



SCORPION MINERALS LIMITED

ASX ANNOUNCEMENT

31 January 2020

ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019

Scorpion Minerals Limited (ASX: SCN) provides the following review of activities for the quarter ended 31st December 2019.

PHAROS GOLD and BASE METALS PROJECT **Murchison, WA**

During the quarter, Scorpion announced it has agreed terms for an Option to Acquire 100% of two exploration tenement applications from Element 25 (ASX:E25) in the Murchison region of Western Australia (refer Announcement ASX:SCN 7th November 2019 "*Option to Acquire Gold and Base Metals Project at Mt Mulcahy*"). Applications E20/948 and E20/953 (refer Figure 1) cover 384 km², and are contiguous with 58 km² of granted SCN tenure (E20/931) which contains the Mt Mulcahy copper-zinc volcanic-hosted massive sulphide (VMS) deposit.

The two new tenements are to be known collectively as the Pharos Project, where systematic exploration will focus on interpreted structural controls for primarily gold mineralisation associated with NW trending splay structures off the Big Bell Shear (refer Figure 2), a major regional structure associated with significant gold endowment, including the 5Moz Big Bell gold deposit. The company's geologists believe there is significant potential for new gold and base metal deposits exists within the expanded project area.

Post-quarter end, Scorpion announced the grant of key Pharos Project tenement E20/948 (refer ASX:SCN announcement 21st January 2020 "*Grant of Pharos Tenement*"), with the company receiving formal communication of the grant of E20/948 and exercising its option under the terms of the Call Option Agreement by subsequent payment of \$15,000. The tenement now enters a 9-month option period during which Scorpion can exercise the option to acquire 100% of the tenement through a further payment of \$75,000.

SCN has conducted an initial review of open file data, and identified a number of significant historical gold intercepts (refer Figure 2) from Rotary Air Blast (RAB) drilling under taken by previous companies on the applications. Highlights from this review include:

- 12 m @ 7.40 g/t Au from 44 m, including 2 m @ 42.4 g/t Au; Lantern Prospect
- 16 m @ 3.09 g/t Au from 0 m, including 2 m @ 16.8 g/t Au; Lantern Prospect
- 4 m @ 2.65 g/t Au from 28m to End Of Hole at Candle Prospect
- 5 m @ 1.38 g/t Au from 53 m at Mustang Sally Prospect
- 4 m @ 1.36 g/t Au from 28 m at Laterite Hill Prospect

BOARD OF DIRECTORS

Ms Bronwyn Barnes
Non-Executive Director

Mr Craig Hall
Non-Executive Director

Ms Carol New
*Non-Executive Director,
Joint Company Secretary*

Ms Kate Stoney
Joint Company Secretary

SCORPION MINERALS LIMITED

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The Company has continued to review of existing data for the tenement and has identified a number of key targets (refer SCN ASX release dated 15th January 2020 "*Pharos Gold and Base Metal Project Update*" and Figures 3 & 4). Planning is already well advanced for field reconnaissance activities to commence at the end of January 2020. These activities will support further geological understanding and assist in planning for drilling to commence immediately after necessary Heritage and Programme of Works clearances are obtained.

The company has initially focussed efforts on the Lantern and Candle area and surrounds, where early limited RAB drilling was oriented across what the company's geologists believe are controlling NW-trending structures, and intersected significant shallow oxide gold mineralisation. Subsequent detailed follow-up drill traverses were oriented parallel to the trend and failed to adequately test the likely mineralisation trend (refer Figures 3, 4). The company intend to test these NW-trending structures with RC drilling coverage into the primary zone at the earliest opportunity.

The company's geologists believe that additional compilation of mapping in this area is strongly supportive of the new interpretation, with early work completed for North Flinders Mines Limited in 1974 on an outcropping prospect (then called 'Yellon Mill') 2km west of Lantern (1km SW of Candle) highlighting a dominant NW trend of brecciation and associated gossanous material, which was considered geochemical anomalous for base metals (and unassayed for gold). Oxidised pyritic black shales and pyritic cherts outcrop elsewhere in the sequence, and were also thought to represent further zones of mineralisation potential.

Two holes at Yellon Mill were proposed at the time but subsequently not drilled. The area remains undrilled, with little or no followup. The company have renamed this prospect Beacon, being the only obvious zone of subcrop/outcrop in the vicinity, with shallow (typically <5m) cover and alluvial sheetwash prevalent through much of the area out past Lantern and Candle (refer interpreted geology, Figure 4), masking the effectiveness of any historic geochemistry, and potentially hiding repetitions of mineralised structures within the underlying host rocks.

