



## Cannon Resources Ltd (CNR)

### Our View

Cannon Resources Ltd (CNR) has defined a resource at the Fisher East Nickel Project in WA of 6.4Mt @ 1.8% Ni and drilling is ongoing (7,000m planned). We see the potential to outline a 200kt+ Ni inventory (based on the untested drill target areas), which will put Fisher East right towards the top of undeveloped primary nickel assets in Australia (and located within trucking distance to major nickel mines operated by BHP and IGO). PGE (Pd + Pt) grades are now also being reported, and this will further enhance the in-situ contained value of the respective deposits with the potential to be a significant credit as part of any proposed development scenario.

- Fisher East hosts four high grade nickel sulphide deposits all in close proximity to each other. These are the Musket, Camelwood, Cannonball and Sabre deposits, for which drilling following the 2021 IPO has returned a 49% increase in resources, including increases in both tonnes and grade.
- Individually the four resources currently consist of:
  - Musket; 2.4 Mt @ 1.9% Ni for 45.5 Kt Ni (0.9% Ni cut-off)
  - Camelwood; 2.0 Mt @ 2.0% Ni for 39.0 Kt Ni (1.0% Ni cut-off)
  - Cannonball; 0.26 Mt @ 2.8% Ni for 7.3 Kt Ni (1.0% Ni cut-off)
  - Sabre; 1.8 Mt @ 1.4% Ni for 24.5 Kt Ni (0.9% Ni cut-off)
- The PGE content has been estimated (JORC 2012 compliant) for the first time at Musket, which is reported at 38,580oz contained at 0.5g/t (Pd+Pt). Other PGE resources will be reported over time with further sampling from additional drilling at Fisher East. A regional aircore (AC) program has tested the ore-position contact along a 12 km section with very strong PGE anomalies returned from the Musket, Sabre and Horatio Prospects.
- The second project in the portfolio is the 100% owned Collurabbie, which contains a JORC 2012 Inferred Mineral Resource of 573,000t grading 1.63% Ni, 1.19% Cu, 0.082% Co, 1.49g/t Pd and 0.85g/t Pt at Olympia. Mineralisation is intrusive magmatic style and is composed of massive and disseminated nickel sulphide mineralisation designated as Class 1 ore.
- Back at Fisher East, drilling by Cannon in late 2021 encountered high grade mineralisation at Camelwood outside of the Musket and Sabre areas. As an example, two diamond holes returned:
  - 4.67m @ 2.31% Ni from 434.33m
  - 0.71m @ 3.26% Ni from 728.85m
- More recently, the Sabre Prospect has delivered some meaningful results with a high-grade intersection of 5.70m @ 2.62% Ni from 192.76m (inc. 1.1m @ 7.63% Ni and 1.61 g/t PGE). As announced on the 7<sup>th</sup> of June, further drilling has been completed at Sabre with two decent zones of massive sulphides outside of the current resource envelope (potentially high-grade nickel mineralisation) being intersected:
  - 3.7m of massive Ni sulphide within a larger mineralised zone from 310m
  - 2.8m of massive Ni sulphide within a larger mineralised zone from 133m
- Cannon continues to aggressively drill at the Fisher East Nickel Project. The recent high-grade intersections will add to the Ni inventory and could potentially improve the grade profile, which could be an important factor for any proposed underground development.

16 June 2022

Spec. Buy (TC Valuation 70c/share)

### Summary (AUD)

Market Capitalisation (undiluted)	\$26.5m
Share price (June 15, 2022)	\$0.31
52 week low	\$0.245
52 week high	\$0.655
Cash (31/3/22)	\$4.7m
Ordinary shares	76.9m
Restricted Shares	8.6m
Options	16.3m

### Share price graph (AUD)



### Directors & Management

Trevor Benson	Non-Executive Chairman
Stephen Lynn	CEO
Richard Bevan	Non-Executive Director
Alex Passmore	Non-Executive Director
Chris Hunt	Company Secretary

