>If there is a change in this recommendation or any material development in relation to the Offer, Cannon will keep you informed. You should continue to read Cannon's ASX announcements as they are released.</p>

⁴ Under the terms of the Offer, the amount of consideration you receive from Kedalion will be reduced by the amount or value of any Rights (if any) attaching to the Cannon Shares in respect of which the Offer is accepted, which arise or are paid on or after 31 October 2022, which Kedalion does not receive.

Question	Answer
<p>What do the Directors intend to do with their Cannon Shares?</p>	<p>The Directors collectively hold approximately 1.36% of all Cannon Shares on an undiluted basis and will hold approximately 3.6% of all Cannon Shares⁵ on a Fully Diluted Basis.</p> <p>Each of your Directors who own or control Cannon Shares intend to accept the Offer in respect to any Cannon Shares they own or control except that each such Director reserves the right to choose not to accept the Offer (or to choose to still accept the Offer) in respect to those Cannon Shares if all or the majority of the Cannon Board determines that a Superior Proposal has emerged.</p> <p>Each Director also intends to exercise their Cannon Options and accept their resulting Cannon Shares into the Offer in the absence of a Superior Proposal and the Cannon Options being released from ASX escrow pursuant to Listing Rule 9.5.</p>
<p>How do I accept the Offer?</p>	<p>To accept the Offer, you should carefully follow the instructions set out in the section titled 'How to accept the Offer' and section 11.3 of the Bidder's Statement.</p>
<p>How long will the Offer be open for acceptance?</p>	<p>The Offer is scheduled to close at 7:00pm (Perth time) on 21 December 2022 as specified in the Bidder's Statement, unless it is extended or withdrawn in accordance with the Corporations Act.</p>
<p>Can the Offer be varied?</p>	<p>Kedalion may vary the Offer in any of the ways permitted by the Corporations Act, including by extending the Offer Period or by increasing the Offer Price, provided the varied terms and conditions are not less favourable to Cannon Shareholders than the Offer. If Kedalion varies the Offer in any of those ways, it must give written notice to ASIC and Cannon and send you a copy of that notice (provided, however, that Kedalion will not be required to send you a copy of the notice if, at the time of the variation, you have already accepted the Offer, the Offer is unconditional and the variation merely extends the Offer Period).</p>
<p>How many Cannon Shares does Kedalion already have an interest in?</p>	<p>As at the Last Practicable Date, Kedalion has a Relevant Interest in 17,106,844 Cannon Shares, representing 19.72% of the Voting Power in Cannon through pre-bid acceptance agreements with certain Cannon Shareholders.</p> <p>Refer to section 10.2 of the Bidder's Statement for further information on the pre-bid acceptance agreements.</p>
<p>What happens if a Superior Proposal is made by a third party?</p>	<p>If a Superior Proposal is made by a third party, Cannon Shareholders who have already accepted the Offer at such time will not receive the benefit of the Superior Proposal made by the third party unless the Offer lapses (as described in Section 10.6) in sufficient time for you to accept the Superior Proposal (or if you are entitled to withdraw your acceptance as detailed in the answer to the question below entitled "If I accept the Offer now, can I withdraw my acceptance?").</p> <p>As at the date of this Target's Statement, the Directors have not received a Superior Proposal.</p>

⁵ Assuming all Cannon Options are exercised into Cannon Shares.

Question	Answer
<p>Is the Offer conditional?</p>	<p>The Offer is subject to the Offer Conditions (as set out in section 11.7 of the Bidder's Statement). In summary, the Offer Conditions are:</p> <ul style="list-style-type: none"> • a minimum acceptance condition which will be fulfilled if the Offer results in Kedalion having a Relevant Interest in more than 50.1% of Cannon Shares on a Fully Diluted Basis; • no Prescribed Occurrences affecting Cannon during the Offer Period; • no Material Occurrences affecting Cannon during the Offer Period; • no dividends or distributions are declared or paid by Cannon; • no Material Adverse Change affecting Cannon during the Offer Period; • there is no breach of any Cannon Warranty; and • no action or investigation is threatened or commenced by an Government Agency against Cannon or any of its Related Entities during the Offer Period. <p>None of the Offer Conditions have been satisfied or waived as at the date of this Target's Statement.</p> <p>Kedalion has stated that it will make an announcement to ASX on 13 December 2022 (subject to any extension of the Offer) regarding the status of the Offer Conditions. If the Offer Conditions are not all satisfied or waived before the Offer closes, the Offer will lapse.</p> <p>Refer to section 11.7 of the Bidder's Statement and Section 10.3 for further details regarding the Offer Conditions.</p>
<p>What are the consequences of accepting the Offer now, while it remains conditional?</p>	<p>If you accept the Offer in respect of all of your Cannon Shares, you will not be able to sell those Cannon Shares or otherwise deal with the Rights attaching to those Cannon Shares, subject to your limited statutory rights to withdraw your acceptance in certain circumstances (see sections 11.5 and 11.11 of the Bidder's Statement).</p>
<p>If I accept the Offer now, can I withdraw my acceptance?</p>	<p>You cannot withdraw or revoke your acceptance unless a withdrawal right arises under the Corporations Act or the BIA. If, after you have accepted the Offer, the Offer Period is extended for more than one month and, at the time, the Offer is subject to one or more of the Offer Conditions, you may be able to withdraw your acceptance in respect of your Cannon Shares in accordance with section 650E of the Corporations Act. A notice will be sent to you at the time explaining your rights in this regard.</p>
<p>When will I receive the Offer Price if I accept the Offer?</p>	<p>In summary, if you accept the Offer and the Offer is, or becomes, unconditional, Kedalion will pay you on the earlier of:</p> <ul style="list-style-type: none"> • one month after your acceptance of the Offer or 21 days after the close of the Offer Period or if at the time of your acceptance the Offer is subject to any Offer Condition, one month after the Offer becomes unconditional; and • 21 days after the end of the Offer Period.

Question	Answer
	Full details of when you will be paid are set out in section 11.6 of the Bidder's Statement.
<p>Will I pay stamp duty or brokerage on accepting the Offer?</p>	<p>If your Cannon Shares are registered to an Issuer Sponsored Holding in your name and you deliver them directly to Kedalion, you will not incur any brokerage fees or be obliged to pay stamp duty in connection with your acceptance of the Offer.</p> <p>If your Cannon Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Cannon Shares are registered in the name of a broker, bank, custodian, or other nominee, you will not be obliged to pay stamp duty by accepting the Offer, but you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.</p>
<p>What are the consequences of the Offer becoming unconditional?</p>	<p>If you accept the Offer and the Offer becomes unconditional, you will be entitled to receive the Offer Price in respect of your Cannon Shares.</p>
<p>What happens if I do nothing?</p>	<p>You will remain a Cannon Shareholder and will not receive the Offer Price pursuant to the Offer.</p> <p>Kedalion has indicated in the Bidder's Statement that if it satisfies the required thresholds it intends to compulsorily acquire any outstanding Cannon Shares. Kedalion will be entitled to compulsorily acquire any outstanding Cannon Shares for which it has not received acceptances if, during or at the end of the Offer Period, Kedalion (taken together with its associates) has a Relevant Interest in at least 90% (by number) of Cannon Shares and has acquired (taken together with its associates) at least 75% (by number) of the Cannon Shares that Kedalion offered to acquire under the Offer (whether the acquisitions happened under the Offer or otherwise). If your Cannon Shares are compulsorily acquired by Kedalion, it will be on the same terms (including the same consideration for each Cannon Share acquired) as the Offer.</p> <p>If Kedalion acquires more than 50.1% of Cannon Shares (on a Fully Diluted Basis) and the Offer becomes unconditional, you will remain a minority shareholder and Cannon will then be controlled by Kedalion. If there is a limited number or spread of Cannon Shareholders remaining at the end of the Offer Period, Kedalion may seek to procure the removal of Cannon from the official list of ASX. In such event, your subsequent ability to trade Cannon Shares may be limited.</p> <p>Refer to section 7 of the Bidder's Statement for details in relation to Kedalion's intentions in relation to Cannon.</p> <p>If you hold Cannon Options but choose not to exercise the Cannon Options, or if you choose to exercise the Cannon Options but not accept your resulting Cannon Shares into the Offer by doing nothing, you may be exposed to a number of risks which have been outlined non-exhaustively in Sections 5 and 8.</p>
<p>What are the risks of not accepting the Offer?</p>	<p>Please refer to the risks of not accepting the Offer in Section 5 and the risk factors relating to Cannon in Section 8.</p>

Question	Answer
<p>What if I want to sell my Cannon Shares on-market?</p>	<p>During the Offer Period, you may sell some or all of your Cannon Shares on-market for cash provided you have not accepted the Offer for those Cannon. Before doing so, you should consider the implications of this course of action, including that you would not receive the benefit of any increase in the Offer Price that may emerge. You will also forfeit the ability to accept any Superior Proposal that may emerge. No forecast is made of whether any such events may occur.</p> <p>Since the Announcement Date and until the Last Practicable Date, Cannon Shares have been trading on the ASX at prices between A\$0.430 and A\$0.445 (inclusive, with the last price per Cannon Share being A\$0.44 on the Last Practicable Date). However this trading since the Announcement Date is coincidental with the announcement of the Offer and should not be taken as indicative of the price at which Cannon Shares would trade in the absence of the Offer or should the Offer not complete.</p> <p>If you sell your Cannon Shares on-market, you may incur a brokerage charge.</p> <p>It is important to note that if you accept the Offer now, unless withdrawal rights are available (see above), you will give up your right to sell your Cannon Shares or otherwise deal with your Cannon Shares while the Offer remains open.</p>
<p>Can I be forced to sell my Cannon Shares?</p>	<p>You cannot be forced to sell your Cannon Shares unless Kedalion acquires a Relevant Interest in at least 90% of all the Cannon Shares by the end of the Offer Period, and proceeds to compulsory acquisition of your Cannon Shares. If Kedalion proceeds to compulsory acquisition, you will be provided the last Offer Price offered by Kedalion for the Cannon Shares before the end of the Offer Period.</p> <p>As at the Last Practicable Date, based on public announcements to the ASX there is no Cannon Shareholder who controls more than 10% of the Cannon Shares (other than Ponderosa Investments WA Pty Ltd which has entered into a pre-bid acceptance agreement with Kedalion to accept the Offer). Only one or more Cannon Shareholders who control more than 10% of the Cannon Shares (individually or in aggregate) are capable of blocking compulsory acquisition if they choose not to accept the Offer and do not otherwise dispose of their Cannon Shares.</p>
<p>When will the Offer close?</p>	<p>The Offer is presently scheduled to close at 7:00pm (Perth time) on 21 December 2022, but the Offer Period can be extended in certain circumstances in accordance with the Corporations Act. Refer to Section 10.2 for details on extending the Offer Period.</p>
<p>What happens if the Offer Conditions are not satisfied or waived?</p>	<p>If the Offer Conditions are not satisfied or waived by the end of the Offer Period, the Offer will lapse.</p> <p>If the Offer lapses, you will then be free to deal with your Cannon Shares even if you had accepted the Offer.</p>
<p>What are the tax implications of accepting the Offer?</p>	<p>A general outline of the Australian tax implications for Australian resident and Australian non-resident Cannon Shareholders of accepting the Offer is set out in Section 9.</p>

Question	Answer
	<p>You should not rely on that general outline as advice on your own affairs. It does not deal with the taxation position of particular Cannon Shareholders. You should seek your own personal, independent financial and taxation advice before making a decision as to whether to accept or not accept the Offer.</p>
<p>What will happen to the existing Cannon Options on issue in Cannon?</p>	<p>The Offer does not extend to the Cannon Options. However the Offer extends to Cannon Shares that are issued on the exercise of the Cannon Options during the Offer Period. The Offer Price represents a 50% premium to the A\$0.30 exercise price of the Cannon Options.</p> <p>If the Cannon Options are not exercised during the Offer Period, they will remain on issue in Cannon.</p>
<p>Is there a number I can call if I have further queries in relation to the Offer?</p>	<p>Cannon has opened an information line to assist Cannon Shareholders with queries about the Offer and this Target's Statement, which can be contacted on 1300 103 390 (within Australia) or +61-2-8072-1415 (outside Australia) between 8.30am and 5.00pm (Perth time) on Business Days.</p>
<p>How do I get a printed copy of the Target's Statement?</p>	<p>Cannon Shareholders may request a printed copy of this Target's Statement be sent to them by mail by:</p> <ul style="list-style-type: none"> • contacting the Cannon Shareholder Information Line on 1300 103 390 (within Australia) or +61-2-8072-1415 (outside Australia); • emailing: admin@cannonres.com.au; or • posting a request to: Cannon Resources Limited, Level 2, 87 Colin Street, West Perth WA 6005.

4 YOUR CHOICES AS A CANNON SHAREHOLDER

The Directors unanimously recommend that Cannon Shareholders **ACCEPT** the Offer in the absence of a Superior Proposal.

However, as a Cannon Shareholder you have the following choices available to you:

- (a) ACCEPT the Offer. The Directors recommend that you accept the Offer in the absence of a Superior Proposal;
- (b) sell some or all of your Cannon Shares on-market (which may be at a higher or lower price than the Offer Price) and accept or not accept the Offer in respect of your remaining Cannon Shares (if any); or
- (c) do nothing and retain all your Cannon Shares.

Further information is provided below in relation to these alternatives.

4.1 Accept the Offer

To accept the Offer, follow the instructions set out in the section titled 'How to accept the Offer' and section 11.3 of the Bidder's Statement.

Details of the payment you will receive are set out in Section 10.1 of this Target's Statement and in section 11.1 of the Bidder's Statement. You will only receive that payment if the Offer Conditions are either satisfied or waived. The Offer is subject to a limited number of conditions. Refer to Section 10.3 of this Target's Statement and section 11.7 of the Bidder's Statement for full details of the conditions of the Offer.

The consequences of accepting the Offer are discussed in Section 10.10 of this Target's Statement and in section 11 of the Bidder's Statement (refer particularly to section 11.5 of the Bidder's Statement). If you accept the Offer, you will not be able to sell your Cannon Shares on-market unless you have the right to withdraw your acceptance and you have exercised that right. The circumstances in which acceptances of the Offer may be withdrawn are detailed in section 11.5 of the Bidder's Statement.

If you accept the Offer, (without limitation) you may be liable for capital gains tax or income taxes as a result of your acceptance. An overview of the taxation consequences for Cannon Shareholders of accepting the Offer is provided in Section 9.

Cannon encourages you to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your Cannon Shares.

4.2 Sell some or all of your Cannon Shares on-market

During the Offer Period, if you have not accepted the Offer, you can sell some or all of your Cannon Shares on the ASX market. If you choose to sell, settlement will occur on a normal "T+2" basis and the purchaser of those Cannon Shares may accept the Offer in respect of those Cannon Shares. You should seek your own personal advice regarding selling your Cannon Shares on-market.

You could alternatively sell some of your Cannon Shares on-market and then accept (or not accept) the Offer for the balance of your Cannon Shares.

Since the Announcement Date and until the Last Practicable Date, Cannon Shares have been trading on the ASX at prices between A\$0.430 and A\$0.445 (inclusive, with the last price per Cannon Share being A\$0.44 on the Last Practicable Date). However, this trading since the Announcement Date is coincidental with the announcement of the Offer and should not be taken as indicative of the price at which Cannon Shares would trade in the absence of the Offer or should the Offer not complete.

There is no guarantee of the price at which the Cannon Shares will trade from time to time on-market, whether before or after the end of the Offer Period (nor of the volume of trading). The latest price for the Cannon Shares may be obtained from the ASX website <http://www.asx.com.au> (ASX: CNR).

If you sell your Cannon Shares you:

- (a) will lose the ability to accept the Offer in relation to those Cannon Shares (or any other offer for Cannon Shares which may eventuate); and
- (b) may incur a brokerage charge.

Cannon Shareholders who wish to sell their Cannon Shares on-market should contact their broker for information on how to effect the sale.

You should seek your own personal advice regarding the taxation consequences for you of selling your Cannon Shares on-market.

4.3 Do nothing and retain all your Cannon Shares

You can choose to not accept the Offer by simply doing nothing. If you do not accept the Offer, you will retain all of your Cannon Shares unless they are compulsorily acquired in accordance with the Corporations Act. However, you should note that the Directors' recommendation is that you **ACCEPT** the Offer in the absence of a Superior Proposal.

You should note that if you choose not to accept the Offer by simply doing nothing, and retain all of your Cannon Shares, you may be exposed to a number of risks which have been outlined non-exhaustively in Sections 5 and 8.

If during, or at the end of, the Offer Period Kedalion acquires a Relevant Interest in 90% (by number) or more of Cannon Shares and has acquired at least 75% (by number) of the Cannon Shares that Kedalion offered to acquire under the Offer (whether the acquisitions happened under the Offer or otherwise), Kedalion intends to compulsorily acquire the remaining Cannon Shares. If your Cannon Shares are compulsorily acquired by Kedalion, it will be on the same terms (including the same consideration for each Cannon Share acquired) as the Offer.

4.4 Your choices as a Cannon Option Holder

If you are a holder of Cannon Options, you may exercise your Cannon Options and accept your Cannon Shares into the Offer prior to the end of the Offer Period in order to receive the Offer consideration of A\$0.45 per Cannon Share. The Offer Price represents a 50% premium to the A\$0.30 exercise price of the Cannon Options.

Cannon Option Holders may exercise their Cannon Options by completing a notice of exercise form which is available from <https://investor.automic.com.au/#/home> (**Exercise Form**) together with payment of the exercise price for their exercised Cannon Options.

If you hold Cannon Options and wish to participate in the Offer, you should allow sufficient time for the Exercise Form to be processed and for Cannon Shares to be issued prior to the close of the Offer Period.

If you have any questions regarding completing the Exercise Form or with the exercise of your Cannon Options, please contact the Cannon Shareholder Information Line on 1300 103 390 (within Australia) or +61-2-8072-1415 (outside Australia).

Please refer to Cannon's ASX announcement dated 1 November 2022 for further details.

You should note that if you choose not to exercise the Cannon Options, or if you choose to exercise the Cannon Options but not accept your resulting Cannon Shares into the Offer by doing nothing, you may be exposed to a number of risks which have been outlined non-exhaustively in Sections 5 and 8.

5 RISKS OF NOT ACCEPTING THE OFFER

The Directors consider that if the Offer does not become or is not declared unconditional, and no alternative proposal emerges, the Cannon Share price may fall given the Offer Price is significantly above the closing price of Cannon Shares prior to the announcement of the Offer. This is highlighted by the fact that the Offer Price represents a 43% premium to Cannon's closing share price of A\$0.315 per Cannon Share on 28 October 2022, being the last day of trading in Cannon Shares prior to the Announcement Date.

Kedalion may waive the 50.1% (on a Fully Diluted Basis) minimum acceptance Offer Condition. However, as at the Last Practicable Date, Kedalion has not yet decided whether it will waive the minimum acceptance Offer Condition (or any other Offer Condition).

Kedalion's intentions for Cannon are described in section 7 of the Bidder's Statement, but those intentions may change. Changes to the business which are implemented by Kedalion (or proposed changes which Kedalion may fail to implement) may mean that you subsequently choose to dispose of your Cannon Shares at a time when market conditions are less favourable than those prevailing at the date of this Target's Statement.

If you do not accept the Offer, maintaining your investment in Cannon may mean that you are exposed to the risks outlined below (and in Section 8), depending on the outcome of the Offer. The risks presented in this Section are not designed to be an exhaustive list, but are included to highlight some of the key potential risks of not accepting the Offer.