The company's geologists intend to map, sample, and gain an understanding of structural controls on mineralisation from the geological setting of these prospects, in order to effectively plan drilling mineralisation at Lantern, Candle and potentially Beacon as soon as is practicable.

The company is also highly encouraged by the drill logging of quartz dolerite by Newcrest during aircore drilling in 1999 in the vicinity of Lantern and Candle (refer Figure 4), which is considered an important host for gold mineralisation in other Western Australian goldfields, particularly at Kalgoorlie.

General Discussion of Mineral Potential of Pharos Project

The Pharos Project tenements are considered prospective for a number of gold mineralisation types including:

1. Shear zone hosted lode style mineralisation hosted in mafic, ultramafic and felsic volcanics
2. Banded Iron hosted "Hill 50" style replacement deposits
3. High grade quartz vein "Day Dawn" style mineralisation hosted within dolerite and basalt
4. Felsic porphyry hosted quartz stockwork and ladder vein mineralisation

Planned systematic exploration will focus on interpreted structural controls for primarily gold mineralisation associated with NNW trending splay structures off the Big Bell Shear (refer Figure 2), a major regional structure associated with significant gold endowment, including the 5Moz Big Bell gold deposit (refer Figure 1). The Company believes that significant potential for new gold and base metal deposits exist within the expanded project area.

The stratigraphic sequence to the west of and adjacent to the Big Bell shear contains all the above rock types and systematic exploration has not been undertaken historically where the NW-NNW trending splays off the Big Bell shear intersect these lithologies (refer Figure 2). Previous explorers have noted repeated observation of sericite-chlorite-carbonate alteration and pyrite-arsenopyrite mineralisation associated with gold mineralisation, which the Company believes indicative of large Archean gold hydrothermal systems.

Planned future exploration includes:

1. Reprocessing of existing air magnetics and completion of a regional geologic interpretation
2. Detailed geological mapping of selected target areas.
3. Systematic auger soils geochemical sampling of the project initially focusing on high priority targets.
4. Follow up RC drilling of historic drill intercepts at Candle, Lantern, Mustang Sally, Ulysses and Laterite Hill.

Pharos Project (Yallon and Sunday Well) Call Option Agreement Summary

1. E25 to grant SCN a transferable, exclusive right to enter in to an option to purchase a 100% interest in each tenement for a non-refundable payment of \$10,000 per tenement (\$20,000 total) on signing, which is binding on E25 ("the non-refundable option fee").
2. SCN to complete due diligence prior to grant of tenement.
3. Upon grant of each tenement, E25 to grant SCN a 9 month transferable, exclusive right to enter in to an option to purchase a 100% interest in the project for a payment of \$15,000 per tenement, which is binding on E25 ("the balance of option fee").
4. SCN to have the right to exercise the option to purchase 100% interest in the project at any time within the 9 month period after grant for a consideration of \$75,000 per tenement (excluding the option fee above), payable within 7 days of signing formal binding legal agreements to transfer title ("the exercise price"). The option to purchase the first tenement will signal the binding intention to exercise the second tenement.
5. SCN to have the right to extend the exclusive option for one period of 6 months by payment of \$50,000 ("the extension fee").
6. SCN to meet tenement expenditures during first year of grant, and pro-rata expenditure commitment for the extension period, should it be required.
7. E25 to retain a 1% NSR royalty on production from either tenement.

MT MULCAHY COPPER PROJECT
Murchison, WA

Geology Discussion

The Mt Mulcahy project in Western Australia (Refer Figure 5) hosts the Mount Mulcahy copper-zinc deposit, a volcanic-hosted massive sulphide (VMS) zone of mineralisation with a JORC 2012 Measured, Indicated and Inferred Resource of 647,000 tonnes @ 2.4% copper, 1.8% zinc, 0.1% cobalt and 20g/t Ag (refer PUN:ASX release 25 September 2014) at the 'South Limb Pod' (SLP). The tenement containing the SLP has been only recently granted (refer ASX:SCN Mt Mulcahy Exploration Licence Granted, 16th September 2019). The company noted the following highlights in that release:

Contained metal at the SLP resource of:

- **33.5M pounds (15,200 tonnes) of Cu**
- **26.3M pounds (11,800 tonnes) of Zn,**
- **1.35M pounds (600 tonnes) of Co,**
- **415,000 ounces of Ag, and**
- **5000 ounces of Au**
- **87% of tonnes & 91% of Cu, Zn and Ag metal content classified Measured + Indicated.**
- **Significant intercepts from the historic drilling at SLP include:**
 - 6.8m @ 4.9% Cu, 3.7% Zn, 0.16%Co, 39g/t Ag, and 0.19g/t Au**
 - 10.2m @ 4.5% Cu, 4.0% Zn, 0.17%Co, 33g/t Ag, and 0.18g/t Au**
 - 12.4m @ 3.1% Cu, 2.3% Zn, 0.10%Co, 28g/t Ag, and 0.21g/t Au**
 - 11.3m @ 4.9% Cu, 4.2% Zn, 0.16%Co, 44g/t Ag, and 0.57g/t Au**

The folded horizon hosting the SLP VMS mineralisation forms a regional keel, where the surface expression can be traced for a distance of at least 12 kilometres along strike, and excellent potential exists for additional mineralisation to be discovered along this prospective horizon. Twenty untested targets have been identified along strike of this horizon using a combination of VTEM and soil geochemistry. These targets have characteristics similar to the SLP and are considered prospective for VMS base metal accumulations.

Gold targets will also be pursued in tandem with the base metal exploration. A north-south trending Big Bell Shear splay is interpreted to pass through the western side of the licence area and auger soil geochemistry is planned to test for targets to be followed by RC drill testing of any anomalies defined by the program.

Table 1: Current Mineral Resource Estimate, Mt Mulcahy Project

(refer ASX release 25/9/2014 "Maiden Copper - Zinc Resource at Mt Mulcahy", which also contains a list of significant drill intersections for the deposit, listed within this report at Table 2)

Mt Mulcahy South Limb Pod Mineral Resource Estimate											
Resource Category	Grade						Contained Metal				
	Tonnes	Cu (%)	Zn (%)	Co (%)	Ag (g/t)	Au (g/t)	Cu (t)	Zn (t)	Co (t)	Ag (oz)	Au (oz)
Measured	193,000	3.0	2.3	0.1	25	0.3	5,800	4,400	220	157,000	2,000
Indicated	372,000	2.2	1.7	0.1	19	0.2	8,200	6,300	330	223,000	2,000
Inferred	82,000	1.5	1.3	0.1	13	0.2	1,200	1,100	60	35,000	
TOTAL	647,000	2.4	1.8	0.1	20	0.2	15,200	11,800	610	415,000	4,000

SCORPION MINERALS LIMITED

Dablo Pd-Pt-Au-Ni-Cu Project, Burkina Faso

Scorpion has previously announced (refer SCN:ASX announcement 10th January 2018) that it has entered into an agreement to acquire Scorpion Minerals Limited, which holds the rights to enter a 70% joint venture interest in the Dablo exploration project in Burkina Faso, Africa, through Newgenco Exploration (West Africa) Pty Ltd ("NEWA"). The Company has expended funds required to earn a 15% interest in the Dablo Project under the arrangement.

As noted in previous quarterlies, on 31 December 2018, the Burkina Faso Government declared a state of emergency in a number of provinces in northern and eastern Burkina Faso along the Mali, Niger, Togo and Benin borders due to security concerns, which has recently been extended by the Burkinabe parliament for a further year, to be reviewed in January 2021. Scorpion had previously communicated to market that no work was being undertaken in the field and planned work activity was on hold until the situation stabilises.

During the initial state of emergency declaration, the company's joint venture partner advised that it has terminated the Memorandum of Agreement (MOA) between NEWA and Scorpion; that it considers the period of exclusivity relating to the Dablo Project at an end, and that they are continuing to seek and speak to potential new investors in the Dablo Project. Scorpion had subsequently advised NEWA that it expressly reserves all its right in regards to this matter, and that it is considering, without limitation, potential legal remedies that may be available to the company in relation to Scorpion's rights and interests under the MOA.

Post quarter-end, the company has been advised by legal representatives of NEWA that the Dablo Project tenements lapsed on or about mid-September 2019, that no replacement tenements have been applied for; that there was no intention of re-applying for the tenements; and that the business operations of NEWA have ceased.

Scorpion continues to expressly reserves all its right in regards to this matter, and is considering, without limitation, potential legal remedies against NEWA, and has appointed a litigator to represent the company.

CORPORATE

The company continues to address opportunities within Australia that complement the focus of the company's current areas.