### Top Shareholders\*

Ponderosa Investments	15.14%
Rox Resources	10.01%
Hawke's Point	5.67%
Top 20	51.02%

\*Iress Data

**Our conflicts of interest are disclosed on the last page of this report.**

## Project Location Overview

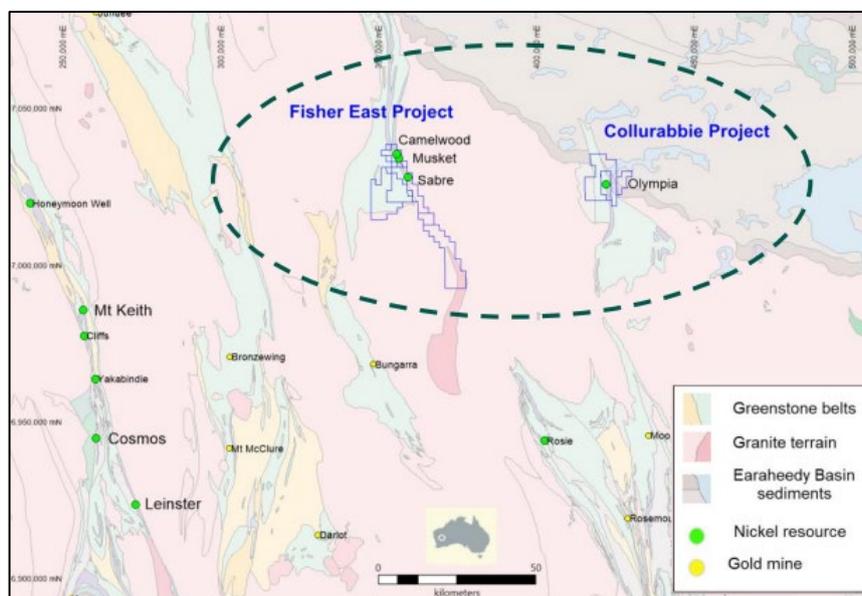


Figure 1 – CNR Project Locations

## Fisher East Nickel Project Mineral Resource

Table 1: JORC (2012) Resources (Fisher East Nickel 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
	<b>TOTAL</b>	<b>2.0</b>	<b>2.0</b>	<b>39.0</b>
Cannonball	Indicated	0.24	2.9	7.0
	Inferred	0.02	1.9	0.3
	<b>TOTAL</b>	<b>0.26</b>	<b>2.8</b>	<b>7.3</b>
Musket	Indicated	0.9	2.1	19.0
	Inferred	1.5	1.8	26.4
	<b>TOTAL</b>	<b>2.4</b>	<b>1.9</b>	<b>45.5</b>
Sabre	Inferred	1.8	1.4	24.5
	<b>TOTAL</b>	<b>1.8</b>	<b>1.4</b>	<b>24.5</b>
<b>TOTAL</b>	Indicated	2.8	2.1	60.0
	Inferred	3.6	1.6	56.2
	<b>TOTAL</b>	<b>6.4</b>	<b>1.8</b>	<b>116.3</b>

Note: Cut-off grades: Camelwood, Cannonball 1.0% Ni; Musket, Sabre 0.9% Ni. Values may not sum due to rounding.

## TC Valuation (ASX Peers)

For the purposes of our valuation of Cannon Resources (CNR), we have compared them with other ASX-listed nickel exploration/pre-development companies and applied a simple \$ Market Cap / Ni tonne comparison (see Table 2 below). From that we have applied a 50% discount to the average ratio (excluding the highest and lowest values) and this has led to the TC valuation of 70c/share. Observations for Cannon Resources (CNR) from the comparison include:

- Fisher East grade in line with the average of others that are in the comparison table
- Resource inventory on the upper end – providing better potential for economies-of-scale
- The lowest \$ MC/Ni tonne at ~A\$236/t (just including Fisher East)