5.1 Risks if Kedalion acquires a Relevant Interest in less than 50.1% of all Cannon Shares and waives the 50.1% (on a Fully Diluted Basis) minimum acceptance condition

(a) Potential changes to the Cannon Board

The Bidder's Statement states that, if Kedalion acquires less than 50.1% Voting Power in Cannon, Kedalion intends to seek representation on the Cannon Board commensurate to its Voting Power in Cannon.

Any such implementation of Kedalion's intentions would be subject to the Corporations Act and Kedalion may rely on the cooperation of other Cannon Shareholders or Directors who have not been appointed by Kedalion (which is uncertain), and are subject to no alternative proposal emerging that Kedalion considers is superior.

There is a risk that Cannon Shareholders who do not accept the Offer may be dissatisfied with the altered composition of the Board, or that such alterations may impact adversely on Cannon and its business (however, equally, positive impacts could occur).

(b) Potential changes to Cannon's strategic direction

If Kedalion acquires a less than 50% Relevant Interest in Cannon but still becomes a significant shareholder in Cannon, it may be in a position to influence the strategic direction of the business of Cannon, including by exercising its Voting Power at general meetings and to the extent of representation on the Cannon Board (if any).

Following the Offer Period, Kedalion intends to undertake development work, permitting work and additional studies to determine the optimal development of the Projects, including reviewing the Projects' existing deposits and priorities to assess their technical prospects, costs to maintain, expenditure commitments and overall commercial justification, undertaking various economic studies on project development, reviewing the options available to utilise the assets and equipment of Cannon and progressing the Projects towards a development decision once all required studies and permits have been completed to Kedalion standards.

There is a risk that Cannon Shareholders who do not accept the Offer may be dissatisfied with the altered strategic direction of Cannon, or that such alterations may impact adversely on Cannon and its business (however, equally, positive impacts could occur).

(c) **Potential dilution via Cannon's potential equity raising in the future**

In the situation where Kedalion acquires a Relevant Interest in less than 50.1% of all Cannon Shares and if Cannon undertakes an equity capital raising by way of a pro rata offer of Cannon Shares to Cannon Shareholders to raise additional funds, if the pro rata equity raising is supported only by Kedalion, or Kedalion and a small number of other Cannon Shareholders, the pro rata equity raising will be dilutive to Cannon Shareholders who do not participate in the offer. Kedalion may increase its Relevant Interest in Cannon Shares without Cannon Shareholder approval or making a takeover bid, as a result of taking up its full entitlement (assuming any available shortfall is not fully allocated) or any agreed underwriting arrangements to which it is a party (subject to applicable law).

There is also a general risk that remaining Cannon Shareholders' interests in Cannon could be diluted as a result of other forms of capital raising in future (for example, pursuant to a placement of equity securities).

No decision has been made by Cannon as to whether or when capital raising could be required, nor whether it could take the form of a pro rata equity offer or other form of capital raising.

If Kedalion waives the 50.1% (on a Fully Diluted Basis) minimum acceptance Offer Condition and it acquires less than 50.1% of the Cannon Shares, subject to the following, Kedalion has stated that it may seek to acquire additional Cannon Shares to the extent permitted by the law.

Kinterra has entered into a Loan Agreement with Cannon. If Cannon draws down on this loan, Cannon will be required to repay the outstanding amount of the loan if a person other than Kedalion or its controlled entities holds 50% or more of Cannon Shares or within 30 days after the close of the Offer. Refer to Section 11.2 for a summary of the Loan Agreement.

5.2 Risks if Kedalion acquires a Relevant Interest in 50.1% or more (but less than 75%) of all Cannon Shares and the 50.1% (on a Fully Diluted Basis) minimum acceptance condition is satisfied

(a) **Potential changes to the Cannon Board and management**

If Kedalion acquires a Relevant Interest in 50.1% or more of all Cannon Shares (but less than 75%) and the 50.1% (on a Fully Diluted Basis) minimum acceptance condition is satisfied, it will have the ability to make any changes to the Cannon Board and management as it desires (subject to compliance with applicable law). Refer to section 7.3 of the Bidder's Statement for further information.

If Kedalion acquires a Relevant Interest in at least 50.1% or more of all Cannon Shares (on a Fully Diluted Basis), Cannon has an obligation under the BIA to:

- (i) procure the appointment to the Cannon Board (and the board of each Cannon Subsidiary) such person as nominated by Kedalion; and
- (ii) unless otherwise requested by Kedalion, procure that each member of the Cannon Board (and the board of each Cannon Subsidiary) resigns as a director of Cannon (or the relevant Cannon Subsidiary) provided that a minimum of two existing Cannon Directors retain their positions until at least the end of the Offer Period.

There is a risk that Cannon Shareholders who do not accept the Offer may be dissatisfied with the altered composition of the Board and management, or that such alterations may impact adversely on Cannon and its business (however, equally, positive impacts could occur).

(b) **Potential changes to Cannon's strategic direction**

As the majority shareholder in Cannon, Kedalion would be in a position to influence the strategic direction of the business of Cannon, including by exercising Voting Power at general meetings and to the extent of representation on the Cannon Board.

Following the Offer Period, Kedalion intends to undertake development work, permitting work and additional studies to determine the optimal development of the Projects, including reviewing the Projects' existing deposits and priorities to assess their technical prospects, costs to maintain, expenditure commitments and overall commercial justification, undertaking various economic studies on project development, reviewing the options available to utilise the assets and equipment of Cannon and progressing the Projects towards a development decision once all required studies and permits have been completed to Kedalion standards.

There is a risk that by remaining a Cannon Shareholder your investment in Cannon is affected by alterations in Cannon's strategic direction procured by Kedalion.

(c) **Funding arrangements**

Kedalion has stated in section 7.3 of the Bidder's Statement that directors would need to decide at the time funds are required the most appropriate method of raising capital to fund Cannon's operations. Kedalion anticipates that funding would most likely be by way of equity raising. There is a risk that by remaining a Cannon Shareholder your investment in Cannon is affected by alterations in Cannon's funding arrangements progressed by Kedalion.

Pursuant to the terms of the Loan Agreement, if Cannon draws down on the loan, Cannon will be required to repay the outstanding amount of the loan within 30 days after the close of the Offer. Refer to Section 11.2 for a summary of the Loan Agreement.

(d) **Potential reliance on one or a small number of Cannon Shareholder(s) to support Cannon's potential equity raising in the future**

The content of Section 5.1(c) applies equally in relation to the circumstance where Kedalion acquires a Relevant Interest in 50.1% or more of all Cannon Shares (but less than 75%) and satisfies the 50.1% (on a Fully Diluted Basis) minimum acceptance condition.

In addition, in circumstances where Kedalion controls greater than 50% of Cannon Shares, this may result in Cannon being more reliant on Kedalion for potential equity raising in future, subject to the willingness of minority shareholders, or third parties, to invest in Cannon notwithstanding it being a Subsidiary of Kedalion.

(e) **Kedalion will be able to determine the outcome of ordinary resolutions**

Kedalion will be in a position to cast the votes required to determine alone the outcome of an ordinary resolution (in respect of which it is entitled to vote) and will be in a position to control the composition of the Cannon Board.

For Kedalion's entitlement to achieve the above intention, refer to the details regarding minority shareholder protections in Section 5.6.

(f) **Cannon may be removed from the official list of ASX**

Following the Offer Period, Kedalion has stated in section 7.3 of the Bidder's Statement that subject to the satisfaction of the relevant preconditions, Kedalion may seek to procure the removal of Cannon from the official list of ASX.

Refer to Section 5.3(a) for further information.

(g) **Further acquisition or disposal of Cannon Shares**

Kedalion has stated in section 7.3 of the Bidder's Statement that it may, at some later time, acquire further Cannon Shares in any manner permitted by the Corporations Act. Alternatively, Kedalion may divest of some or all of its shareholding in Cannon if it does not obtain a relevant

interest in 50.1% or more of the Cannon Shares under the Offer and if it determines that its holding of Cannon Shares is not a long term investment.

Kedalion has not made any determinations as at the date of the Bidder's Statement regarding any acquisition of any further Cannon Shares after the close of the Offer Period.

5.3 Risk if Kedalion acquires a Relevant Interest in 75% or more of all Cannon Shares and satisfies the 50.1% (on a Fully Diluted Basis) minimum acceptance condition

(a) Cannon may be removed from the official list of ASX

Kedalion intends to procure that Cannon is removed from the official list of ASX (if it becomes entitled to do so). Please refer to section 7.3 of the Bidder's Statement. If Cannon is removed from the official list of ASX it may adversely impact your ability to sell your Cannon Shares, the price at which you can sell your Cannon Shares, and the level of relevant Cannon information you are able to access.

ASX guidance indicates that ASX would not usually require Kedalion to obtain Cannon Shareholder approval for Cannon's removal from the official list of ASX in the context of a successful takeover where the usual conditions are satisfied, which include that:

- (i) Kedalion and its Related Bodies Corporate own or control at least 75% of Cannon Shares but have not met the conditions to proceed to compulsory acquisition of the remaining securities under the Corporations Act;
- (ii) there are fewer than 150 holders of Cannon Shares having holdings with a value of at least A\$500, excluding Kedalion and its Related Bodies Corporate;
- (iii) Kedalion foreshadowed in its Bidder's Statement that it intended, if it secured control of Cannon, to cause Cannon to apply for removal from the official list;
- (iv) the Offer remains open for at least two weeks following Kedalion and its Related Bodies Corporate having attained ownership or control of at least 75% of the Cannon ordinary securities; and
- (v) Cannon applies for removal from the official list no later than one month after the close of the Offer.

In the event the above conditions are not met, Kedalion may still request ASX remove Cannon from the official list of ASX. ASX's guidance indicates that ASX's decision to act on Kedalion's request will usually be subject to the satisfaction of certain conditions (including the approval of Cannon Shareholders to the removal by way of a special resolution) directed to ensuring that the interests of remaining Cannon Shareholders are not unduly prejudiced by the removal and that trading in Cannon Shares takes place in an orderly manner up to the date of its removal.

ASX guidance indicates that all holders of Cannon Shares (including, for the avoidance of doubt, those with a 75%+ security holding who can secure the passage of a special resolution by their own vote), will generally be permitted to vote on the special resolution approving an entity's removal from the official list, except in the following five cases:

- (i) where ASX is concerned that the removal may be intended, in part, to avoid the application of the Listing Rules to a particular transaction or situation that would otherwise require the approval of security holders and that would otherwise attract a voting exclusion – in which case, ASX may impose an equivalent voting exclusion on the removal resolution;
- (ii) where ASX is concerned that the removal will have the effect that the entity will no longer be subject to the disclosure obligations the entity would otherwise have under the Listing Rules and Corporations Act – in which case, ASX may impose a voting

exclusion on any party whom ASX considers will have a material informational advantage over other security holders as a result of those disclosure obligations no longer applying to the entity, and their associates;

- (iii) where ASX is concerned that a security holder or their associates are likely to obtain some other material advantage or benefit from the entity no longer being listed on ASX that is or may not be available to other security holders generally – in which case, ASX may impose a voting exclusion on that security holder and their associates;
- (iv) where the entity has been the subject of a takeover bid in the preceding 12 months and, in ASX's opinion, the bidder and its associates have attained effective control of the entity without satisfying the conditions mentioned in the first five paragraphs (i) to (v) in this Section 5.3(a) for ASX to agree to its removal without the approval of security holders – in which case, ASX will require the removal to be approved by the entity's security holders and will also impose a voting exclusion on the bidder and its associates; or
- (v) where ASX otherwise considers it appropriate in any specific case to impose a voting exclusion on a resolution approving an entity's removal from the official list.

(b) Kedalion will be able to determine the outcome of special resolutions

If Kedalion satisfies the 50.1% (on a Fully Diluted Basis) minimum acceptance condition and acquires a Relevant Interest in 75% or more of all Cannon Shares, Kedalion will be in a position to cast the votes required to determine alone the outcome of a special resolution (in respect of which it is entitled to vote) at a meeting of Cannon Shareholders. This would enable it to pass resolutions, for example, to amend Cannon's constitution, giving Kedalion significant power to control the operations and strategy of Cannon.

For Kedalion's entitlement to achieve the above intention, refer to the details regarding minority shareholder protections in Section 5.6.

5.4 Risk if Kedalion acquires a Relevant Interest in 90% or more of all Cannon Shares

If, during, or at the end of, the Offer Period Kedalion acquires (taken together with its associates) a Relevant Interest in 90% or more (by number) of all Cannon Shares and Kedalion has acquired (taken together with its associates) at least 75% (by number) of the Cannon Shares that Kedalion offered to acquire under the Offer (whether the acquisitions happened under the Offer or otherwise), Kedalion will be entitled to compulsorily acquire the Cannon Shares that it does not already own.

As at the Last Practicable Date, based on the information available to Cannon, there are no Cannon Shareholders who control more than 10% of all Cannon Shares (other than Ponderosa Investments WA Pty Ltd, which has entered into a pre-bid acceptance agreement with Kedalion to accept the Offer. Refer to section 10.2 of the Bidder's Statement for further details). Only one or more Cannon Shareholders who alone or together control more than 10% of the Cannon Shares are capable of blocking compulsory acquisition if they choose not to accept the Offer and do not otherwise dispose of their Cannon Shares.

In the Bidder's Statement, Kedalion has stated that it intends to proceed with compulsory acquisition of all remaining Cannon Shares and Cannon Options, if it becomes entitled to do so. In circumstances where Kedalion becomes entitled to compulsorily acquire outstanding Cannon Shares, Kedalion intends to procure that Cannon is removed from the official list of ASX.

If you choose not to accept the Offer and Kedalion subsequently exercises compulsory acquisition rights, you are likely to be paid later than other Cannon Shareholders who accept the Offer.

Furthermore, on and from the date that Kedalion acquires a Relevant Interest in 90% or more of all Cannon Shares, Cannon must procure that each member of the Cannon Board (and the board of each Cannon Subsidiary) resigns as a director of Cannon (or the relevant Cannon Subsidiary).

5.5 Reduced liquidity of Cannon Shares

As Kedalion increases its Cannon shareholding, it will reduce the number of Cannon Shares that can be expected to be available for trading on-market. This is likely to significantly reduce the liquidity of Cannon Shares and may adversely affect the price at which they might otherwise be expected to trade.

5.6 Minority shareholder protections

In the event that Kedalion has a Relevant Interest in less than 100% of all Cannon Shares, the implementation of Kedalion's intentions as set out in section 7 of the Bidder's Statement will be subject to:

- (a) the Corporations Act (including, without limitation, those provisions intended for the protection of minority shareholders);
- (b) Cannon's constitution and the statutory and fiduciary obligations of the Cannon Directors at that time, such as their duties to act in the best interests of Cannon and all Cannon Shareholders;
- (c) in some circumstances, minority shareholder approval, in respect of which Kedalion may not be able to vote as an interested party;
- (d) statutory and Listing Rules (to the extent Cannon remains listed on the ASX) protection regulating minority shareholder rights; and
- (e) statutory protection against oppression.

As a result of these protections, Kedalion and its associates may be excluded from voting on certain resolutions in general meeting, and should Kedalion appoint any nominee directors to the Cannon Board, these directors may potentially be precluded from voting at Cannon Board meetings in certain circumstances. Where a minority shareholder maintains a "blocking stake" or substantial holding in Cannon which provides them with a significant proportion of the Cannon Shares which are not held by Kedalion and its associates, that shareholder may have the ability to determine the outcome of any such resolutions put to Cannon Shareholders in general meetings, to the extent Kedalion is not permitted to vote at them.

For example, to the extent that Kedalion has waived the 50.1% (on a Fully Diluted Basis) minimum acceptance condition and acquires a Relevant Interest in more than 50.1% but less than 100% of all Cannon Shares and a transaction is proposed between Kedalion and Cannon, since Kedalion is considered a 'related party' of Cannon in this scenario, depending on its terms, the transaction may be required to be subject to the prior approval of Cannon Shareholders in general meeting (with Kedalion precluded from voting on the relevant resolution, and other regulatory requirements to be complied with).

Please refer to Section 5.3 for information regarding minority protections arising from ASX's guidance regarding removal of Cannon from ASX's official list, in the event that Kedalion acquires a Relevant Interest in 75% or more of all Cannon Shares.

6 INFORMATION ABOUT CANNON

6.1 Overview of Cannon

Cannon Resources Limited is a Western Australia focused nickel exploration company with two flagship projects – the Fisher East Project and the Collurabbie Project. Both Projects are located in the north-eastern Goldfields region of Western Australia, approximately 200 km north-east of Leonora.

The Fisher East Project hosts four high grade nickel sulphide deposits all in close proximity to each other. These are the Musket, Camelwood, Cannonball, and Sabre nickel sulphide deposits, with a combined JORC 2012 Mineral Resource containing 134,100 tonnes of nickel at an average grade of 1.8% Ni. The deposits are typical Archean komatiite-associated deposits having affinities with Kambalda-style massive and disseminated nickel sulphide mineralisation.⁶ All deposits are located on mining tenements 100% owned by Cannon.

The Collurabbie Project contains a JORC 2012 Inferred Mineral Resource of 573,000t grading 1.63% Ni, 1.19% Cu, 0.082% Co, 1.49g/t Pd, 0.85g/t Pt at Olympia. Mafic-ultramafic sills of various composition including gabbro, peridotite and various pyroxenitic host massive and disseminated Ni-Cu-PGE sulphide mineralisation. Olympia is located on mining tenements 100% owned by Cannon.

Cannon is a 'disclosing entity' for the purposes of the Corporations Act and is therefore subject to regular reporting obligations under the Corporations Act and the Listing Rules. See Section 6.12 for further information.

Figure 1: Project Location



6.2 Organisational structure

Controlled entities	Country of incorporation	Percentage owned
Parent Entity:		
Cannon Resources Limited (ASX:CNR)	Australia	-
Subsidiaries:		
Cannon Fisher East Pty Ltd	Australia	100%
Cannon Collurabbie Pty Ltd	Australia	100%

⁶ ITAR prepared on 24/05/2021 – Section 4.1.

6.3 Directors and Key Management of Cannon

At the date of this Target's Statement, the Directors are:

Name	Position
Alex Passmore	Non-Executive Chairman
Richard Bevan	Non-Executive Director
Mark Stowell	Non-Executive Director
Chris Hunt	Company Secretary

(a) **Alex Passmore (Non-Executive Chairman) – B.Sc (Hons), GradDipAppFin, GAICD**

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), and CEO of Draig Resources (now Bellevue Gold Ltd).

Mr Passmore is currently Non-Executive Director of Pearl Gull Iron Limited (ASX: PLG) and Blencowe Resources Plc (LSE: BRES).

(b) **Mark Stowell (Non-Executive Director) – B.Com, CA**

Mr Stowell is a Chartered Accountant with over 20 years of corporate finance and resource business management experience. He served as manager in the corporate division of Arthur Andersen and was subsequently involved in the establishment and management of a number of successful ventures as principal, including resource companies operating in Australia and internationally.

Mr Stowell was a founder of Anvil Mining Ltd (DRC) and on its Board for 7 years until 2000. He was also a founder and non-executive director of Incremental Petroleum Limited, an oil and gas producer with operations in Turkey and the USA until its takeover in 2009. Mr Stowell was Chairman and founder of Mawson West Ltd, a copper producer and explorer which completed an IPO on the Toronto Stock Exchange in 2011.