- ENDS -

Enquiries **Craig Hall**
 Non-Executive Director
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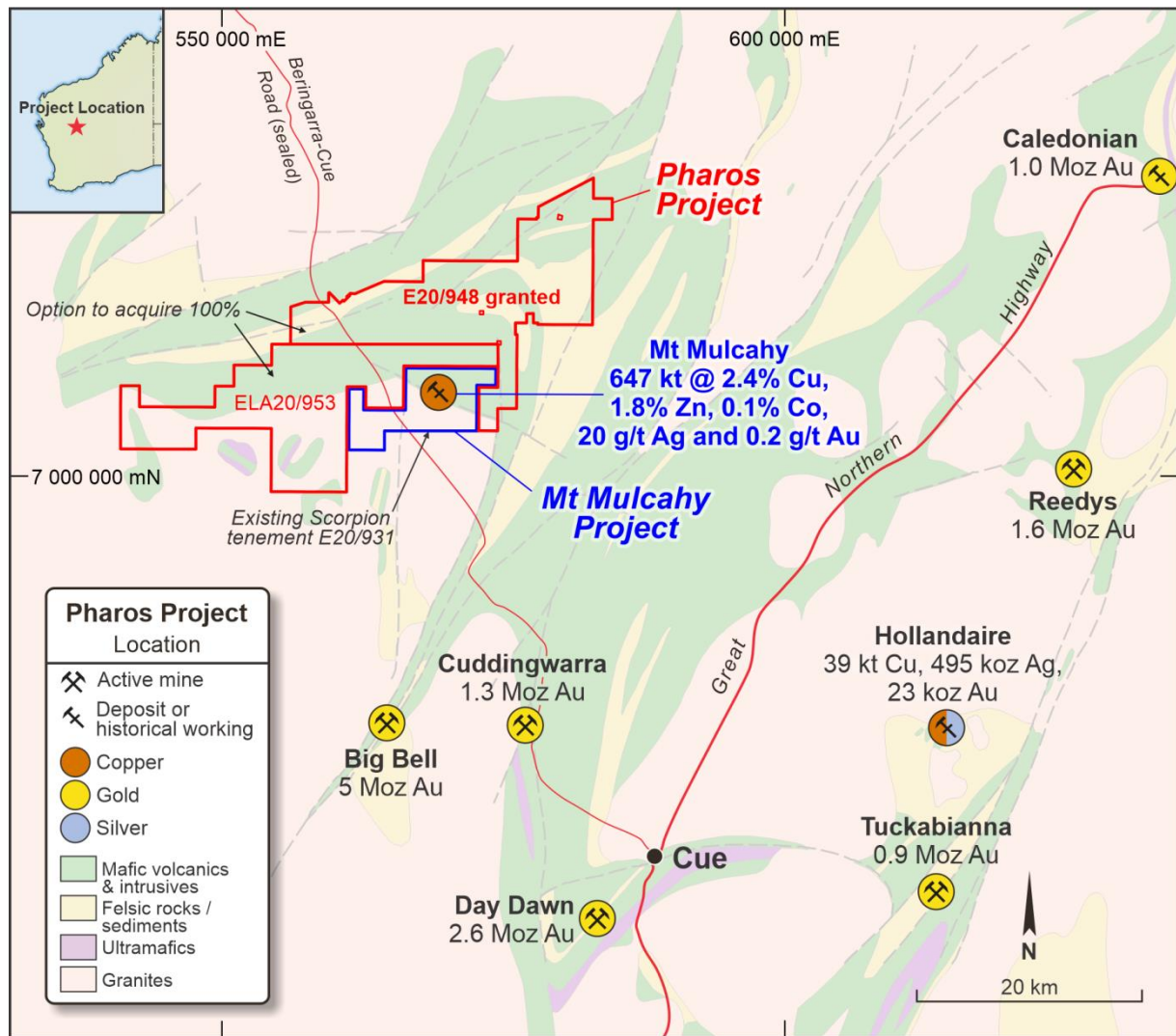


Figure 1 – Location of Mt Mulcahy Project and Regional Resources in Murchison area, WA

Competent Persons Statement

The information in this report that relates to the Exploration Results and Mineral Resources at the Mt Mulcahy and Pharos Projects is based on information reviewed by Mr Craig Hall, whom is a member of the Australian Institute of Geoscientists. Mr Hall is a director and consultant to Scorpion Metals Limited and has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activity he is undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012)'. Mr Hall consents to the inclusion of the information in the form and context in which it appears.