**Table 2: ASX-listed Nickel Explorers Comparison Table**

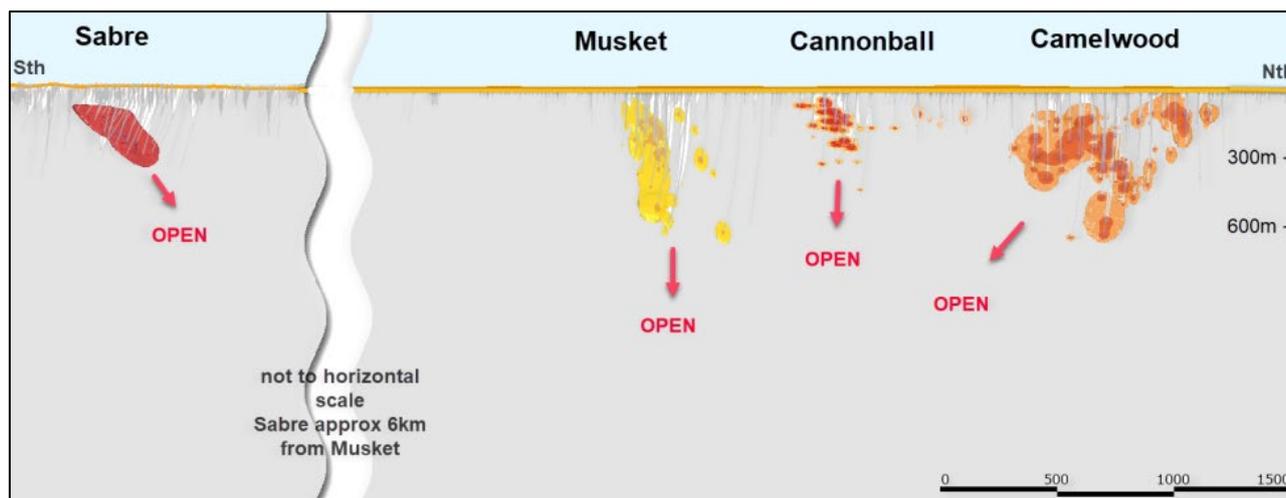
Name	ASX Code	WA Nickel Project/s	Project Ownership	Attributable Resource/Grade	Ni Metal (kt)	Market Cap (inc escrow)
Lunnon Metals	LM8	Kambalda Nickel Project	100%	2.2 Mt @ 2.9% Ni	64.3	\$120.2m
Poseidon Nickel	POS	Black Swan, LJ and Windarra	100%	16.9 Mt @ 0.9% Ni	398.7	\$147.1m
Azure Minerals	AZS	Andover	60%	2.76Mt @ 1.1% Ni	31.0	\$85.4m
Auroch Minerals	AOU	Saints	100%	1.05Mt @ 2.0% Ni	21.4	\$25.1m
Duketon Mining	DKM	Rosie	100%	2.80Mt @ 2.0% Ni	56.3	\$31.8m
<b>Cannon Resources</b>	<b>CNR</b>	<b>Fisher East</b>	<b>100%</b>	<b>6.40Mt @ 1.8% Ni</b>	<b>116.3</b>	<b>\$26.5m</b>

### Fisher Project Geology

The Fisher East Project is located 430km north of Kalgoorlie. The geology represents the eastern most margin of the Mt Fisher Greenstone Belt with the nickel prospective ultramafic package forming a north-east trending magnetic high ridge in the airborne magnetic data.

The Fisher East Project deposits consisting of Musket, Camelwood, Cannonball and Sabre, are typical Archean komatiite-associated deposits having affinities with Kambalda-style Type 1 contact ores. These Kambalda-style komatiite channels can be individually up to 700m+ in strike length with massive to semi massive and disseminated ore at grades of 1.4%-2.8% Ni.