Mr Stowell is currently the Chairman of Southern Hemisphere Mining Limited (ASX: SUH) and Kula Gold Limited (ASX: KGD).

(c) **Richard Bevan (Non-Executive Director) – BAppSc**

Mr Bevan has experience as a Managing Director/Chief Executive Officer and non-executive Director/Chair for listed and unlisted companies. He brings experience in the execution and integration of acquisitions, mergers and other major corporate transactions and has been involved in business areas as diverse as healthcare, construction and engineering, 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 was previously the founding Managing Director of Cassini Resources Limited until it was acquired by OZ Minerals Limited via a Scheme of Arrangement in late 2020.

Mr Bevan is a member of the Australian Institute of Company Directors. Mr Bevan is currently the Non-Executive Chairman of Killi Resources Ltd (ASX:KLI), Narryer Metals Limited (ASX:NYM) and TG Metals Limited (ASX:TG6).

(d) **Chris Hunt (Company Secretary) – B.Bus, FCPA, GAICD**

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.

Mr Hunt 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.

6.4 Overview of Cannon's Projects

The Projects are both located within the North-Eastern Goldfields of Western Australia. Access from Perth is via Kalgoorlie using the sealed Great Eastern Highway.

The Fisher East Project is located about 430km north of Kalgoorlie with access via the main northern Kalgoorlie-Wiluna highway. The turnoff onto the Wonganoo road is located about 60km north of Leonora. A series of station tracks and fence lines facilitates access throughout the project area. The central part of the project area is located 34km north of the Wonganoo homestead.

The Collurabbie Project is located approximately 220km east of Wiluna and 240km north of Laverton in the North Eastern Goldfields Province of Western Australia. Access to Laverton is via the main northern Kalgoorlie-Wiluna highway then by turning east at Leonora along the Laverton-Leonora road. Southern access is gained from Laverton along the Bandy Road and then north along the Uraey – Warren Bore road and related fence line tracks. An alternative access route is from Wiluna via the Gunbarrel Highway and Old Windidda Station.

Kalgoorlie Boulder is serviced by daily commercial flights to a sealed all-weather airport. There are several smaller sealed and unsealed airstrips within the region including at Laverton, Leonora, Leinster, specific mine site related airstrips and several smaller pastoral airstrips.

(a) **Tenements**

Details of the tenements comprising the Projects are set out in the table below:

Project	Tenement	Type	Status	Expiry	Area (km ²)
Fisher East Project	E 53/1218	Exploration Licence	Granted	7-Jan-23	110.3
Fisher East Project	E 53/1318	Exploration Licence	Granted	20-Sep-23	21.46
Fisher East Project	E 53/1716	Exploration Licence	Granted	2-Apr-23	3.066
Fisher East Project	E 53/1802	Exploration Licence	Granted	17-Aug-24	30.6
Fisher East Project	E 53/1884	Exploration Licence	Granted	23-Jan-27	3.066
Fisher East Project	E 53/1885	Exploration Licence	Granted	30-Oct-26	3.066
Fisher East Project	E 53/1886	Exploration Licence	Granted	30-Oct-26	3.065
Fisher East Project	E 53/1887	Exploration Licence	Granted	23-May-27	3.065
Fisher East Project	E 53/1950	Exploration Licence	Granted	13-Dec-22	104.0
Fisher East Project	E 53/2018	Exploration Licence	Granted	16-Sep-24	3.06
Fisher East Project	E 53/2090	Exploration Licence	Granted	2-Jun-25	45.9
Fisher East Project	E 53/2144	Exploration Licence	Granted	21-Mar-26	15.27
Fisher East Project	E 53/2145	Exploration Licence	Granted	21-Mar-26	3.06
Fisher East Project	E 53/2200	Exploration Licence	Granted	17-Aug-27	67.25
Collurabbie Project	E 38/2009	Exploration Licence	Granted	19-Oct-22 ⁷	27.57
Collurabbie Project	E 38/2912	Exploration Licence	Granted	11-Sep-24	21.4
Collurabbie Project	E 38/3193	Exploration Licence	Granted	27-Jul-22 ⁸	98.0
TOTAL					563.2

⁷ E 38/2009 expired on 19.10.2022. The Company lodged a two-year extension of the term on 19.10.2022. The status of this application is pending as at the Last Practicable Date.

⁸ E38/3193 expired on 27.07.2022. The Company lodged a five -year extension of the term on 13.07.2022. The status of this application is pending as at the Last Practicable Date.

(b) **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 fourteen granted exploration licences covering a total of 416km². The project contains four nickel sulphide deposits consisting of Musket, Sabre, Camelwood and Cannonball, which are all in close proximity to each other. These deposits have a combined JORC 2012 Mineral Resource containing 134,100 tonnes of nickel at an average grade of 1.8% Ni. The deposits are typical Archean komatiite-associated deposits having affinities with Kambalda-style massive and disseminated nickel sulphide mineralisation. All resources open laterally and down plunge.

Figure 2: Fisher East Project by deposits

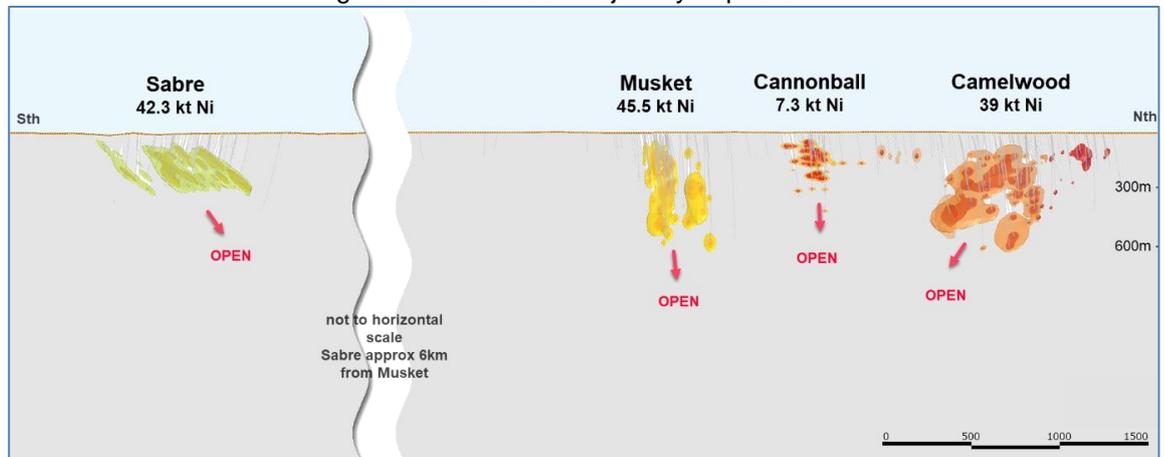
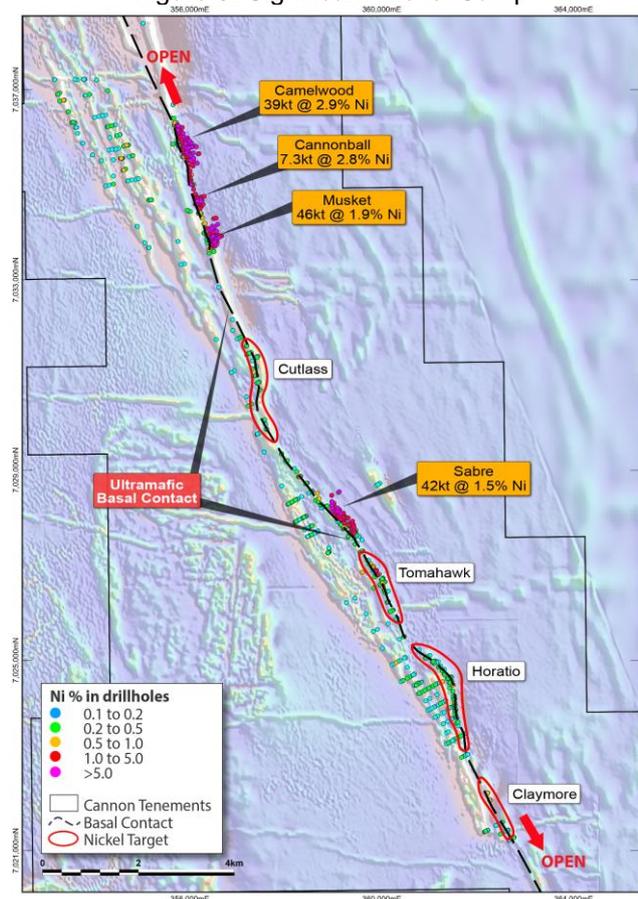
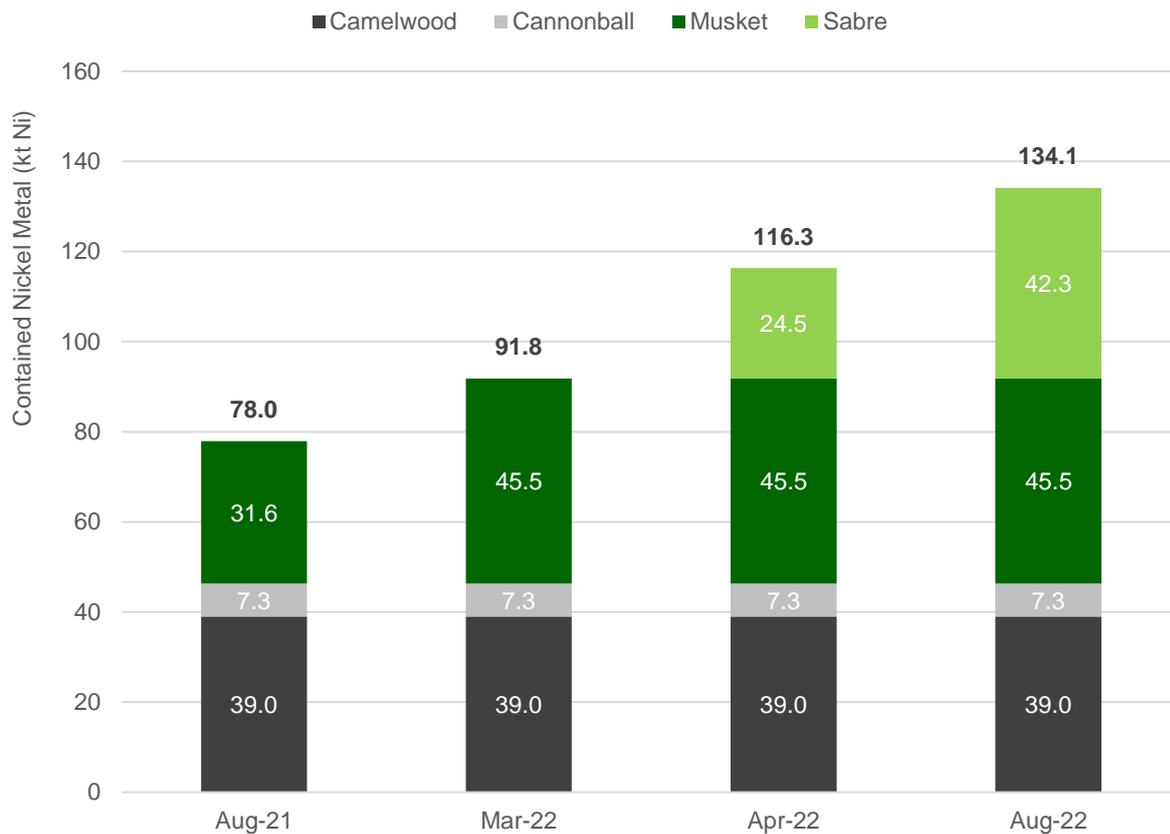


Figure 3: Significant Nickel Camp



Since listing in August 2021, Cannon has achieved strong resource growth of 72% and defined a new deposit, Sabre, at its flagship Fisher East Project.

Figure 4: Fisher East Project resource growth since listing by deposit⁹



The table below shows the JORC 2012 Mineral Resource estimates for the Fisher East Project.

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	0.9	2.1	19.0
	Inferred	1.5	1.8	26.4
	Total	2.4	1.9	45.5
Sabre	Inferred	2.9	1.5	42.3
	Total	2.9	1.5	42.3
TOTAL	Indicated	2.8	2.1	60.0
	Inferred	4.7	1.6	74.0
	TOTAL	7.5	1.8	134.1

⁹ Refer ASX announcements dated 9 March 2022, 24 March 2022, 5 April 2022, 15 August 2022 and Prospectus dated 10 August 2021 for further information.

(i) **Sabre Deposit**¹⁰

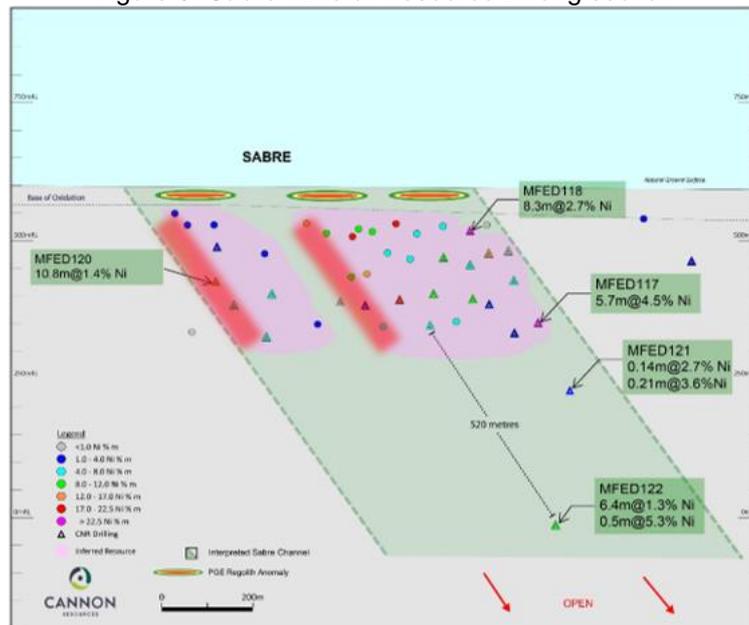
The Mineral Resource at the Sabre deposit now stands at 2.9 Mt @ 1.5% Ni & 0.4 g/t (Pd + Pt) for 42.3 Kt of contained nickel and 32,800 oz (Pd+Pt) at a cut-off grade of 0.9% Ni (JORC 2012). The Mineral Resource has been audited by RPMGlobal. The Mineral Resource extends over a strike length of 670 metres and to a vertical depth of approximately 300 metres and remains open along strike and down plunge.

Deep diamond drilling conducted at the Sabre deposit intersected 6.4m @ 1.3% Ni from 735.87m which included an internal zone of 5.1m @ 1.5% Ni from 737.21m. A further intercept of 0.51m @ 5.3% Ni from 745.17 was also recorded some 2.9m below the initial mineralised intercept.

Additional drilling was conducted to test the concept that nickel mineralisation within the Sabre channel continues well below the extent of the current resource. Cannon geologists were confident that the mineralisation and channel plunge were interpreted correctly and given the relatively shallow depth extent of the current resource drilling, a large step-out for a deep hole was considered. Therefore, MFED122 was drilled at twice the vertical depth and a massive 520 metres down the plunge from the deepest and closest mineralised holes.

Hole MFED122 intersected the komatiite contact within 3 metres of the predicted depth, demonstrating the predictable nature and solid foundation of our geological model. Strong komatiite hosted disseminated sulphide mineralisation was encountered on the basal contact. Assay data shows that nickel mineralisation is in line with the average grade of the existing resource at Sabre and highlights the potential for further resource expansion down plunge.

Figure 5: Sabre Mineral Resource in long section



(ii) **Musket Deposit**¹¹

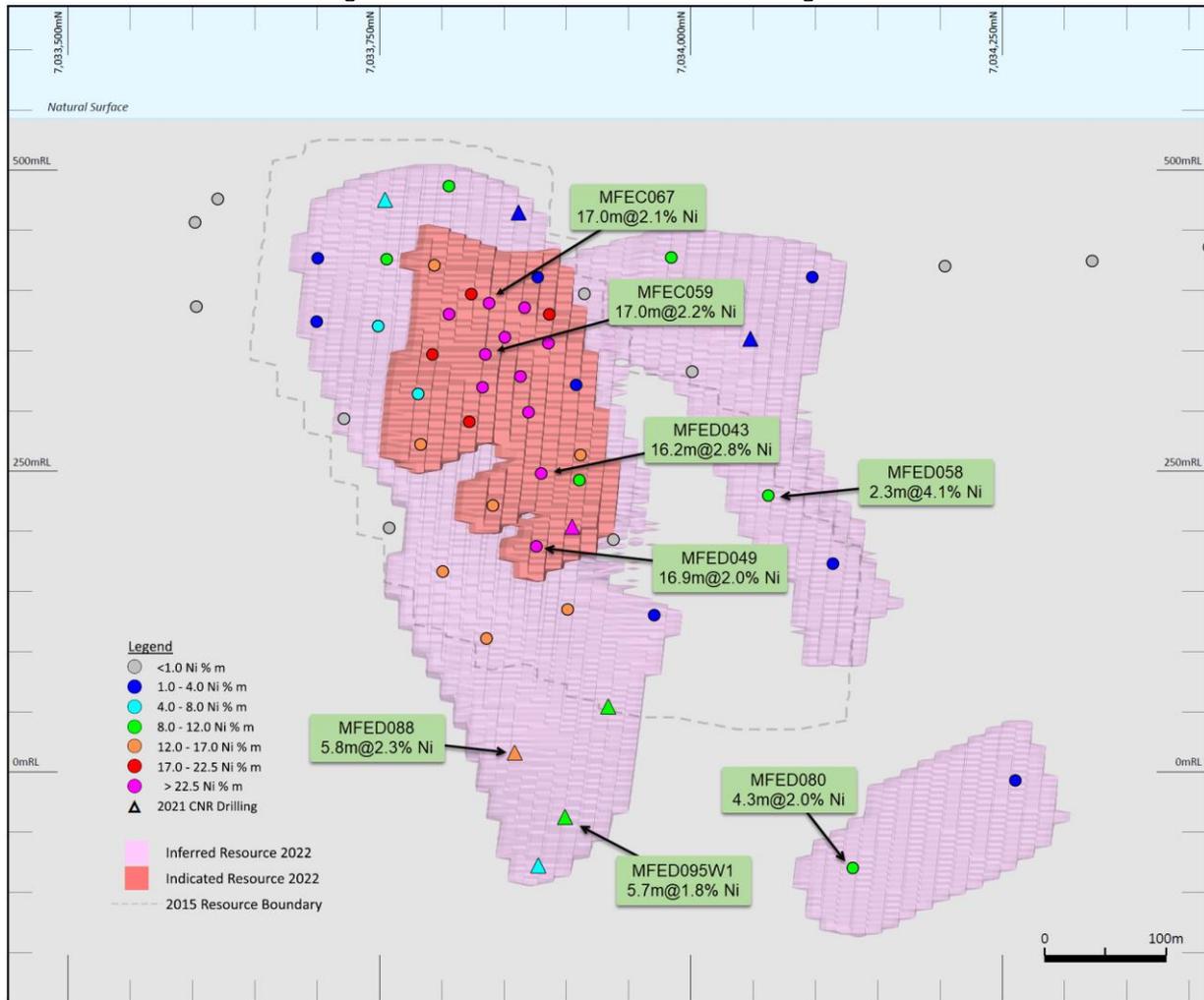
The Musket Resource has been estimated to contain 2.4 Mt @ 1.9% Ni and 0.5 g/t PGE (Pt + Pd) for 45.4 Kt contained nickel at a cut-off grade of 0.9% Ni (JORC 2012). Cannon has extended the resource down to 600m from surface. The Musket channel is approximately 450m wide, dipping approximately 65° to the east and plunging sub-

¹⁰ Refer to ASX Announcement dated 21 October 2022 for further information.