The information in this report that relates to the Mt Mulcahy Mineral Resource is based on information originally compiled by Mr Rob Spiers, an independent consultant to Scorpion Minerals Limited and a then full-time employee and Director of H&S Consultants Pty Ltd (formerly Hellman & Schofield Pty Ltd), and reviewed by Mr Hall. This information was originally issued in the Company's ASX announcement "Maiden Copper-Zinc Resource at Mt Mulcahy", released to the ASX on 25th September 2014. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The company confirms that the form and context in which the findings are presented have not materially modified from the original market announcements.

Forward Looking Statements

Scorpion Minerals Limited has prepared this announcement based on information available to it. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this announcement. To the maximum extent permitted by law, none of Scorpion Minerals Ltd, its Directors, employees or agents, advisers, nor any other person accepts any liability, including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this announcement or its contents or otherwise arising in connection with it. This announcement is not an offer, invitation, solicitation or other recommendation with respect to the subscription for, purchase or sale of any security, and neither this announcement nor anything in it shall form the basis of any contract or commitment whatsoever. This announcement may contain forward looking statements that are subject to risk factors associated with exploration, mining and production businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimations, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory changes, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimate.

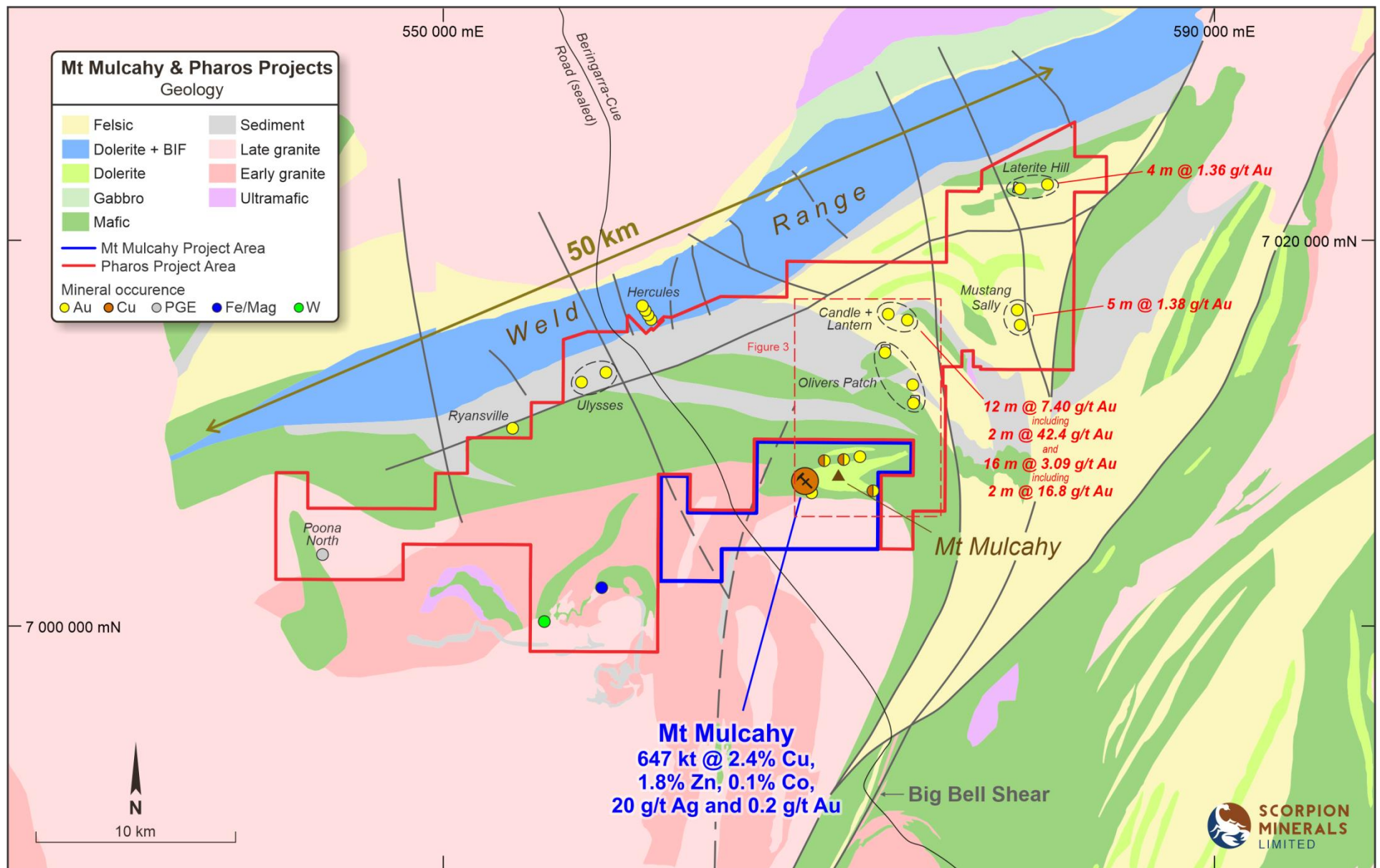


Figure 2 – Location of Pharos Project in relation to Mt Mulcahy, with known mineral occurrences and drilling highlights (refer ASX:SCN release 7/11/2019)