The mineralisation at The Fisher East Project is exemplified by that found at Camelwood, where mineralisation extends over several hundred metres along the basal contact with a typical sequence of massive sulphides stratigraphically overlain by matrix and disseminated sulphides. All resources are open internally, laterally, and down plunge and a 7,000m diamond drill program is currently targeting resource expansions at Sabre and Musket.



**Figure 2 – Long Section at the Fisher East Nickel Project (displaying all four deposits)**

### Current Drilling Program Update

The current diamond drilling program is still underway with 17 holes for approximately 5,500 metres completed to date from an initial planned 7,000 metres. Drilling has been conducted at Sabre (12 holes completed), Musket (3 holes completed) and Camelwood (2 holes completed). Assays have been returned for a portion of the Sabre holes but none of the Musket or Camelwood drilling.

The successful drilling at Sabre has resulted in a pivot to concentrate the remainder of the program on this prospect and the rig is currently infill drilling there. Once all assay results are received, Cannon will be able to step straight into a resource update for Sabre. Cannon expects to commence and complete this work in August.

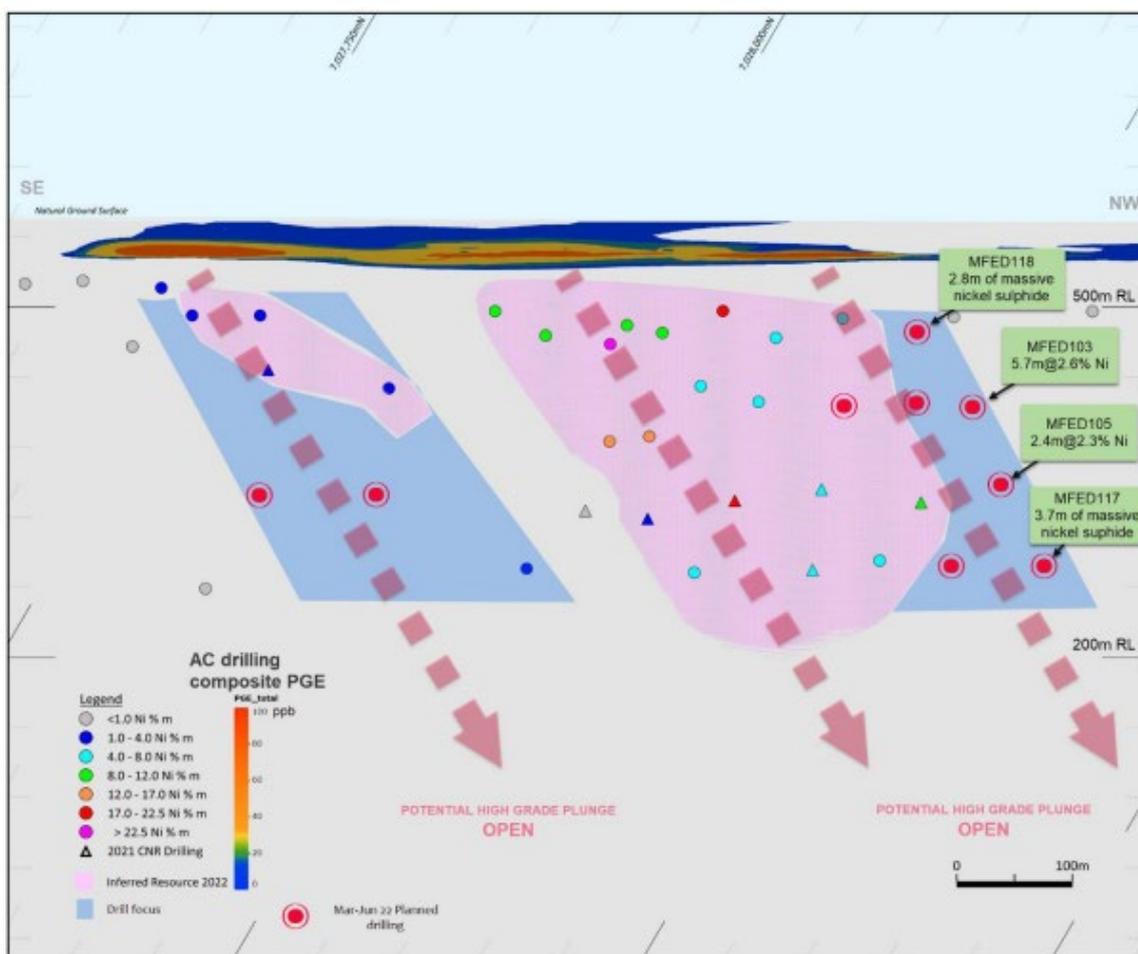


Figure 3 – Sabre long section showing mineralised intercepts of latest drilling