¹¹ Refer to ASX Announcement dated 9 March 2022 and Prospectus dated 10 August 2021 for further information.

vertical to the north. Mineralisation has a high nickel tenor with disseminated sulphide in the 1-5% Ni range and massive sulphide in the 10-20% Ni range. High grade thicker zone down channel centre remains open.

Figure 6: Musket Mineral Resource in long section



(iii) **Camelwood Deposit¹²**

The Camelwood Resource contains 2.0 Mt @ 2.0% Ni for 39.0 Kt of contained Ni. The Camelwood channel is approximately 1,400m wide and dipping approximately 65° to the east. Majority of the existing drilling has been concentrated along the northern structural plunge. Mineralisation along the primary plunge has only been modestly tested and is open at depth.

(iv) **Cannonball Deposit¹³**

The Cannonball Resource contains 0.3 Mt @ 2.8% Ni for 7.3 Kt of contained Ni.

(c) **Collurabbie Project**

The Collurabbie Project is located approximately 430km to the north northeast of Kalgoorlie, 195km north of Laverton and 65km to the east of the Fisher Project. The Collurabbie Project consists of three granted exploration licences in the North-eastern Goldfields region of Western Australia.

¹² Refer to the Prospectus dated 10 August 2021 for further information.

¹³ Refer to the Prospectus dated 10 August 2021 for further information.

The exploration model followed at the Collurabbie Project is that of a komatiitic basalt system analogous to the Raglan style deposits in Quebec, Canada. The stratigraphy of the Collurabbie Project consists of footwall basalt and hanging wall dolerite to basalt which has been intruded by mafic-ultramafic sills of various composition including gabbro, peridotite and various pyroxenitic units which host massive and disseminated Ni-Cu-PGE sulphides.

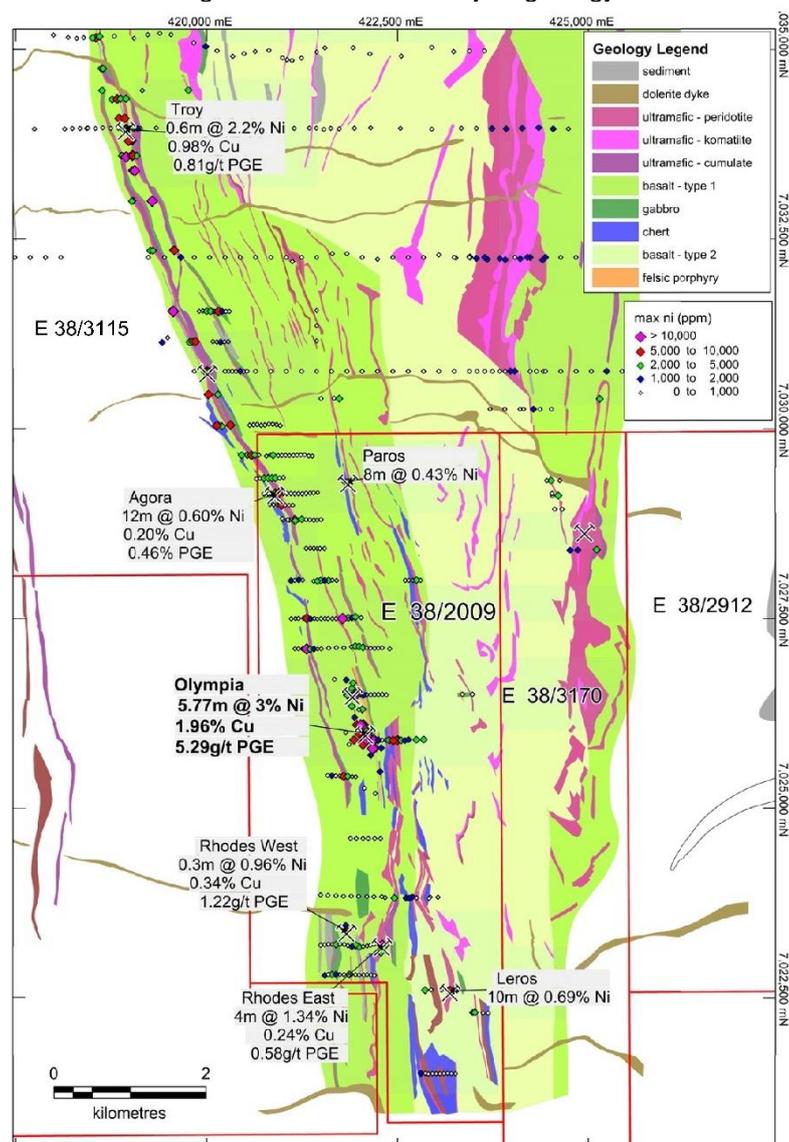
Historical geophysical data from the past 20 years was reprocessed using modern processing techniques to identify areas of potential interest that are prospective for Ni-Cu-PGE and gold exploration. SGC were provided with the available airborne magnetic, radiometric and gravity gradiometry data for the Collurabbie Project area.

A lithostructural interpretation of bedrock geology was generated from airborne magnetic data. The interpretation was aided by processing and imaging of this data and was constrained by geological data derived from previous mapping and drilling across the region. The lithostructural interpretation formed the basis of target generation. Targets were based on interpreted presence of lithologies, structures, or sites of alteration defined by unusual magnetic anomalism that may be more favourable to host mineralisation. A total of 36 Ni-Cu-PGE targets and 19 gold targets were identified to focus future exploration efforts.

Several Ni-Cu-PGE and gold mineral occurrences are known both within and along strike of structures and lithologies present in the Collurabbie Project area. The Olympia Prospect is the most significant known Ni-Cu-PGE occurrence in the Collurabbie Project area where high grade massive Ni-Cu-PGE sulphide mineralisation was intersected in historical drilling, with a discovery intercept of 5.77m at 3.0% Ni, 1.9% Cu, 5.3g/t PGE.

Gold prospects include Windidda South 3, 4 and 5, and Naxos. Gold anomalism identified at these prospects shows an association with strong alteration zones and major through-going structures. Windidda South 3, 4 and 5 are located on or in close proximity to major and secondary northwest-trending through-going faults.

Figure 7: Collurabbie Project geology



A JORC 2012 Inferred Mineral Resource was estimated at Olympia by Trepanier Pty Ltd as follows:¹⁴

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

The material risks contemplated by Cannon in operating its business are summarised in Section 8.

6.5 Cannon intentions if the Offer does not complete

Should the Offer not complete, Cannon intends to continue its existing business activities, and continue to pursue growth opportunities.

¹⁴ Refer to the Prospectus dated 10 August 2021 for further information.

6.6 Historical financial information

Cannon's last released audited financial statements are for the financial year ended 30 June 2022, which were lodged with ASX on 28 October 2022 (**2022 Annual Report**).

Copies of the 2022 Annual Report are available on Cannon's website at <https://www.cannonres.com.au/> or ASX's website <https://www2.asx.com.au/> (ASX: CNR).

6.7 Material changes in Cannon's financial position and financial performance

To the Directors' knowledge, and except as disclosed in this Section 6, in Cannon's Audited Annual Financial Report released to the ASX on 29 September 2022 or elsewhere in this Target's Statement or Cannon's other ASX announcements, the financial position and financial performance of Cannon has not materially changed since 30 June 2022.

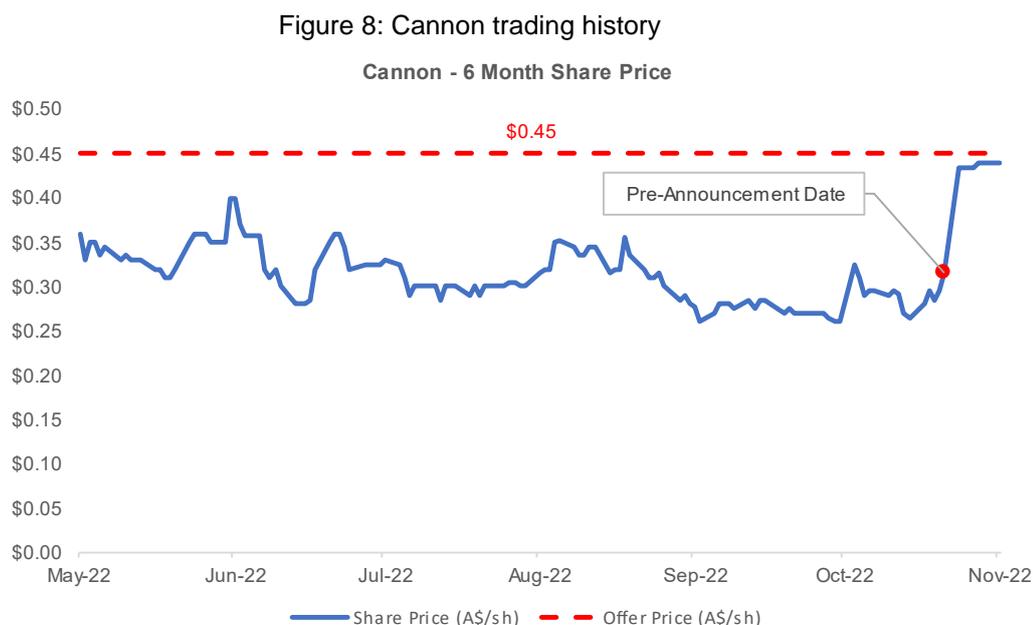
Cannon's key operating metrics, profit and cashflows are fully disclosed in Cannon's Audited Annual Financial Report released to the ASX on 29 September 2022.

As at 30 September 2022, the Company's cash balance was approximately A\$1.1m, a decrease of approximately A\$2.2m from the previous quarter, represented as follows:

- (a) exploration and evaluation costs (approximately A\$1.7m); and
- (b) administration and employee costs (approximately A\$0.5m).

6.8 Recent Cannon Share price history

The Offer Price of \$0.45 cash per Cannon Share is approximately 43% above the last closing share price on ASX of Cannon Shares prior to the Announcement Date¹⁵. Since the Announcement Date, Cannon's share price has increased 39.7% from its A\$0.315 pre-Announcement Date closing share price to A\$0.440 on 8 November 2022, being the last Trading Day prior to the date of this Target's Statement (see Figure 8 below).



As at close on 28 October 2022, being the last trading day prior to the Announcement Date:

¹⁵ Fact – Cannon trading data as at 08.11.2022 provided by Taylor Collison on 08.11.2022.

- (a) the last recorded traded price of Cannon Shares was A\$0.315 per Cannon Share;
- (b) the one month VWAP of Cannon Shares was A\$0.286 per Cannon Share;
- (c) the 3 month VWAP of Cannon Shares was A\$0.298 per Cannon Share;
- (d) the highest recorded traded price of Cannon Shares in the 3 months prior to the Announcement Date was A\$0.355 per Cannon Share on 25 August 2022; and
- (e) the lowest recorded traded price of Cannon Shares in the 3 months prior to the Announcement Date was A\$0.260 per Cannon Share on 7 October 2022.

The current price of Cannon Shares on ASX can be obtained from the ASX website (www.asx.com.au) or <https://www.cannonres.com.au/>.

6.9 Cannon issued securities

At the date of this Target's Statement, there are 78,190,856 Cannon Shares, 8,553,130 Cannon Shares subject to ASX imposed escrow and 13,600,903 Cannon Options on issue.

At the date of this Target's Statement, the following Cannon Options are on issue:

Number	Class
2,250,000	Unlisted options exercisable at A\$0.30 per option and expiring on 30 June 2024 (held in escrow until 12 August 2023)
3,000,000	Unlisted options exercisable at A\$0.30 per option and expiring on 2 December 2024
8,350,903	Unlisted options exercisable at A\$0.30 per option and expiring on 30 June 2024

The Offer extends to Cannon Shares that are issued during the Offer Period due to the exercise of Cannon Options.

6.10 Dividend Policy

As an early-stage minerals exploration company, the Company has no source of revenue or profits and makes no forecast of whether it will generate revenue or profits in future. Accordingly, at the date of this Target Statement, the Company does not intend, or expect, to declare or pay any dividends in the foreseeable future.

Any future determination as to the payment of dividends by the Company will be at the sole discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

The Company has no dividend reinvestment plan.

6.11 Litigation

Cannon Group is not involved in any dispute resolution processes, such as pursuant to arbitration and litigation proceedings.

6.12 Publicly available information

As an ASX listed company and a 'disclosing entity' for the purposes of section 111AC(1) of the Corporations Act, Cannon is subject to regular reporting and disclosure obligations. Broadly, these

require it to announce price sensitive information to ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information.

Cannon's most recent announcements are available from Cannon's website at <https://www.cannonres.com.au/>.

ASX maintains files containing publicly available information about entities listed on their exchange. Cannon's files are available for inspection at Cannon's registered office during normal business hours and are available on the ASX website (www.asx.com.au).

Additionally, copies of documents lodged with ASIC in relation to Cannon may be obtained from or inspected at an ASIC service centre. Please note, ASIC may charge a fee in respect of such services.

The following documents are available for inspection during normal business hours at the registered office of Cannon:

- (a) Cannon's constitution;
- (b) Cannon's audited financial statements for the financial years ended 30 June 2022 and 30 June 2021; and
- (c) Cannon's public announcements.

The Annual Report and public announcements are available at Cannon's website at <https://www.cannonres.com.au/> or may be requested to be provided free of charge by contacting Cannon.

6.13 Transaction expenses

The Offer will result in Cannon incurring fees and expenses that would not otherwise have arisen. The estimated costs and expenses to Cannon associated with the Offer (including, without limitation, fees of external professional advisers to Cannon and costs associated with this Target's Statement) are currently not expected to exceed A\$0.9 million in aggregate.

6.14 Competent Person Statement

In relation to the Mineral Resources estimates set out in this Section 6 and elsewhere in this Target's Statement, Cannon confirms that it is not aware of any new information or data that materially affects the information included in the relevant ASX announcements referenced in the text and all material assumptions and technical parameters underpinning the estimates in the referenced announcements continue to apply and have not materially changed. Cannon also confirms that the form and context in which the Competent Person's findings are presented have not materially changed from the original announcements.

7 INFORMATION ABOUT KEDALION

7.1 Disclaimer

The information in this Section and all information concerning Kedalion contained in other sections of this Target's Statement has been prepared using the information contained in the Bidder's Statement and publicly available information, and has not been independently verified by Cannon. Accordingly, subject to the Corporations Act, Cannon does not make any representation (express or implied) as to the accuracy or completeness of such information.

7.2 Corporate information

The bidder, Kedalion Nickel Pty Ltd ACN 663 451 170 (**Kedalion**), is a limited liability company incorporated specifically for the purpose of acquiring an interest in Cannon Shares, including those pursuant to the Offer. Kedalion is a wholly owned subsidiary of Terranu Transition Metals Pty Ltd, which in turn is a wholly owned subsidiary of a critical minerals focussed private equity fund, Kinterra Battery Metals Mining Fund, LP (**Kinterra**).

Kinterra GP Corp. serves as the general partner of Kinterra. Kinterra is a private equity fund focused on developing the critical minerals and downstream infrastructure necessary for the energy transition. Kinterra's investment advisor is Kinterra Capital. Kinterra Capital's team has sector-specific investment and technical expertise with developing and permitting nickel sulphide ultramafic orebodies. Kinterra Capital aims to apply this expertise to create and unlock value for all of its stakeholders. The firm is relationship driven and seeks to develop long-lasting partnerships.

Kinterra Capital serves as investment advisor to Kinterra and advises Kinterra GP Corp. in the overall management and supervision of Kinterra's investments including, without limitation, originating, acquiring, providing asset management services for and the monetizing of the investments.

Refer to section 4 of the Bidder's Statement for further information, including in relation to Kedalion's description of its ownership structure and for further information on Kinterra, Kinterra GP Corp. and Kinterra Capital.

7.3 Kedalion directors

According to the Bidder's Statement, as at the date of the Bidder's Statement, Kedalion's directors are:

- (a) **Cheryl Brandon** – Cheryl Brandon is the Co-Founder and Co-Managing Partner of Kinterra Capital. Ms. Brandon helps to oversee all aspects of investment origination, capital deployment, risk management, portfolio construction, value creation and investment monetization. Ms. Brandon serves on Kinterra Capital's Investment Committee and Valuation Committee. Prior to founding Kinterra Capital, Ms. Brandon co-founded a US\$2 billion private equity platform focused on the natural resources sector and she has over 18 years of experience managing capital on behalf of Tier-1 global institutions. Ms. Brandon was recognized as Top 40 Under 40 in Canada in 2021 and received the Distinguished Graduate Award from the Goodman School of Business. She recently completed the Rotman Institute of Corporate Directors designation and completed an M.Sc. at Columbia University in New York. Ms. Brandon is a Chartered Financial Analyst Charter Holder and member of the Toronto Society of Financial Analysts and serves on the Canadian Women in Private Equity Association board;
- (b) **Kamal Toor** – Kamal Toor is the Co-Founder and Co-Managing Partner of Kinterra Capital. Mr. Toor helps to oversee all aspects of Kinterra Capital's investment business, including strategic ideation, transaction structuring and execution, value creation and investment monetization. Mr. Toor also helps to shape the strategic direction of the firm and is responsible for general management oversight. Mr. Toor serves on Kinterra Capital's Investment Committee and Valuation Committee. Mr. Toor has deep transactional experience across a variety of complex transaction structures, including M&A, bankruptcies, hostile bids and proxy battles. Prior to founding Kinterra Capital, Mr. Toor co-founded a US\$2 billion private equity

platform focused on the natural resources sector and he has spent more than a decade in senior leadership roles in institutional asset management. Previously, Mr. Toor also practiced corporate law at Allen & Overy LLP, a global “magic circle” firm. In addition to holding an undergraduate business degree and multiple law degrees, Mr. Toor also holds an MBA from Cornell University; and

- (c) **Andrea Betti** - Andrea Betti is a co-founder of Consilium Corporate. Andrea focuses on ASX listed clients, ensuring all corporate legal and financial requirements are met from a company secretarial and compliance perspective. Ms Betti's clients range from large private clients, publicly listed companies to companies wishing to list on the Australian Securities Exchange. Ms Betti's unique mix of experience and education makes her a valuable asset to Kedalion. Ms Betti's knowledge and understanding of the mining & exploration industry provides her with the insight to offer Kedalion expert guidance and support.

7.4 Funding of the Offer Price

The Offer is a 100% cash offer. The maximum amount of cash that will be payable by Kedalion if acceptances are received for all Cannon Shares on issue at the date of the Bidder's Statement is approximately A\$39,034,793.

If the:

- (a) Cannon Options on issue as at the date of this Target's Statement are exercised; and
- (b) the holders accept the Offer in respect to the Cannon Shares issued to them,

then the maximum additional amount payable by Kedalion in relation to the Cannon Shares to be issued upon exercise of those Options will be approximately A\$6,120,406.

Section 8 of the Bidder's Statement outlines the funding arrangements which Kedalion stated in the Bidder's Statement will enable it to satisfy its obligations to settle acceptances under the Offer, as well as any associated transaction costs incurred by Kedalion in connection with the Offer.

7.5 Further information about Kedalion

Section 4 of the Bidder's Statement provides further information relating to Kedalion.

8 RISK FACTORS

8.1 Introduction

In considering the Offer, Cannon Shareholders should be aware of the risks related to Cannon and its business. Cannon is subject to a number of investment risk factors which may affect the operating and financial performance of Cannon and the value of Cannon Shares. Many of the risks are outside the control of Cannon and the Directors, and there can be no certainty that Cannon's objectives or anticipated outcomes will be achieved.

The risk factors presented in this Section are not an exhaustive list of all risks and risk factors related to Cannon or the Offer. Additional risks and uncertainties not currently known to Cannon may also have an adverse impact on the Cannon Group. These risks (and other risks) will continue to be relevant to Cannon Shareholders who do not accept the Offer and retain their investment in Cannon. These risks will also continue to be relevant to all Cannon Shareholders if the Offer does not proceed. Refer also to Section 5 and to Cannon's ASX announcements for further information.

This Section does not take into account the investment objectives, financial situation, position or particular needs of Cannon Shareholders. Each Cannon Shareholder should consult their legal, financial, taxation or other professional adviser if they have any queries.

8.2 Risks specific to Cannon

- (a) **Future capital requirements** – Mineral exploration companies (including Cannon) do not generate cash revenue. Cannon's ability to meet its on-going operating costs and capital expenditure requirements will ultimately involve expenditure that exceeds the estimated cash resources that Cannon has. Accordingly, Cannon will be required to raise new equity capital or access debt funding.

There can be no assurance as to the levels of future borrowings or further capital raisings that will be required to meet the aims of Cannon to explore and develop the Fisher East Project and Collurabbie Project or otherwise for Cannon to undertake its business. No assurance can be given that Cannon will be able to procure sufficient funding at the relevant times on the terms acceptable to it.

Any additional equity financing will dilute Cannon Shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. If Cannon is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programs as the case may be. There is no guarantee that Cannon will be able to secure any additional funding or be able to secure funding on terms favourable to Cannon.

Kedalion has agreed to provide Cannon with a short-term loan facility, which Cannon may draw upon in its discretion during the Offer Period. If Cannon exercises its discretion and draws upon the loan, Cannon will be required to repay any outstanding amounts of the loan within 30 days from the close of the Offer. Refer to Section 11.2 for further details of the Loan Agreement.

- (b) **Nature of mineral exploration and mining** – The business of mineral exploration, development and production is subject to a high level of risk. Mineral exploration and development requires large amounts of expenditure over extended periods of time with no guarantee of revenue, and exploration and development activities may be impeded by circumstances and factors beyond Cannon's control.

There can be no assurances that exploration and development at the Fisher East Project or Collurabbie Project, or any other projects that may be acquired by Cannon in the future, will result in the discovery of mineral deposits which are capable of being exploited economically. Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited.

Whether a mineral deposit will be commercially viable depends on a number of factors. The combination of these factors may result in Cannon expending significant resources (financial and otherwise) on tenements without receiving a return. There is no certainty that expenditures made by Cannon towards the search and evaluation of mineral deposits will result in discoveries of an economically viable mineral deposit.

Cannon has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. Cannon believes that those consultants and others are competent and that they have carried out their work in accordance with internationally recognised industry standards. However, if the work conducted by those consultants or others is ultimately found to be incorrect or inadequate in any material respect, Cannon may experience delays or increased costs in exploring or developing its tenements.

- (c) **Operational Matters** – The operations of Cannon may be affected by various factors that are beyond the control of Cannon, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration or mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages, delays in procuring, or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of Cannon.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. These factors are substantially beyond the control of Cannon and, if they eventuate, may have an adverse effect on the financial performance of Cannon.

- (d) **Results of studies** – Subject to the results of any future exploration and testing programs, Cannon may progressively undertake a number of studies in respect to the Cannon's current project or any new projects. These studies may include scoping studies, pre-feasibility studies and bankable feasibility studies.

These studies will be completed within certain parameters designed to determine the economic feasibility of the relevant project within certain limits. There can be no guarantee that any of the studies will confirm the economic viability of Cannon's Projects or the results of other studies undertaken by Cannon (e.g. the results of a feasibility study may materially differ to the results of a scoping study).

Further, even if a study determines the economics of Cannon's Projects, there can be no guarantee that the Projects will be successfully brought into production as assumed or within the estimated parameters in the feasibility study, once production commences including but not limited to operating costs, mineral recoveries and commodity prices. In addition, the ability of the Cannon to complete a study may be dependent on Cannon's ability to raise further funds to complete the study if required.

- (e) **Mine development** – Possible future development of mining operations at the Fisher East and Collurabbie Projects or other tenements applied for or acquired by the Company is dependent on a number of factors including, but not limited to, the acquisition and/or delineation of economically recoverable mineralisation, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns (including due to climate change), unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services.

If the Company commences production on any existing or future projects, its operations may be disrupted by a variety of risks and hazards which are beyond the control of the Company.

No assurance can be given that the Company will achieve commercial viability through the development of existing or future projects.

(f) **Exploration and appraisals** – There is a significant risk for Cannon of the proposed exploration activity being unsuccessful and not resulting in the discovery of a viable resource. Mineral exploration by its nature is a high risk activity and there can be no guarantee of success in the project areas where Cannon holds exploration licences. Whilst Cannon Directors' will make every effort to reduce this risk, the fact remains that the discovery and development of a commercially viable resource is the exception rather than the rule. Cannon is engaged in early stage exploration and appraisal activities. There is a risk that these activities will not result in the discovery of commercially extractable mineral deposits. Furthermore, no assurances can be given that if commercially viable mineral deposits are discovered, these will be able to be commercialised as intended, or at all. Whether any revenue results from exploration and development expenditure incurred by Cannon is dependent on many factors including successful exploration, establishment of production facilities, cost control, commodity price movements, successful contract negotiations for production and stability in the local political environment.

(g) **Commodity prices** – Commodity prices are influenced by physical and investment demand. Fluctuations in commodity prices relevant to the Cannon may influence the exploration and development activity of Cannon. If Cannon achieves exploration success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of Cannon to commodity price and exchange rate risks.

Commodity prices fluctuate and are affected by many factors beyond the control of Cannon. Fluctuating commodity prices may impact Cannon's project development, plans and activities, including its ability to fund those activities. Cannon cannot provide any assurance as to the prices it will achieve for any mineral commodities it produces. Any substantial decline in the price of those commodities or in transport or distribution costs may have a material adverse effect on Cannon and the value of Cannon securities.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of Cannon are, and will be, taken into account in Australian dollars, exposing Cannon to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets. The exchange rate is affected by numerous factors beyond the control of Cannon, including international markets, interest rates, inflation and the general economic outlook.

(h) **No profit to date and limited operating history** – Cannon has incurred operating losses since its inception and does not have a significant history of business operations. It is therefore not possible to evaluate Cannon's prospects based on past performance. No assurance can be given that Cannon will achieve commercial viability through the successful exploration and/or mining of the Projects, or any tenements which are subsequently applied for or acquired by Cannon. Until Cannon is able to realise value from its Projects, it is likely to incur ongoing operating losses. There can be no certainty that Cannon will achieve or sustain profitability, achieve or sustain positive cash flow from its operating activities or identify a mineral deposit which is capable of being exploited economically or which is capable of supporting production activities.

(i) **Contracts** – The ability of Cannon to achieve its business objectives will depend on the performance by Cannon and counterparties of their contractual obligations. If any party defaults in the performance of its obligations under a contract, it may be necessary for either party to approach a court to seek a legal remedy, which could be costly for Cannon. The operations of Cannon also require the involvement of a number of third parties, including consultants, contractors and suppliers. Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on Cannon's operations and performance. It is not possible for Cannon to predict or protect itself against all such risks.

- (j) **Reliance on key personnel** – The responsibility of overseeing the day-to-day operations and the strategic management of the Cannon depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Cannon if one or more of these employees cease their employment.
- (k) **New Projects and acquisitions** – Cannon may make acquisitions in the future as part of future growth plans. There can be no guarantee that any new project acquisition or investment will eventuate from these pursuits, or that any acquisitions will result in a return for Cannon Shareholders. Such acquisitions may result in the use of Cannon's cash resources and/or the issuance of equity securities, which will dilute shareholdings.
- (l) **Regulation and tenure** – Adverse changes in Western Australian or Commonwealth government policies or legislation may affect ownership of mineral interests, taxation, royalties, land access, labour relations and mining and exploration activities of Cannon. The current system of exploration and mining permitted in Western Australia may change resulting in impairment of rights and possibly expropriation of Cannon's properties without adequate compensation. Increased royalties or any other changes to the royalty regime could result in higher operating costs for Cannon and may have an adverse effect on Cannon's business, results, financial condition and prospects.
- (m) **Environmental** – The minerals and mining industry has become subject to increasing environmental regulations and liability. The potential for liability is an ever present risk. Exploration work will be carried out in a way that has minimal impact on the environment. It may be required for Cannon conduct baseline environmental studies prior to certain exploration or mining activities, so that environmental impact can be monitored and minimised where ever possible. Whilst Cannon is not aware of any endangered species of flora or fauna at this point, no baseline studies have been done to date, and such a discovery could prevent exploration and mining activity in certain areas.
- (n) **Climate change** – There has been increasing concern by the public and regulators globally on climate change issues. As a minerals exploration company, Cannon is exposed to both transition risks and physical risks associated with climate change. Transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes and, if demand declines, Cannon will find it difficult to commercialise any resources it discovers. Physical risks resulting from climate change can be acute or chronic. Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones or floods. Chronic physical risks refer to longer term shifts in climate patterns (for example, sustained higher temperatures) that may cause sea level rises or chronic heat waves. The transition and physical risks associated with climate change (including also regulatory responses to such issues and associated costs) may significantly affect Cannon's operating and financial performance.
- (o) **Title risk and native title** – The *Native Title Act 1993* (Cth) recognises and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs. There is significant uncertainty associated with native title in Australia and this may impact on the Company's operations and future plans.

A number of the Tenements comprising Projects overlap with one registered native title claim and two determinations of native title. The grant of any future tenure to the Company over areas that are covered by registered claims or determinations will likely require engagement with the relevant claimants or native title holders (as relevant) in accordance with the Native Title Act. This engagement could cause delays to the Company's plans and/or the Company may incur higher than anticipated costs.

The presence of Aboriginal sacred sites and cultural heritage artefacts on the mining tenements is protected by Western Australian and Commonwealth laws. Any destruction or harming of such sites and artefacts may result in Cannon incurring significant fines and Court

injunctions. The existence of such sites may limit or preclude exploration or mining activities on those sites, which may cause delays and additional expenses for Cannon in obtaining clearances.

- (p) **Occupational health and safety risk** – Cannon is committed to providing a healthy and safe environment for its personnel, contractors and visitors. However, mining activities have inherent risks and hazards. While Cannon provides appropriate instructions, equipment, preventative measures, first aid information and training to all stakeholders through its occupational, health and safety management systems, health and safety incidents may nevertheless occur. Any illness, personal injury, death or damage to property resulting from Cannon's activities may lead to a claim against Cannon.
- (q) **Litigation risk** – Legal claims or proceedings may arise from time to time in the course of the business of Cannon. Defence and settlement costs of legal claims can be substantial, even where claims have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which Cannon is or may become subject could have a material effect on its financial position, operating results (including achievement of its forecasts) or business activities and cause a distraction to management.
- (r) **Pandemic risk** – The global economic outlook is facing continuing uncertainty due to the current COVID-19 pandemic, which has been having, and will likely continue to have, a significant impact on global capital markets, commodity prices and foreign exchange rates. The likelihood and severity of any potential impacts are however very difficult to predict.

To date, the COVID-19 pandemic has not had any material impact on Cannon's operations, however, any infections on site could result in delays or suspensions of Cannon's operations. Governmental measures in Australia and overseas to limit the transmission of the virus (such as travel bans and quarantining) may, in addition to the general level of economic uncertainty caused by the COVID-19 pandemic, may also adversely impact Cannon's operations.

8.3 General Risks

- (a) **Equity market conditions** – Cannon securities listed on ASX, or any other securities market, and in particular securities of small companies engaged in exploration activities, can experience extreme price and volume fluctuations that are often unrelated to the operating performances of such companies. The market price of securities may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. These security market conditions may affect the value of Cannon securities regardless of Cannon's operating performance.

General factors that may affect the market price of securities include economic conditions in both Australia and internationally, investor sentiment, local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

- (b) **Liquidity and volatility** – Although the Company is listed on ASX there may be relatively few potential buyers of Cannon securities at any given time. This may increase the volatility of the market price of Cannon securities and may also affect the prevailing market price at which Cannon Shareholders are able to sell their Cannon securities. There is no guarantee that Cannon securities will be able to be sold.
- (c) **Price of Cannon Shares** – The Cannon Shares are subject to general market risks applicable to all securities listed on a stock exchange. This may result in fluctuations in the Cannon Share price that are not explained by the performance of the Company.

The price at which Cannon Shares are quoted on the ASX may increase or decrease due to a number of factors, some of which may not relate directly or indirectly to the Company's performance or prospects.

Some of the factors which may affect the price of the Cannon Shares include:

- (i) fluctuations in the domestic and international markets for listed stocks;
- (ii) general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices or changes to government;
- (iii) fiscal, monetary or regulatory policies, legislation or regulation;
- (iv) inclusion in or removal from market indices;
- (v) the nature of the markets in which the Company operates;
- (vi) general operational and business risks;
- (vii) variations in sector performance, which can lead to investors exiting one sector to prefer another; and
- (viii) initiatives by other sector participants which may lead to investors switching from one stock to another.

Deterioration of general economic conditions may also affect the Company's business operations, and the consequent returns from an investment in Cannon Shares.

In the future, the sale of large parcels of Cannon Shares may cause a decline in the price at which the Cannon Shares trade on ASX.

- (d) **Cannon Shareholder dilution** – In the future, the Company may elect to issue further Cannon securities in connection with fundraisings, including to raise proceeds for acquisitions. Cannon Shareholders may be diluted as a result of such fundraisings.
- (e) **Competition risk** – The mineral resource industry is competitive in all of its phases. The Company competes with other companies, including major mining companies. Many of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for commercial advantages, the recruitment and retention of qualified employees, minerals leases and new business opportunities. If the Company cannot compete effectively with these other companies, it may have a material adverse effect on the Company's performance.
- (f) **Changes in law and government policy** – The Company's activities may be impacted by regulatory or other changes implemented by the Commonwealth or Western Australian Governments (or other jurisdictions). A change in laws that impact on the Company's operations, such as land access, environmental protection, carbon emissions, labour, mining, heritage, native title, taxation and royalties, could have an adverse impact on the Company's operations. Mining industry activities are subject to discretionary regulations and approvals, the exercise of which cannot always be predicted.
- (g) **Insurance** – No assurance can be given that the Company will obtain insurance cover for all risks faced by the Company or that any insurance cover it arranges will be adequate and available to cover all possible claims. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

- (h) **Tax law and application** – The application of and change in relevant tax laws (including income tax, goods and services tax (or equivalent), rules relating to deductible liabilities, or changes in the way those tax laws are interpreted, will or may impact the tax liabilities of the Company or the tax treatment of a Cannon Shareholder's investment. An interpretation or application of tax laws or regulations by a relevant tax authority that is contrary to the Company's view of those laws may increase the amount of tax paid or payable by the Company.

Both the level and basis of tax may change. Any changes to the current rate of company income tax (in Australia or elsewhere) and/or any changes in tax rules and tax arrangements (again in Australia or elsewhere) may increase the amount of tax paid or payable by the Company, may also impact Cannon Shareholder returns and could also have an adverse impact on the level of dividend franking/conduit foreign income and Cannon Shareholder returns (although no dividends are currently anticipated to be paid by the Company). In addition, an investment in Cannon securities involves tax considerations which may differ for each Cannon Shareholder. Each Cannon Shareholder is encouraged to seek professional tax advice in connection with any investment in the Company.

- (i) **Force majeure events** – Events may occur within or outside Australia (such as the COVID-19 pandemic) that could impact upon global, Australian or other local economies relevant to the Company's financial performance, the operations of the Company and the price of the Cannon securities. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for minerals and the Company's ability to conduct business. The Company has only a limited ability to insure against some of these risks.
- (j) **Accounting standards** – Australian Accounting Standards (**AAS**) are adopted by the Australian Accounting Standards Board (**AASB**) and are not within the control of the Company and its Directors. The AASB may, from time to time, introduce new or refined AAS, which may affect the future measurement and recognition of key statement of profit or loss and statement of financial position items. There is also a risk that interpretation of existing AAS, including those relating to the measurement and recognition of key statement of profit or loss or statement of financial position items may differ. Any changes to the AAS or to the interpretation of those standards may have an adverse effect on the reported financial performance and position of the Company.
- (k) **General economic and financial market conditions** – The operating and financial performance of the Company is influenced by a variety of general domestic and global economic and business conditions that are outside the control of the Company. There is a risk that prolonged deterioration in general economic conditions may impact the demand for mineral products and negatively impact the Company's financial performance, financial position, growth prospects and Cannon Share price.

8.4 Risks related to the outcome of the Offer

If you do not accept the Offer, maintaining your investment in Cannon may also involve the following risks (among others), depending on the outcome of the Offer:

- (a) The Cannon Shares acquired by Kedalion under the Offer will reduce the number of Cannon Shares that can be expected to be available for trading on-market. This is likely to reduce the liquidity of Cannon Shares and may adversely affect the price at which they might otherwise be expected to trade.
- (b) If Kedalion acquires control of Cannon, it will have the power to replace the Directors with nominees of Kedalion and will have enhanced capacity to influence the manner in which Cannon's business is conducted. Kedalion's intentions for Cannon are detailed in section 7 of the Bidder's Statement, but those intentions may change, particularly as a result of the

strategic review that Kedalion intends to undertake. Changes to the business which are implemented by Kedalion may mean that you may subsequently choose to dispose of your Cannon Shares at a time when market conditions are less favourable than those prevailing at the date of this Target's Statement.

(c) Further risks detailed in Section 5.

If Kedalion acquires 90% or more of all Cannon Shares and the compulsory acquisition provisions of the Corporations Act are satisfied, Kedalion intends to compulsorily acquire the Cannon Shares that it does not already own. If Kedalion subsequently exercises compulsory acquisition rights, you will cease to be a Cannon Shareholder and will not be exposed to any risk associated with Cannon Shares.

In the Bidder's Statement, Kedalion has stated that it intends to proceed with compulsory acquisition of all remaining Cannon Shares, if it becomes entitled to do so. If you choose not to accept the Offer and Kedalion subsequently exercises compulsory acquisition rights, you are likely to be paid later than other Cannon Shareholders who accept the Offer.

For further details in relation to compulsory acquisition refer to Section 10.12.

If Kedalion acquires a Relevant Interest in 75% or more of all Cannon Shares, it may be in a position to cast the votes required to determine the outcome of a special resolution at a meeting of Cannon Shareholders. This would enable it to pass resolutions, for example, to amend Cannon's constitution, giving Kedalion significant power to control the operations and strategy of Cannon.

Furthermore, if the Offer Conditions are not waived or satisfied by the end of the Offer Period, the Offer will lapse, the BIA will be terminated and Cannon will be required to repay any outstanding amounts under the Loan Agreement. Refer to Section 11.2 for further information on the Loan Agreement.