### Collurabbie Project

The geology in the project area comprises a north-northwest striking greenstone sequence known as the Gery Well Greenstone Belt. Monzogranite batholiths are interpreted to flank the greenstone sequence in the eastern and western extremities of the project area. The greenstone sequence comprises felsic, mafic, ultramafic, and sedimentary units, although the only units to crop out at surface are chert and BIF ridges.

In 2004 Falcon Mineral's joint venture partner Western Mining Corporation (WMC) announced the intersection of high-grade massive nickel-copper-sulphide mineralisation at the Olympia Prospect including 5.77m at 3.0% Ni, 1.9% Cu, 5.3g/t PGE.

The Collurabbie Project has intrusive style sulphide mineralisation (Ni/Cu/Co/PGE) system that is similar to Nova, Savannah or Julimar. There is a small resource at Olympia hosted in an ultramafic sill with a total Mineral Resource (JORC) estimate of 0.573Mt at 1.63% Ni, 1.19% Cu, 0.082% Co, 1.49g/t Pd and 0.85g/t Pt.

A well-defined zone of mineralised sills extends over 15 km on Cannon tenure and multiple historical drill intercepts have been reported within the sills but most are yet to be adequately tested. Cannon is currently reviewing and reinterpreting the geophysical datasets on the project area with a view to drill testing the most promising targets over the next 12 months.