9 AUSTRALIAN TAXATION CONSIDERATIONS

The following is intended only as a general guide to the Australian income tax position, and other indirect tax implications, under current Australian (federal and state/territory) tax law and administrative practice as at the date of this Target's Statement. Australian tax is a complex, and ever changing, area of law and the tax implications for you may differ from those detailed below, depending on your particular circumstances. As these statements are of a general nature only, it is imperative that you obtain your own independent professional advice in respect of the tax implications of the Offer.

The following is an overview of the likely Australian tax considerations for an Australian tax resident or non-Australian tax resident Cannon Shareholder who holds their Cannon Shares on capital account and disposes of their shares under the Offer. This overview should be read in conjunction with section 9 of the Bidder's Statement entitled 'Australian taxation summary'.

The following may not apply to certain other Cannon Shareholders and do not cover Cannon Shareholders who:

- (a) hold their Cannon Shares as a revenue asset (i.e. trading entities or entities who acquired their Cannon Shares for the purposes of resale at a profit) or as trading stock;
- (b) are partnerships or individuals who are partners of such partnerships;
- (c) hold their shares as an asset in a business that is carried on through a permanent establishment in Australia;
- (d) acquired their Cannon Shares pursuant to an employee share plan;
- (e) are under a legal disability;
- (f) are exempt from Australian income tax;
- (g) are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**) in relation to gains and losses on their Cannon Shares; or
- (h) are subject to the Investment Manager Regime under Subdivision 842-I of the ITAA 1997 in respect of their Cannon Shares.

The Australian income tax implications for non-Australian tax resident Shareholders are also complex and will depend upon their own specific circumstances. Non-Australian tax resident Cannon Shareholders may also have tax implications in their country of residence.

These comments should not be a substitute for advice from an appropriate professional advisor having regard to each Cannon Shareholder's individual circumstances. All Cannon Shareholders are strongly advised to obtain and rely only on their own professional advice on the tax implications based on their own specific circumstances.

9.1 Australian tax resident Shareholders

This Section applies to Cannon Shareholders who are residents of Australia for income tax purposes. Under the Offer (if accepted), Cannon Shareholders will dispose of their Cannon Shares to Kedalion in exchange for the Offer Price.

(a) **CGT Event on the disposal of Cannon Shares to Kedalion**

The transfer of Cannon Shares to Kedalion pursuant to the Offer will give rise to a capital gains tax (**CGT**) event for Cannon Shareholders. The timing of the CGT event should be the date the contract to dispose of the Cannon Shares is formed.

If a Cannon Shareholder does not dispose of their Cannon Shares under the Offer but their Cannon Shares are compulsorily acquired in accordance with Part 6A.1 of the Corporations Act, those Cannon Shareholders will also be treated as having disposed of their Cannon Shares for CGT purposes. In this case, the CGT event will be the date when the Cannon Shareholder ceases to be the owner of the Cannon Shares.

(b) **Calculation of capital gain or capital loss**

Cannon Shareholders will make a capital gain on the disposal of Cannon Shares to the extent that the capital proceeds received (the cash consideration received from Kedalion) are more than the cost base of those Cannon Shares, all generally expressed in Australian dollars. Conversely, Cannon Shareholders will make a capital loss to the extent that the capital proceeds are less than their reduced cost base of those Cannon Shares.

Capital losses can only be offset against capital gains derived in the same income year or later income years but cannot be offset against ordinary income nor carried back to offset net capital gains arising in earlier income years.

Specific loss recoupment rules apply to companies which must be satisfied if those capital losses are to be used in the current and future years. Cannon Shareholders (as relevant) should seek their own tax advice in relation to the operation of these rules.

(c) **Cost base and reduced cost base of a Cannon Share**

The cost base of a Cannon Share is generally the AUD cost of their acquisition, plus any incidental costs of acquisition and disposal (such as brokerage, legal costs or duty). The reduced cost base of a Cannon Share is determined in a manner similar to the cost base although some differences in the calculation of reduced cost base do exist depending on the Cannon Shareholder's individual circumstances. The cost base and reduced cost base of each Cannon Share will depend on the individual circumstances of each Cannon Shareholder.

(d) **CGT discount**

The CGT discount may apply to Cannon Shareholders that are individuals, complying superannuation funds or certain trusts, who have held, or are taken to have held, their Cannon Shares for at least 12 months (not including the date of acquisition or the date of disposal) at the time of the disposal of their Cannon Shares to Kedalion.

The CGT discount is:

- (i) one-half of the capital gain if the Cannon Shareholder is an individual or trustee of certain trusts: meaning only 50% of the capital gain will be included in its assessable income; and
- (ii) one-third of the capital gain if the Cannon Shareholder is a trustee of a complying superannuation entity: meaning only two-thirds of the capital gain will be included in its assessable income.

The CGT discount is not available to Cannon Shareholders that are companies.

If the Cannon Shareholder makes a discounted capital gain, any current year and/or carried forward capital losses will be applied to reduce the undiscounted capital gain before the relevant CGT discount is applied. The resulting amount is then included in the Cannon Shareholder's net capital gain for the income year and included in assessable income.

The CGT discount rules relating to trusts are complex. Subject to certain requirements being satisfied, the capital may flow through to the beneficiaries in that trust, who will assess eligibility for the CGT discount in their own right. Accordingly, we recommend trustees seek their own independent advice on how the CGT discount applies to them and the trust's beneficiaries, if at all.

9.2 Non-Australian tax resident Shareholders

For any Cannon Shareholder who:

- (a) is not a resident of Australia for Australian income tax purposes; and
- (b) does not hold their Cannon Shares in carrying on a business through a permanent establishment (as defined) in Australia;

the disposal of their Cannon Shares should generally only result in Australian CGT implications if the Cannon Shares constitute an “indirect Australian real property interest”.

Cannon Shares will constitute an “indirect Australian real property interest” if:

- (a) the non-Australian tax resident Cannon Shareholder, together with its associates (as defined for Australian tax purposes), holds 10% or more of Cannon’s issued shares at the time of the CGT event or for any 12 month period in the 24 months prior to disposal (referred to as a “non-portfolio interest”); and
- (b) more than 50% of the market value of the assets of Cannon is attributable (directly or indirectly) to interests in “taxable Australian real property” (as defined in the income tax legislation).

Non-Australian tax resident Cannon Shareholders should seek independent advice on determining whether the disposal of their Cannon Shares will be subject to Australian CGT implications.

If a Cannon Shareholder’s Cannon Shares do not constitute an indirect Australian real property interest, any capital gain or loss realised on the disposal of those Cannon Shares should be disregarded for Australian income tax purposes.

If a Cannon Shareholder’s Cannon Shares do constitute an indirect Australian real property interest, the transfer of Cannon Shares to Kedalion pursuant to the Offer will trigger a CGT event for that shareholder. In these circumstances, non-Australian tax resident Shareholders may make a capital gain or a capital loss in relation to the sale of shares on capital account (again generally calculated in AUD).

The capital gain (or capital loss) should be calculated in a similar manner as described above for Australian tax resident Shareholders. However, non-Australian tax resident Shareholders will not be eligible to apply any CGT discount.

Non-Australian tax resident Cannon Shareholders should seek advice from their tax advisor as to the taxation implications in their country of residence and in Australia.

9.3 Foreign resident capital gains tax withholding

A foreign resident CGT withholding applies in Australia to any transaction involving the acquisition of the legal ownership of an asset that is an “indirect Australian real property interest” (refer above) from a “relevant foreign resident”. The withholding tax rate is currently 12.5%.

Under these rules, a “relevant foreign resident” is any entity that, at the time the transaction is entered into:

- (a) is known by the purchaser to be a foreign resident;
- (b) is reasonably believed by the purchaser to be a foreign resident;
- (c) is not reasonably believed by the purchaser to be an Australian resident, and either has an address outside Australia or the purchaser is authorised to provide a financial benefit relating to the transaction to a place outside Australia; or
- (d) has a connection outside Australia of a kind specified in the regulations.

Under these rules, Kedalion will be required to withhold 12.5% of the cash consideration payable under the Offer where the cash consideration received on disposal of the Cannon Shares amounts to A\$750,000 or greater. Furthermore, Kedalion will not be required to withhold any amounts from the cash consideration payable to a Cannon Shareholder under these rules if Kedalion is provided with one of the following declarations by a Cannon Shareholder (unless Kedalion considers the declaration to be false):

- (a) the Cannon Shareholder is an Australian tax resident (residency declaration); or
- (b) the Cannon Shares held by the Cannon Shareholder are not “indirect Australian real property interests” (interest declaration).

Any Cannon Shareholder who believes they may be impacted by the foreign resident CGT withholding rules or is unsure about whether they are able to make, and how to make, a residency declaration or an interest declaration, should seek their own professional tax advice prior to accepting the Offer.

Any Cannon Shareholders who receive their cash proceeds net of foreign resident CGT withholding may be entitled to a credit in Australia for the amount paid, upon lodging an Australian income tax return. If you are unsure about whether a credit for the withholding tax may be claimed, Cannon recommends you seek your own tax advice in this regard. Relevant Cannon Shareholders are also recommended to seek tax advice on the treatment of such withholding in their country of residence.

9.4 Duty

Under the respective transfer / stamp duty and landholder duty provisions of each of the Australian states and territories, no duty should be payable by the Cannon Shareholders on their sale of the Cannon Shares.

9.5 GST

Under current GST legislation, no GST should be payable by Cannon Shareholders in respect of the disposal of their shares in Cannon, regardless of whether or not the Cannon Shareholder is registered for GST.

Cannon Shareholders may incur Australian GST on costs (such as third party brokerage and adviser fees) that relate to the Offer. Cannon Shareholders that are registered for Australian GST may be entitled to recover the Australian GST payable on the costs. However, in some circumstances, recovery of the Australian GST payable on the costs, or a portion thereof, may be restricted. This will depend on each Cannon Shareholder's individual circumstances, and it is recommended that professional tax advice be sought.

10 KEY FEATURES OF THE OFFER

10.1 Offer Price

The price being offered by Kedalion is A\$0.45 cash per Cannon Share.¹⁶

10.2 Offer Period

The Offer will close at 7:00pm (Perth time) on 21 December 2022, unless extended or withdrawn in accordance with the Corporations Act.

The circumstances in which Kedalion may extend or withdraw the Offer are set out in Sections 10.8 and 10.9 (respectively).

10.3 Offer Conditions

Subject to Section 10.4, the completion of the Offer and any contract that results from an acceptance of the Offer, are subject to the fulfilment (or waiver) of the conditions set out below in this Section 10.3 and in section 11.7 of the Bidder's Statement.

If any of the Offer Conditions are not satisfied or have not been waived by Kedalion, the Offer will automatically lapse. If the Offer lapses, all acceptances of the Offer will be void and of no effect.

(a) **Minimum acceptance**

During or before the end of the Offer Period, Kedalion has a Relevant Interest in the number of Cannon Shares that represents more than 50.1% of all Cannon Shares on issue on a Fully Diluted Basis.

(b) **No Prescribed Occurrences**

Between the Announcement Date and the end of the Offer Period (each inclusive), no Prescribed Occurrences occur.

(c) **No Material Occurrences**

Between the Announcement Date and the end of the Offer Period (each inclusive), no Material Occurrence occurs, other than with the prior written consent of Kedalion.

(d) **No Dividends**

Between the Announcement Date and the end of the Offer Period (each inclusive), Cannon does not declare, determine as payable or pay a distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).

(e) **No Material Adverse Change**

Between the Announcement Date and the end of the Offer Period (each inclusive), no Material Adverse Change occurs.

(f) **No breach of warranty**

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no breach of any Cannon Warranty and no event, matter or circumstances occurs or

¹⁶ Under the terms of the Offer, the amount of consideration you receive from Kedalion will be reduced by the amount or value of any Rights (if any) attaching to the Cannon Shares in respect of which the Offer is accepted, which arise or are paid on or after 31 October 2022, which Kedalion does not receive (noting that a Right includes a dividend but does not include any attaching franking credit).

becomes known to Kedalion that would cause or is reasonably likely to cause any Cannon Warranty to be untrue.

(g) **No regulatory intervention**

Between the Announcement Date and the end of the Offer Period (each inclusive), no action or investigation is threatened or commenced by any Government Agency against Cannon or any of its Related Entities.

10.4 Nature and benefit of Offer Conditions

Each of the Offer Conditions is a condition subsequent. The non-fulfilment of any of those conditions subsequent does not, until the end of the Offer Period, prevent a contract to sell your Cannon Shares resulting from your acceptance of the Offer.

The Offer Conditions, subject to the Corporations Act, operate only for the benefit of Kedalion and any breach or non-fulfilment of any of the Offer Conditions may be relied upon only by Kedalion.

Kedalion will waive any breach of the Offer Conditions in Sections 10.3(c) and 10.3(e) to the extent it arises from an event to which Kedalion gives its prior written consent.

10.5 Status of Offer Conditions

Section 11.10 of the Bidder's Statement indicates that Kedalion will give the notice on the status of the Offer Conditions on 13 December 2022 (subject to extension in accordance with the Corporations Act if the Offer Period is extended). Kedalion is required to set out in this notice:

- (a) whether the Offer is free of the Offer Conditions;
- (b) whether, so far as Kedalion knows, the Offer Conditions have been fulfilled; and
- (c) Kedalion's Voting Power in Cannon at that time.

10.6 Lapse of Offer

The Offer will lapse if the Offer Conditions are not waived or satisfied by the end of the Offer Period (or, if the Offer Condition has not been satisfied by the end of the Offer Period and the breach or non-satisfaction is not waived by Kedalion). If the Offer lapses, all contracts resulting from acceptance of the Offer and all acceptances that have not yet resolved in binding contracts are void and you will retain ownership of your Cannon Shares.

10.7 Variation of the Offer

Kedalion may vary the Offer in any of the ways permitted by the Corporations Act, including by extending the Offer Period or by increasing the Offer Price, provided the varied terms and conditions are not less favourable to Cannon Shareholders than the Offer. If Kedalion varies the Offer in any of those ways, it must give written notice to ASIC and Cannon and send you a copy of that notice (provided, however, that Kedalion will not be required to send you a copy of the notice if, at the time of the variation, you have already accepted the Offer, the Offer is unconditional and the variation merely extends the Offer Period).

10.8 Extension of Offer Period

Kedalion may extend the Offer Period at any time before giving the notice on the status of the Offer Conditions (refer to Section 10.5 above) while the Offer is subject to the Offer Conditions (and can also extend the Offer Period after giving that notice in certain narrow circumstances involving a competing bid). However, if the Offer is unconditional, Kedalion may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period, Kedalion's Voting Power in Cannon increases to more than 50% or the Offer is varied to improve the Offer Price. In this case the Offer Period will be automatically extended so that it ends 14 days after Kedalion's Voting Power in Cannon increases to more than 50% or the improvement in the Offer Price (as applicable).

10.9 Withdrawal of Offer

- (a) The Offer may be withdrawn with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, Kedalion will give notice of the withdrawal to the ASX and to Cannon and will comply with any other conditions imposed by ASIC.
- (b) If, at the time this Offer is withdrawn, one or more of the Offer Conditions in Section 10.3 have been freed, all contracts arising from acceptance of the Offer before it was withdrawn will remain enforceable.
- (c) If, at the time this Offer is withdrawn, the Offer remains subject to one or more of the Offer Conditions in Section 10.3, all contracts arising from its acceptance will become void (whether or not the event referred to in the relevant conditions have occurred).
- (d) A withdrawal pursuant to Section 10.9 will be deemed to take effect:
 - (i) if the withdrawal is not subject to conditions imposed by ASIC, on and after the date on which that consent in writing is given by ASIC; or
 - (ii) if the withdrawal is subject to conditions imposed by ASIC, on and after the date on which those conditions are satisfied.

10.10 Effect of acceptance

Once you have accepted the Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you. In addition, you will be unable to withdraw your acceptance of the Offer or otherwise dispose of your Cannon Shares, except as follows:

- (a) if, at the end of the Offer Period, an Offer Condition has not been satisfied or waived (or it has not been satisfied by the end of the Offer Period and such breach or non-satisfaction is not waived by Kedalion), the Offer will automatically terminate, and your Cannon Shares will be returned to you; or
- (b) if the Offer is varied in accordance with the Corporations Act in a way that postpones for more than one month the time when Kedalion has to meet its obligations under the Offer, and, at the time, the Offer is subject to one or more Offer Conditions, you may be able to withdraw your acceptance in accordance with section 650E of the Corporations Act.

If Kedalion improves the Offer Price, all Cannon Shareholders who accept the Offer (whether or not they have accepted prior to that improvement) will be entitled to the benefit of that improved price.

The effect of acceptance of the Offer is further detailed in section 11.5 of the Bidder's Statement. You should read those provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Cannon Shares and the representations and warranties that you are deemed to give to Kedalion by accepting the Offer.

10.11 When you will receive the Offer Price

In summary, subject to section 11.6 of the Bidder's Statement, the Corporations Act and ASIC Class Order 13/521, if you accept the Offer and the Offer is, or becomes, unconditional, you will be paid on the earlier of:

- (a) one month after your acceptance of the Offer or 21 days after the close of the Offer Period or if at the time of your acceptance the Offer is subject to any Offer Condition, one month after the Offer becomes unconditional; and
- (b) 21 days after the end of the Offer Period.

Full details of when you will be paid the Offer Price by Kedalion are set out in section 11.6 of the Bidder's Statement.

10.12 Compulsory acquisition

Kedalion has indicated in the Bidder's Statement that if it satisfies the required thresholds it intends to compulsorily acquire any outstanding Cannon Shares. Kedalion will be entitled to compulsorily acquire any outstanding Cannon Shares for which it has not received acceptances on the same terms as the Offer if, during or at the end of the Offer Period, Kedalion (taken together with its associates) has a Relevant Interest in at least 90% (by number) of Cannon Shares and has acquired (taken together with its associates) at least 75% (by number) of the Cannon Shares that Kedalion offered to acquire under the Offer (whether the acquisitions happened under the Offer or otherwise).

If the compulsory acquisition thresholds are met, Kedalion will have one month from the end of the Offer Period within which to give compulsory acquisition notices to Cannon Shareholders who have not accepted the Offer, but it may choose to commence compulsory acquisition as soon as the relevant thresholds are satisfied. A Cannon Shareholder has statutory rights to challenge compulsory acquisition, however this will require the relevant Cannon Shareholder to establish that the terms of the Offer do not represent fair value for the Cannon Shares. Cannon Shareholders should be aware that, if their Cannon Shares are acquired compulsorily, they are not likely to receive any payment until at least one month after the compulsory acquisition notices are sent.

It is also possible that Kedalion will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the Cannon Shares. Kedalion would then have rights to compulsorily acquire Cannon Shares not owned by it within six months of becoming the holder of 90%. Kedalion's price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

11 ADDITIONAL INFORMATION

11.1 Bid Implementation Agreement

On 31 October 2022, Kedalion and Cannon entered into the Bid Implementation Agreement (**BIA**) pursuant to which Kedalion agreed to make a conditional off-market Offer for all of Cannon Shares.

This Section contains a summary of the material terms of the BIA.

A full copy of the BIA was included in the announcement made by Cannon to ASX on the Announcement Date.

(a) **Offer**

Kedalion has agreed to offer A\$0.45 (less the amount or value of any Rights attaching to or arising from Cannon Shares which are declared or paid by Cannon after the Announcement Date) for every 1 Cannon Share held.