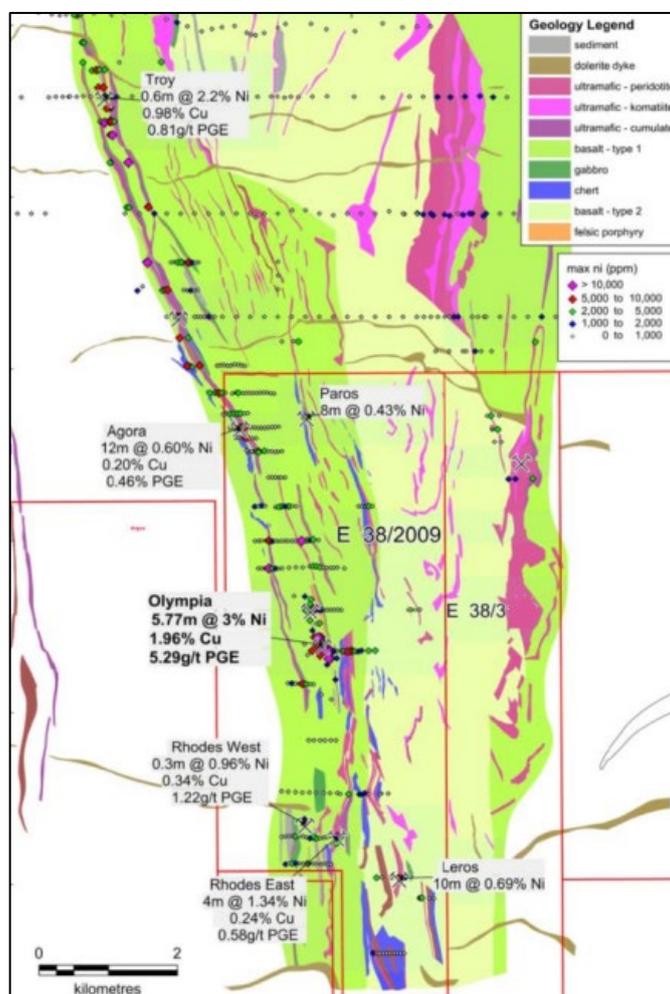


Figure 4 – Collurabbie Project previous drilling and intersections

## Board and Management

### Trevor Benson

#### Non-Executive Chairman

Mr Benson has extensive experience as an investment banker and has served on a number of ASX listed company boards as both Chairman and Director. He has specialised in cross border transactions within the natural resources sector across China, Africa and Southeast Asia, and has been an adviser to Chinese State-Owned Enterprises. His specialist activities include corporate funding solutions and off-take agreement negotiations within the natural resources domain. Mr Benson holds a Bachelor of Science Degree from the University of Western Australia. Mr Benson was recently Chairman and Executive Director of Walkabout Resources Limited (ASX: WKT) (from 13 September 2016 to 19 October 2020) and is currently Chairman of Ionic Rare Earths Limited (ASX: IXR)

## **Stephen Lynn**

### ***Chief Executive Officer***

Mr Lynn is a geologist with over 25 years' experience in exploration and development of a range of commodities including nickel, gold, and base metals. He has worked extensively within Australia, South America and Russia, including 15 years in Western Australia previously for Great Central Mines, Gold Fields and IGO Limited. He has played a key role in the discovery of both nickel and VMS style base metal deposits within Western Australia. Mr Lynn is a member of the Australian Institute of Geoscientists and holds Bachelor of Geology (App) and Master of Economic Geology degrees.

## **Richard Bevan**

### ***Non-Executive Director***

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 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. Richard 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 and is currently a Non-Executive Chair of Killi Resources Ltd (ASX:KLI), Narryer Metals Limited (ASX:NYM) and TG Metals Limited (ASX:TG6).

## **Alex Passmore**

### ***Non-Executive Director***

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 Cookatoo 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 Managing Director of Rox Resources Limited and Non-Executive Director of Pearl Gull Iron Limited.

## **Chris Hunt**

### ***Company Secretary***

Mr Hunt is an experienced finance executive with over 25 years' experience predominately in the resources and construction industries. He has 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 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.

## Risks

There are risks associated with investments in junior resource companies. Key risks that apply to Cannon Resources (CNR) are presented below.

- **Nickel Market/Pricing** – The nickel price has been strong over the past couple of years and we believe additional uses of the material, such as in the EV sector, continue to support growth for nickel demand, nevertheless, CNR is exposed to any negative pricing that can happen at any point in time during the exploration and development phase.
- **Financing** – CNR is required to fund exploration, test work and pre-development activities. Costs continue to rise and like many other explorers, CNR is unfortunately exposed to lengthy wait times for results, which in turn, are leading to delays to progressing projects through the pre-development stage. Financing of this stage is becoming a more expensive exercise and CNR must be able to continue raising funds from equity and/or debt to continue normal activities, which can be tricky depending on market conditions.
- **Exploration Risk** – This is the key aspect of the Fisher East Nickel Project (as well as all the other nickel targets at the Collurabbie Project). Initial results look promising (several assays to come), but positive results are not guaranteed, and this will be pivotal in potentially defining an economic project.

## Disclaimer

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Taylor Collison was joint lead manager in the July 2021 IPO which raised A\$6 million, and joint lead manager in the October 2021 placement which raised A\$4 million - fees were received for both transactions.

**Analyst Interests:** The Analyst holds approximately 25k ordinary shares in Cannon.

**Taylor Collison, Staff and Principals Interests:** Taylor Collison, staff and principals hold approximately 265k ordinary shares in Cannon.

**Analyst Certification:** The Analyst certifies that the views expressed in this document accurately reflect their personal, professional opinion about the financial product(s) to which this document refers.

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