(b) **Offer Conditions**

The Offer is subject to the Offer Conditions as described in Section 10.3 and section 11.7 of the Bidder's Statement.

(c) **Cannon Board recommendation**

Cannon must use its best endeavours to procure that each Director, and represents and warrants to Kedalion that each Director has informed it that:

- (i) they will publicly recommend that Cannon Shareholders accept the Offer in respect of all their Cannon Shares including those they hold as a result of exercising any Options;
- (ii) once the Offer has become unconditional, they will recommend that Cannon Option Holders exercise their Cannon Options and accept the Offer in respect of the resulting Cannon Shares;
- (iii) they intend to accept, or procure the acceptance of, the Offer in respect of each Cannon Share that he holds or has control over the disposal of; and
- (iv) they intend to exercise or procure the exercise of all Cannon Options that he holds or has control over and to accept the Offer in respect of the resulting Cannon Shares, subject to the satisfaction of the conditions for the release of the ASX escrow pursuant to Listing Rule 9.5,

subject in each case to there being no Superior Proposal.

(d) **Change or withdrawal of recommendation**

Cannon undertakes to Kedalion to use its reasonable endeavours to procure that no Director changes or withdraws their recommendations once made and does not make any public statement which would suggest that the Offer is no longer recommended unless the Cannon Board determines that a Competing Proposal constitutes a Superior Proposal.

(e) **Joint promotion during Offer Period**

During the Offer Period, Cannon will provide reasonable cooperation to Kedalion in promoting the Takeover Bid to Cannon Shareholders and Cannon Option Holders including procuring

that directors and senior executives participate in efforts reasonably requested by Kedalion to promote the merits of the Takeover Bid to Cannon Shareholders and Cannon Option Holders subject to:

- (i) there being no Superior Proposal; and
- (ii) the requested cooperation not unreasonably affecting such person's day to day involvement in the management of the Cannon Group.

(f) **Business conduct obligations**

During the Offer Period, Cannon will conduct the business of the Cannon Group in the usual and ordinary course, take reasonable steps to preserve and maintain the value of its business and assets, and not take or allow any action that will or is likely to breach or prevent the satisfaction of any Offer Condition.

These conduct obligations are subject to exceptions common for a transaction of this nature including conduct that is a Permitted Transaction, expressly permitted by the BIA, required by law or by an order of a court or Government Agency or consented in writing by Kedalion.

(g) **Exclusivity arrangements**

During the Exclusivity Period, Cannon and its Representatives are subject to the following exclusivity arrangements and must not:

- (i) **(No shop)** directly or indirectly solicit, invite, encourage or initiate any Competing Proposal or any enquiries, negotiations or discussions with any third party in relation to, or that are intended to or hoped to, or could reasonably be expected to, lead to a Competing Proposal or communicate any intention to do any of those things;
- (ii) **(No talk)** continue, negotiate, accept or enter into, approve or recommend, participate in negotiations or discussions with, or enter into any agreement, arrangement or understanding with any third party in relation to, or that are intended or hoped to, or could reasonably be expected to lead to, a Competing Proposal, even if:
 - (A) the Competing Proposal was not directly or indirectly solicited, initiated or encouraged by a Relevant Person; or
 - (B) the Competing Proposal has been publicly announced; or
- (iii) **(Due diligence)** make available to any third party or permit any third party to receive any non-public information relating to any member of the Cannon Group, in connection with, or that is intended or hoped to assist, that third party submitting, formulating, developing, assessing or finalising a Competing Proposal.

The no talk and no due diligence restrictions set out in paragraphs (ii) and (iii) above do not apply to the extent they would require Cannon or a Relevant Person to do or refrain from doing anything with respect to a Competing Proposal or an offer or expression of interest that could reasonably be expected to lead to a Competing Proposal (**Potential Competing Proposal**) where:

- (iv) the Cannon Board acting in good faith determines that the Competing Proposal or Potential Competing Proposal is or may reasonably be expected to lead to a Superior Proposal; and
- (v) the Cannon Board acting in good faith determines (after taking advice from its external legal advisers) that failing to respond to that Competing Proposal or Potential

Competing Proposal would be reasonably likely to constitute a breach of the fiduciary or statutory duties owed by the Cannon Board.

(h) **Notification and Matching Right**

During the Exclusivity Period, Cannon must promptly notify Kedalion of any Competing Proposal and prior to the Cannon Board changing their recommendation of the Offer or recommending the Competing Proposal, must provide Kedalion with 5 Business Days to match the Competing Proposal.

(i) **Break fee**

Cannon must pay Kedalion a break fee of A\$450,000 (exclusive of GST) if:

- (i) a Competing Proposal is publicly announced before the end of the Offer Period, and within 9 months after the terminate of the BIA the person making the Competing Proposal, completes in all material respects a transaction of the kind referred to in the definition of Competing Proposal; or
- (ii) at any time before the end of the Exclusivity Period, any Director fails to make or makes and then changes, qualifies or withdraws a recommendation to Cannon Shareholders to accept the Offer made under the Takeover Bid for all Cannon Shares other than because Kedalion is in material breach of a warranty or another other material obligation, or an Offer Condition is breached or has become incapable of being satisfied and Kedalion has stated it will not waived that breach or free the Offer from that Offer Condition; or
- (iii) Cannon is in material breach of a Cannon Warranty or any other material obligation under the BIA; or
- (iv) the happening of a Prescribed Occurrence, or Material Occurrence which was not consented to by Kedalion or has not been waived by Kedalion.

(j) **Termination**

The BIA may be terminated in the following circumstances:

- (i) Cannon or Kedalion may terminate the BIA if:
 - (A) the other party is in material breach of a warranty or any other material obligation under the BIA provided that Cannon or Kedalion (as applicable) has given written notice to the other party setting out the relevant circumstances and stating an intention to terminate the BIA, the relevant breach continues to exist for 10 Business Days after the date of which this notice is given; or
 - (B) if Kedalion gives notice that it will not waive a breach or non-satisfaction of an Offer Condition;
- (ii) Kedalion may terminate the BIA if a Prescribed Occurrence or Material Occurrence Occurs or if any Director fails to make the recommendation referred to in Section 11.1(c) or to give the undertaking referring to in clause Section 11.1(c) or changes, qualifies or withdraws that recommendation or undertaking once made; and

- (iii) Cannon may terminate the BIA if a Superior Proposal is publicly announced provided that Cannon has not breached its obligations under clause 7 of the BIA before that public announcement.

(k) **Warranties**

Cannon provided a number of representations and warranties that are standard for an agreement of this nature. These are summarised in section 10.1(c) of the Bidder's Statement.

11.2 Loan Agreement

On 31 October 2022, Cannon entered into a loan agreement with Kinterra (**Loan Agreement**) pursuant to which Cannon can borrow up to A\$1 million for the purposes of meeting agreed budgeted expenses.

The material terms of the Loan Agreement are as follows:

- (a) Kinterra will make available to Cannon a loan facility to be utilised by way of advances denominated in Australian dollars. The maximum aggregate amount of the advances shall be limited to A\$1,000,000. The maximum amount of the loan is reduced by the amount of funds received by Cannon on exercise of Cannon Options (and if already drawn must be repaid out of such receipts).
- (b) Advances may only be used for the short-term funding requirements of Cannon where there is a shortfall of available cash as set out in an approved budget and any other use that Kinterra expressly approves in writing. Drawdowns of the loan is subject to Cannon not being in breach of the BIA.
- (c) Cannon must repay each outstanding advance in full on the earlier to occur of:
 - (i) 30 days after the earlier of:
 - (A) Cannon becomes wholly owned by Kedalion;
 - (B) the BIA is terminated; or
 - (C) the Offer Period ends, or
 - (ii) a Third Party acquires control of Cannon; or
 - (iii) 270 days after the date of the first advance; or
 - (iv) if an event of default occurs.
- (d) Interest on each advance will be calculated at a rate of 8% per annum.
- (e) If an event of default occurs then Kinterra may by notice to Cannon:
 - (i) cancel the commitment whereupon it shall immediately be cancelled;
 - (ii) declare that all of the amounts outstanding under the Loan Agreement are immediately due and payable to the Lender whereupon those amounts shall become immediately due and payable; and / or
 - (iii) declare that all or part of the amounts outstanding under the Loan Agreement are payable on demand, whereupon they shall immediately become payable on demand by Cannon.

- (f) Cannon provided a number of representations and warranties that are standard for an agreement of this nature.

As at the date of this Target's Statement, Cannon has not drawn down on the loan.

11.3 Interests of Directors

(a) Cannon securities

The number, description and amount of Cannon securities in which each Director has a Notifiable Interest as at the date of this Target's Statement are:

Director	Position	Cannon Shares	Cannon Options
Alex Passmore	Non-Executive Chairman	869,345	1,599,999
Richard Bevan	Non-Executive Director	250,000	833,333
Mark Stowell	Non-Executive Director	62,665	NIL

Other than disclosed to ASX, no Director acquired or disposed of a Relevant Interest in any Cannon securities in the 12 month period ending on the date immediately before the date of this Target's Statement.

However, Directors may indirectly, and without their knowledge, hold Cannon Shares through memberships of professional superannuation or investment funds where such funds hold Cannon Shares for investment purposes.

Former Non-Executive Chairman, Mr Trevor Benson, who remains a related party of the Company as at the date of this Target's Statement (due to him having recently ceased to be a Director), holds 83,333 Cannon Options at the date of this Target Statement. Mr Benson resigned as a Director effective 28 June 2022.

(b) Other transactions with related parties of Cannon

During the financial year ended 30 June 2022, the Cannon Group had the following transactions with key management personnel:

- (i) An amount of A\$403,448 (30 June 2021: 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 A\$17,352 was payable as at 30 June 2022 (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.
- (ii) Mr Richard Bevan is a Director and shareholder of Bayreef Investments Pty Ltd, which received his share of Director fees, totalling A\$49,500. An amount of A\$4,125 was outstanding to Bayreef Investments Pty Ltd as at 30 June 2022.
- (iii) Mr Mark Stowell is a Director and receives consulting fees, through his related entity, Merchant Holdings Pty Ltd, at a day rate of \$2,000 per day for additional services on request from the Company.

- (iv) 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 A\$6,000,000 through the issue of 30 million Cannon Shares. As at 30 June 2021 the Company had a loan payable of A\$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. Mr Alex Passmore is the Managing Director and Mr Chris Hunt is the Chief Financial Officer of Rox.

The demerger agreement included a provision for the Company to sub-lease office space from Rox at A\$2,000 per month (amended as mutually agreed). The amount charged under the demerger agreement for the financial year 30 June 2022 for rent was A\$22,000.

- (v) The Company entered into a shared services agreement with Rox whereby Rox will provide Company Secretarial and Finance Services for A\$8,000 per month (amended as mutually agreed). In addition, the Company can engage Rox to provide Geological services at a 10% mark-up on the cost. The Company Secretarial and Finance Services commenced on 1 September 2021. The amount charged under the shared services agreement for the financial year 30 June 2022 was A\$130,625. Mr Chris Hunt is the Chief Financial Officer and Company Secretary of Rox. Mr Hunt does not receive any remuneration from Cannon. There was a nil balance outstanding as at 30 June 2022.
- (vi) Rox funded \$103,375 of expenditure on behalf of Cannon. The balance outstanding to Rox as at 30 June 2022 was A\$44,852.
- (vii) The Company has entered into non-executive director appointment letters with each Director on the following terms:

- (A) each Director will receive the follow base salary (exclusive of statutory superannuation):

Director	Base Salary
Alex Passmore	A\$45,000
Richard Bevan	A\$45,000
Mark Stowell	A\$45,000

- (B) the Company will reimburse the Director for all reasonable expenses incurred in performing his duties as a Director; and
- (C) the appointment of the Director shall cease if he:
- (I) resigns;
 - (II) at the close of any general meeting of Cannon Shareholders at which a resolution of his re-election is not approved; and
 - (III) otherwise ceases to be a director in accordance with the Corporations Act, the Company's constitution or other applicable law.

All the amounts quoted above are excluding GST.

(c) **Kedalion securities**

There are no securities of Kedalion controlled or held by, or on behalf of, any Directors as at the date of this Target's Statement.

No Director acquired or disposed of a Relevant Interest in any Kedalion securities in the 12 month period ending on the date immediately before the date of this Target's Statement.

(d) **Participation in the Offer**

All Directors will be treated in the same way under the Offer as all other Cannon Shareholders.

(e) **Interests of Directors in contracts entered into by Kedalion**

None of the Directors have any interests in contracts entered into by Kedalion.

(f) **Other agreements or arrangements with Directors in connection with the Offer**

There are no other agreements or arrangements between any Director and any other person in connection with or conditional upon the outcome of the Offer, other than in their capacity as a Cannon Shareholder (as applicable).

No Director has a material interest in relation to the Offer other than in their capacity as a Cannon Shareholder (as applicable).

11.4 Deeds of indemnity, access and insurance

In addition to their respective contracts of engagement, Cannon has entered into, or will enter into, Deeds of Indemnity, Insurance and Access with its Directors and various executive officers, on customary terms.

Cannon pays premiums in respect of a directors and officers insurance policy for the benefit of the Directors and executive officers. Cannon proposes to enter into arrangements to secure directors and officers run-off insurance for any and all directors and executive officers of each member of the Cannon Group for up to a 7 year period from their respective retirement dates.

11.5 Substantial holders

As at the Last Practicable Date, the following persons had notified Cannon that they had Voting Power in 5% or more of Cannon Shares:

Shareholder Name	Number of Cannon Shares	% of Cannon Shares
Ponderosa Investments WA Pty Ltd <The Ponderosa Investment A/C>	13,257,355	15.28%
Rox Resources Limited	8,553,130	9.86%
Hawke's Point (RRL) L.P	4,845,667	5.59%
Kedalion Nickel Pty Ltd	17,106,844	19.72%

11.6 ASX announcements

The following announcements have been lodged on Cannon's ASX platform between 28 October 2022 and the date of this Target's Statement (inclusive of both dates):

Date	Announcement
28 October 2022	Annual Report to Shareholders
31 October 2022	Cannon Recommends All Cash Takeover Offer from Kedalion.
01 November 2022	Notice to Option Holders
01 November 2022	Becoming a substantial holder
03 November 2022	Application for quotation of securities – CNR
04 November 2022	Bidder's Statement
07 November 2022	Application for quotation of securities – CNR
08 November 2022	Bidder's Statement – Commencement of dispatch
09 November 2022	Bidder's Statement – Completion of dispatch
09 November 2022	Becoming a substantial holder

11.7 Consents

(a) Consents

The following parties have given and have not withdrawn, before the date of issue of this Target's Statement, their written consent to be named in this Target's Statement in the form and context in which they are named:

- (i) Mr Warrick Hamilton as the competent persons;
- (ii) Thomson Geer as Australian legal advisers to Cannon; and
- (iii) Automic Group as Cannon's Share Registry.

(b) Disclaimer

Each person referred to in Section 11.7(a):

- (i) has not authorised or caused the issue of this Target's Statement;
- (ii) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than as specified in Section 11.7(a); and
- (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for any part of this Target's Statement other than a reference to its name and any statement or report which has been included in this Target's Statement with the consent of that person referred to in Section 11.7(a).

(c) Directors

Each of the Directors has given and not withdrawn their consent to be named in this Target's Statement in the form and context in which they are named and statements attributable to them being included in this Target's Statement in the form and context in which they appear.

(d) **Other**

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the Listing Rules). Pursuant to this Class Order, the consent of persons such statements are attributed to is not required for the inclusion of those statements in this Target's Statement. Refer to Section 6.12.

In accordance with ASIC Class Order 13/521, Cannon, on request during the Offer Period, will provide, within two Business Days of the request, a copy of such documents (or relevant extracts from those documents) free of charge to any Cannon Shareholder.

Additionally, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

- (i) fairly representing a statement by an official person; or
- (ii) from a public official document or published book, journal or comparable publication.

Pursuant to this Class Order, the consent of persons such statements are attributed to is not required for inclusion of those statements in this Target's Statement.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement also contains trading data obtained from IRESS and S&P Global without their consent.

11.8 Other material information

There is no other information that Cannon Shareholders or their professional advisers would reasonably require to make an informed assessment on whether to accept the Offer, being information which:

- (a) is reasonable for Cannon Shareholders and their professional advisers to expect to find in this Target's Statement; and
- (b) is known to any of the Directors.

In deciding what information should be included in this Target's Statement, the Directors have had regard to, amongst other things, the matters which Cannon Shareholders (or their professional advisers) may reasonably be expected to know, including information contained in documents previously sent to Cannon Shareholders and information available from public sources such as the ASX, ASIC and Cannon's website at <https://www.cannonres.com.au/>.

12 AUTHORISATION

This Target's Statement is dated 9 November 2022 and was approved pursuant to a unanimous resolution passed at a meeting of the Directors.

Signed for and on behalf of

Cannon Resources Ltd

A handwritten signature in blue ink, appearing to read 'A Passmore', is written over a faint, light blue grid background.

Alex Passmore
Non-Executive Chairman

13 GLOSSARY

In this Target's Statement, unless the context requires otherwise:

2022 Annual Report has the meaning given in Section 6.6.

A\$, \$ or AUD means the lawful currency of Australia.

Acceptance Form has the meaning given to that term in the Bidder's Statement.

Announcement Date means 31 October 2022, the date on which the BIA was announced and released on the ASX announcements platform.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as appropriate.

ASX Settlement means ASX Settlement Pty Limited ABN 49 008 504 532.

ASX Settlement Operating Rules means the operating rules of ASX Settlement which govern the electronic transfer, settlement and registration of securities in Australia through the Clearing House Electronic Subregister System.

Authorisation means

- (a) an approval, authorisation, consent, declaration, exemption, notarisation, licence, quota, permit or waiver, however described, and any condition attaching to it; and
- (b) in the context of anything that could be prohibited or restricted by law if a Government Agency acts in any way within a specified period, the expiry of the period without that action being taken,

including any renewal, consolidation, replacement, extension or amendment of any of them.

BIA means the bid implementation agreement between Cannon and Kedalion dated 31 October 2022.

Bidder's Statement means the bidder's statement dated 4 November 2022 issued by Kedalion, under Part 6.5 of the Corporations Act, in relation to the Offer.

Business Day means a day that is not a Saturday, Sunday, bank holiday or a public holiday in Perth, Western Australia or Toronto, Canada.

Cannon or the **Company** means Cannon Resources Limited ACN 646 149 902.

Cannon Board or **Board** means the board of directors of Cannon.

Cannon Group or the **Group** means Cannon and its Subsidiaries, and a **member of the Cannon Group** means any one of them.

Cannon Option means an unlisted option to acquire a Cannon Share, which as at the date of this Target's Statement comprises of the options described in Section 6.9.

Cannon Option Holder means a holder of a Cannon Option.

Cannon Register means the share register of Cannon Shareholders kept pursuant to the Corporations Act.

Cannon Share means a fully paid ordinary share in the capital of Cannon.

Cannon Shareholder means a person registered in the Cannon Register as the holder of one or more Cannon Shares.

Cannon Warranty means a warranty provided by Cannon in clause 9.2 of the BIA.

CGT means capital gains tax.

CHESS Holding means a holding of Cannon Shares on the CHESS subregister of Cannon (being a register administered by ASX Settlement and which records uncertificated holdings of shares).

Competing Proposal means a proposed transaction or arrangement pursuant to which a Third Party, would, if the proposed transaction or arrangement is entered into or completed substantially in accordance with its terms:

- (a) directly or indirectly acquire or have a right to acquire:
 - (i) a Relevant Interest in 20% or more of Cannon Shares (including aggregating interests in securities that may convert into or be exchanged for such a Relevant Interest in Cannon Shares on the basis that such securities have been converted or exchanged) or otherwise acquire Control of Cannon, other than the exercise of Cannon Options on issue, and by their holders, in each case as at the date of the BIA; or
 - (ii) a legal, economic or other interest in all or any of the Mining Tenements (including for the avoidance of doubt a divestment, farm-in, joint venture, royalty or similar transaction (whether physical, synthetic, economic or derivative in nature) involving directly or indirectly an exploration permit held by the Cannon Group, whether or not such proposed transaction is subject to the approval of Cannon Shareholders);
- (b) enter into, buy, dispose of, terminate or otherwise deal with any cash settled equity swap or other synthetic, economic or derivative transaction connected with or relating to 10% or more of Cannon Shares; or
- (c) otherwise acquire or merge with Cannon whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure or other synthetic merger or any other transaction or arrangement with similar effect.

Control has the meaning given to that term in section 50AA of the Corporations Act and **Controlled** has the corresponding meaning.

Controlling Participant has the same meaning (in relation to your Cannon Shares) as in the ASX Settlement Operating Rules (normally your broker).

Corporations Act means the *Corporations Act 2001* (Cth).

Data Room means the Project Launch: Cannon Resources web based data room hosted by Datasite as it stands at 7.00pm (Perth time) on the date 2 Business Days before the date of the BIA, and to which access was provided to Kedalion on or around 28 October 2022.

Directors mean the directors of Cannon.

Due Diligence Material means:

- (a) the documents provided by Cannon to Kedalion (including the written responses to any requests by Kedalion for further information) in the Data Room before 9.00 am on 28 October 2022, the index of which documents is agreed and exchanged between the parties on the date of the BIA; and
- (b) the written information provided by Cannon or its Representatives to Kedalion or its Representatives, including the data downloaded by Gregor Bennett onto Henry Lole's laptop on 19 October 2022.

Encumbrance means any mortgage, fixed or floating charge, pledge, lien, option, right to acquire, right of pre-emption, assignment by way of security, trust arrangement for the purpose of providing security, retention arrangement, hypothec, or other third party interest of any kind, and any agreement

to create any of the foregoing and includes a PPS Security Interest other than a Permitted Encumbrance.

Exclusivity Period means the period starting on the date of the BIA and ending on the first to occur of:

- (a) the termination of the BIA;
- (b) the end of the Offer Period; and
- (c) the date that is six months after the date of the BIA.

Exercise Form has the meaning given in Section 4.4.

Fully Diluted Basis means all Cannon Shares to which the Offer relates including:

- (a) any new Cannon Shares issued during the Offer Period on exercise or vesting of Cannon Options, on issue as at the Register Date; or
- (b) any new Cannon Shares that are able to be issued (whether subject to vesting or satisfaction of a condition or otherwise) during the Offer Period on exercise or vesting of Cannon Options, on issue as at the Register Date;

and for the avoidance of doubt, shall be calculated assuming each Cannon Option has been exercised.

Government Agency means a government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity whether foreign, federal, state, territorial or local in Australia, including (without limitation) any self-regulatory organisation established under a statute or otherwise discharging substantially public or regulatory functions, and in particular, ASX and ASIC.

GST means the tax levied under the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Inferred Mineral Resource has the meaning given in the JORC Code.

Issuer Sponsored Holding means a holding of Cannon Shares on Cannon's issuer sponsored subregister.

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition).

Kedalion means Kedalion Nickel Pty Ltd ACN 663 451 170.

Kedalion Group means Kedalion and its Related Entities (other than members of the Cannon Group).

Kinterra means Kinterra Battery Metals Mining Fund, LP.

Kinterra Capital means Kinterra Capital Corp., in its capacity as investment advisor to Kinterra.

Kinterra GP Corp. means Kinterra Capital GP Corp., a Cayman Islands exempted company that services as the general partner of Kinterra.

Last Practicable Date means the last practicable date prior to the date of the Target's Statement, being 8 November 2022.

Listing Rules means the official listing rules of the ASX.

Loan Agreement has the meaning given in Section 11.2.

Material Adverse Change means no one or more events, matters, changes or circumstances (including any litigation or dispute), which (individually or when aggregated) have or could reasonably be expected to have, a material adverse effect on:

- (a) the business, financial or trading position, assets or liabilities (contingent or otherwise), operations, economic feasibility, profitability or prospects of the Cannon Group (taken as a whole); or
- (b) the Projects,

including any one or more events, matters, changes or circumstances that have had, or could reasonably be expected to have, the effect of:

- (c) decreasing either Project's JORC Code compliant mineral resources by 20% or more from the position publicly disclosed by Cannon prior to the date of the BIA;
- (d) diminishing the value of the consolidated net assets of the Cannon Group as set out in the balance sheet for the financial year ended 30 June 2022 by 20% or more but not including any diminution in value resulting from the expenditure of cash assets in the ordinary course of business as permitted by the BIA; or
- (e) resulting in the termination or loss of, or reduction in Cannon's interest in, any of the Mining Tenements,

other than:

- (f) any event, matter, change or circumstance disclosed to Kedalion before the date of the BIA (including the implementation of any future matters included in budgets, business plans or other future planning or strategy documents, in accordance with those documents);
- (g) a Permitted Transaction;
- (h) any event, matter, change or circumstance fairly disclosed in public filings by a member of the Cannon Group to ASX or ASIC before the date of the BIA;
- (i) any event, matter, change or circumstance resulting from the change of control of Cannon contemplated by the Takeover Bid;
- (j) anything required or permitted to be done or not done under the BIA, the Takeover Bid or the transactions contemplated by them;
- (k) any event, matter, change or circumstance in or resulting from:
 - (i) economic, business, regulatory or political conditions in general;
 - (ii) credit, financial, securities or currency markets in general (including any reduction in market indices or the market price of Cannon Shares provided that this does not exclude anything that would otherwise be a Material Adverse Change that causes a change in market price of Cannon Shares); or
 - (iii) any change effecting the mining industry generally (including fluctuations in commodity prices);
- (l) any change in law, taxation, accounting standards, interest rates or exchange rates; or
- (m) anything done with the prior written consent of Kedalion.

Material Contract means a contract or commitment (a) disclosed in the Data Room; (b) requiring total payments by, or providing revenue to, the Cannon Group in excess of \$100,000 per annum or (c) is otherwise material to the Cannon Group.

Material Occurrence means the occurrence of any of the following events (other than with the prior written consent of Kedalion):

- (a) Cannon or a Subsidiary of Cannon acquiring, offering to acquire, agreeing to acquire or announcing an intention to acquire, one or more shares, companies, businesses, properties

or assets (including any exploration or mining permit), or an interest therein, other than in the ordinary course of business, the total consideration for which, or the value of which, either individually exceeds A\$100,000 or in aggregate exceeds A\$250,000;

- (b) Cannon or a Subsidiary of Cannon disposing of, offering to dispose of, agreeing to dispose of or announcing an intention to dispose of, one or more shares, companies, businesses, properties or assets (including any exploration or mining permit) or an interest therein, other than in the ordinary course of business, for an amount, or for which the book value (as recorded in Cannon's statement of financial position as at 30 June 2022) is, either individually greater than A\$100,000 or in aggregate, greater than A\$250,000;
- (c) Cannon or a Subsidiary of Cannon entering into, offering to enter into, or announcing an intention to enter into:
 - (i) any agreement, lease, joint venture, partnership, management agreement, arrangement or commitment which would require expenditure other than in the ordinary course of business, or the foregoing of revenue, by any member(s) of the Cannon Group of an amount or value which, exceeds either A\$100,000 (for each separate agreement, lease, joint venture, partnership, management agreement, arrangement or commitment) or A\$250,000 in aggregate;
 - (ii) any swap, futures contract, forward commitment or other derivative transaction; or
 - (iii) any agreement or transaction which is outside the ordinary course of business, including any agreement in relation to or a transaction with a related party or any agreement or commitment which is likely to restrain Cannon's business or lead to a Material Adverse Change;
- (d) Cannon making any change to its constitution or convening a meeting to consider a resolution to change a constitution of any member of the Cannon Group or passing any special resolution, other than amendments which are being proposed at Cannon's 2022 annual general meeting to allow the holding of virtual shareholder meetings;
- (e) Cannon or a Subsidiary of Cannon entering, or agreeing to enter, into any contract or consultancy agreement for the appointment of, or otherwise engaging, a director, chief executive officer, manager, employee, contractor or adviser (other than replacing a contractor who ceases to act as a contractor with another contractor on materially similar terms);
- (f) Cannon or a Subsidiary of Cannon (A) varying, or agreeing to vary any existing contract with any director, employee or consultant, including making or agreeing to make any change in the basis or amount of remuneration or compensation, (B) paying or agreeing to pay any bonus (whether or not that constitutes a variation of any existing contract) to any director, employee or consultant, except:
 - (i) as required by law; or
 - (ii) lawfully in accordance with any non-discretionary contractual entitlement existing as at the date of the BIA that fairly disclosed in the Due Diligence Material;
- (g) Cannon implementing or agreeing to implement any scheme of arrangement or compromise (including one for a reconstruction or amalgamation of any members of the Cannon Group), or any analogous procedure, scheme or arrangement in any jurisdiction;
- (h) other than in the ordinary course of ordinary business, Cannon or a Subsidiary of Cannon granting or agreeing to grant, any Encumbrances over a material part of its assets;
- (i) Cannon or a subsidiary of Cannon incurring, other than in the ordinary course of ordinary business, any new indebtedness;
- (j) Cannon or a Subsidiary of Cannon granting or issuing, or agreeing to grant or issue, any Cannon Options or any other rights to be issued a Cannon Share, or a commitment to so grant or issue is given;

- (k) Cannon failing to:
 - (i) maintain the good standing of the Mining Tenements;
 - (ii) diligently and reasonably expeditiously prosecute any applications for mining tenements; or
 - (iii) comply with any applicable laws, Authorisations and any lawful direction of a Government Agency which may be applicable to the activities on the Mining Tenements;
 - (l) Cannon terminating (other than for cause) a Director, employee or consultant;
 - (m) Cannon accelerating the rights of any of its Directors, employees or consultants to benefits of any kind;
 - (n) Cannon paying a Director or executive a termination payment, other than as provided for in an existing employment contract in place as at the date of the BIA and a copy of which has previously been provided to the Bidder, including by way of being included in the Due Diligence Material;
 - (o) Cannon failing to comply in all material respects with the Material Contracts to which it is a party; or
 - (p) Cannon failing to make all reasonable efforts to preserve its relationships with any Government Agency, any applicable native title holders or claimants and others with whom they have material business dealings,
- other than in the case of paragraphs (c), (e), (i):
- (q) a Permitted Transaction.

Mineral Resource has the meaning given in the JORC Code.

Mining Tenements means the mining tenements comprising the Projects as detailed in Section 6.4(a) and includes extension, renewal, conversion or substitution of any of those mining tenements.

Notifiable Interest has same meaning given as the term "notifiable interest of a director" as defined in the Listing Rules.

Offer means the offer by Kedalion under Chapter 6 of the Corporations Act contained in the Bidder's Statement.

Offer Conditions means the conditions in section 11.7 of the Bidder's Statement and detailed in Section 10.3.

Offer Period means the period during which the Offer will remain open for acceptance.

Offer Price means A\$0.45 cash per Cannon Share.

Permitted Encumbrance means any encumbrance in relation to any property of a Cannon Group member:

- (a) registered against the Mining Tenements and which is capable of being identified by conducting a search of the mining tenement register maintained by the Western Australian Department of Mines, Industry Regulation and Safety on 28 October 2022;
- (b) registered against a Cannon Group member and recorded in the public records maintained by the Registrar (as defined in section 10 of the PPSA), 3 Business Days before the date of the BIA;
- (c) a lien arising by operation of law and in the ordinary course of trading;

- (d) a retention of title arrangement provided that such arrangement was entered into in the ordinary course of business;
- (e) a purchase money security interest (as defined in section 14 of the PPSA) which relates to the deferred purchase price of any asset or service provided in the ordinary course of trading;
- (f) a netting, set-off or similar arrangement or any combination of them entered into in the ordinary course for the purpose of netting debit and credit balances; or
- (g) an interest in personal property that would not be an Encumbrance but for section 12(3) of the PPSA.

Permitted Transaction means any of the following:

- (a) Cannon engaging a financial adviser, independent expert (including any technical expert), or changing legal advisers, to assist with the Takeover Bid or any Competing Proposal and complying with the terms of such engagement, including the payment of fees, provided that such engagements are for cash consideration only and the consideration payable to financial adviser(s) or independent expert (including any technical expert) does not exceed A\$300,000 in aggregate, confers on the adviser no rights of any kind in relation any transaction other than the Takeover Bid or a Competing Proposal, and is otherwise on market terms for such an appointment by a company the size and nature of Cannon; or
- (b) either:
 - (i) Cannon obtaining an unsecured loan for an amount of up to A\$1,000,000 (less proceeds from any exercise of Cannon Options after the date of the BIA from a third party on terms materially similar to (or more favourable to the company) the terms of Annexure A of the BIA (including as to interest rate, fees and prepayments) (and drawing down on that loan) provided that clause 6.5(b) of the BIA has been complied with; or
 - (ii) Cannon entering into the Loan Agreement (and drawing down on that loan).

Potential Competing Proposal has the meaning given in Section 11.1(g).

PPS Security Interest means a security interest that is subject to the PPSA.

PPSA means the Personal Property Securities Act 2009 (Cth).

Prescribed Occurrence means the occurrence of any of the following events:

- (a) Cannon converting all or any of the Cannon Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (b) Cannon or a subsidiary of Cannon resolving to reduce its share capital in any way;
- (c) Cannon or a subsidiary of Cannon entering into a buyback agreement or resolving to approve the terms of a buyback agreement under subsection 257C(1) or 257D(1) of the Corporations Act;
- (d) Cannon or a subsidiary of Cannon making an issue of shares (other than Cannon Shares issued as a result of the exercise or vesting of Cannon Options that are in existence as at the date of the BIA) or granting an option over shares or agreeing or committing to make such an issue or grant such an option;
- (e) Cannon or a subsidiary of Cannon issuing, or agreeing to issue, convertible notes;
- (f) Cannon or a subsidiary of Cannon disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;

- (g) Cannon or a subsidiary of Cannon charging, or agreeing to charge, the whole, or a substantial part, of its business or property as security for any new indebtedness;
- (h) Cannon or a subsidiary of Cannon resolving that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator of Cannon or of a subsidiary of Cannon;
- (j) the making of an order by a court for the winding up of Cannon or of a subsidiary of Cannon;
- (k) an administrator of Cannon or of a subsidiary of Cannon being appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) Cannon or a subsidiary of Cannon executing a deed of company arrangement; or
- (m) the appointment of a receiver or a receiver and manager in relation to the whole, or a substantial part, of the property of Cannon or of a subsidiary of Cannon.

Projects means the Cannon Group's projects known as 'Fisher East Nickel Project' and 'Collurabie Project' in the North Eastern Goldfields of Western Australia and comprising of the Mining Tenements.

Register Date means the date set by the Kedalion under section 633(2) of the Corporations Act, being 9.00am (Sydney time) on 7 November 2022.

Related Body Corporate has the meaning it has in the Corporations Act.

Related Entity means:

- (a) in respect of Kedalion, an entity or person that:
 - (i) directly or indirectly Controls Kedalion;
 - (ii) is Controlled directly or indirectly by Kedalion;
 - (iii) is under the Control of another entity that also Controls Kedalion;
 - (iv) is, or is formed, subject to, or the subject of, the terms of an investment management agreement (or similar document) under which the company providing the investment management services is Kinterra Capital Corp or an entity Controlled by it; or
 - (v) a limited partnership of which the general partner is Kinterra Capital GP Corp. or an entity Controlled by it,

and for the purposes of this definition, Kinterra Capital Corp is deemed to Control Kedalion;
and

- (b) in respect of Cannon, an entity that is under the Control of Cannon.

Relevant Interest has the meaning given in the Corporations Act as if sections 609(6) and 609(7) were omitted.

Representatives means:

- (a) in relation to Cannon, a member of the Cannon Group, any Cannon Director, officer or employee of any member of the Cannon Group, and any financial adviser, accounting adviser, auditor, legal adviser or technical or other expert adviser or consultant to any member of the Cannon Group in relation to the Takeover Bid; and
- (b) in relation to Kedalion, a member of the Kedalion Group, any director, officer or employee of any member of the Kedalion Group, and any financial adviser, accounting adviser, auditor, legal adviser, agent or technical or other expert adviser or consultant to any member of the Kedalion Group in relation to the Takeover Bid.

Rights means all accretions, rights or benefits of whatever kind attaching to or directly or indirectly attaching to or arising from the Cannon Shares arising on or after the date of this agreement including all rights to receive dividends, to receive or subscribe for shares, notes or other securities and all other distributions or entitlements declared, paid, made or issued by Cannon after that date, but excluding any franking credits attached to a distribution.

Section means a section of this Target's Statement.

Share Registry means Automic Group.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act.

Superior Proposal means a bona fide, written Competing Proposal which in the determination of the Directors acting in good faith:

- (a) is reasonably capable of being completed within a reasonable timeframe and in accordance with its terms, including its conditions precedent, and any other factors they consider relevant; and
- (b) having regard to all its terms and conditions and the matters referred to in paragraph (a), is more favourable to Cannon Shareholders as a whole than the Offer.

Takeover Bid means the off-market takeover bid to be made by Kedalion for all Cannon Shares under Chapter 6 of the Corporations Act to which the Bidder's Statement relates.

Target's Statement means this target's statement, being the statement issued by Cannon under Part 6.5 of the Corporations Act relating to the Offer.

Third Party means a person other than Kedalion or its Related Entities.

Voting Power has the meaning given to it in the Corporations Act.

VWAP means the volume weighted average market price.

In this Target's Statement:

- (a) all dates and times are Perth, Western Australia times unless otherwise indicated;
- (b) words and phrases not otherwise defined in this Target's Statement have the same meaning (if any) as is given to them by the Corporations Act;
- (c) the singular includes the plural and vice versa;
- (d) a reference to a person includes a reference to a corporation;
- (e) headings are for ease of reference only and do not affect the interpretation of this Target's Statement; and
- (f) a reference to a Section is to a Section in this Target's Statement unless stated otherwise.

Corporate Directory

Directors & Company Secretaries		Legal Adviser
<p>Directors:</p> <p>Alex Passmore Richard Bevan Mark Stowell</p> <p>Company Secretary:</p> <p>Christopher Hunt</p>		<p>Thomson Geer Level 27 Exchange Tower 2 The Esplanade Perth WA 6000</p> <p>Tel +61 8 9404 9100</p>
Registered and Corporate Office		Share Registry
<p>Level 2, 87 Colin Street West Perth WA 6005</p> <p>Tel: (08) 6383 9911 Email: admin@cannonres.com.au Web: https://www.cannonres.com.au/</p>		<p>Automic Group Level 5, 191 St Georges Terrace, Perth WA 6000</p> <p>Tel: 1300 288 664 Email: hello@automic.com.au</p>
Stock Exchange Listing		
<p>Australian Securities Exchange ASX Code: CNR</p>		



CANNON
RESOURCES