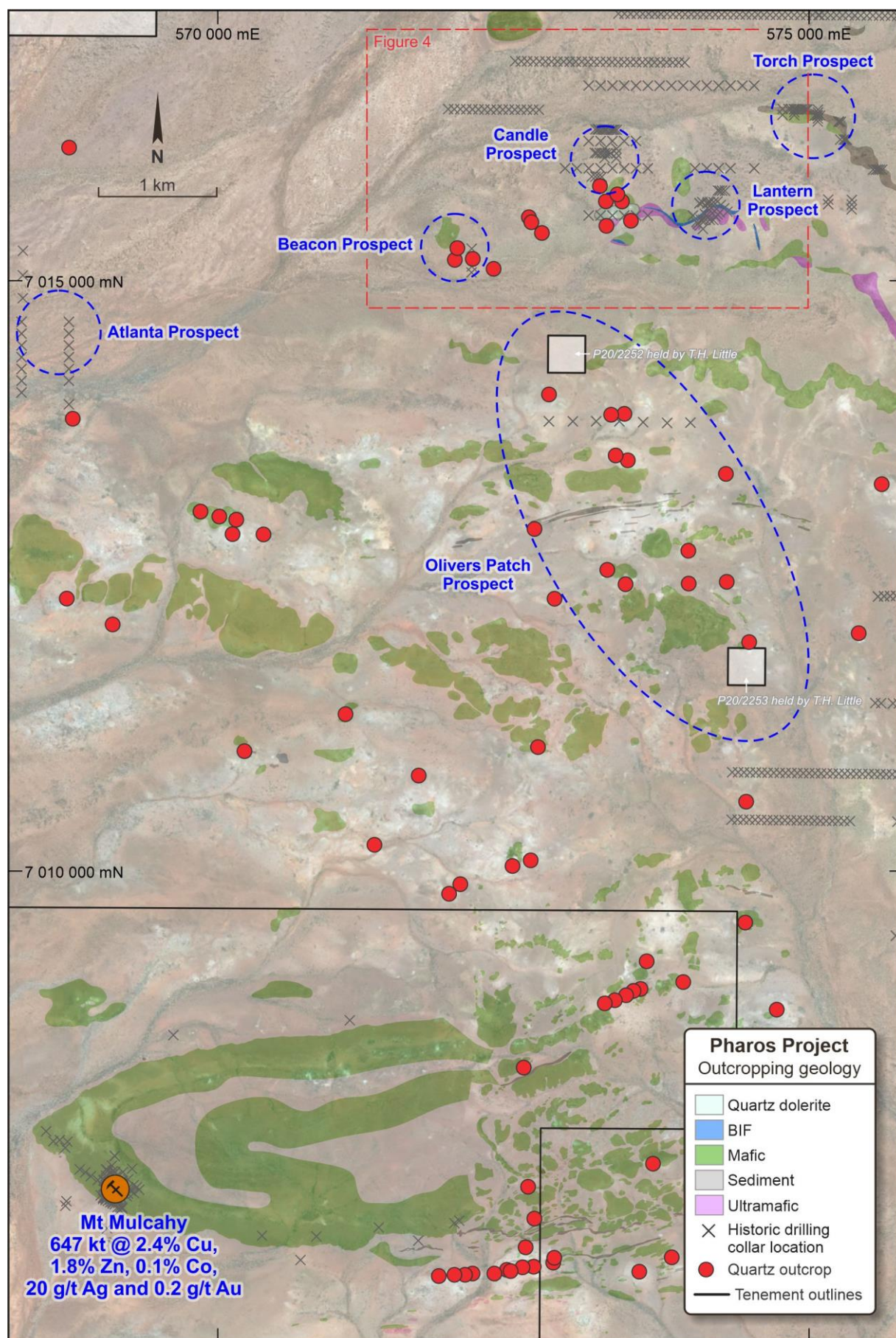


Figure 3 – Location of Advanced Prospects in relation to Mt Mulcahy, with Figure 4 inset

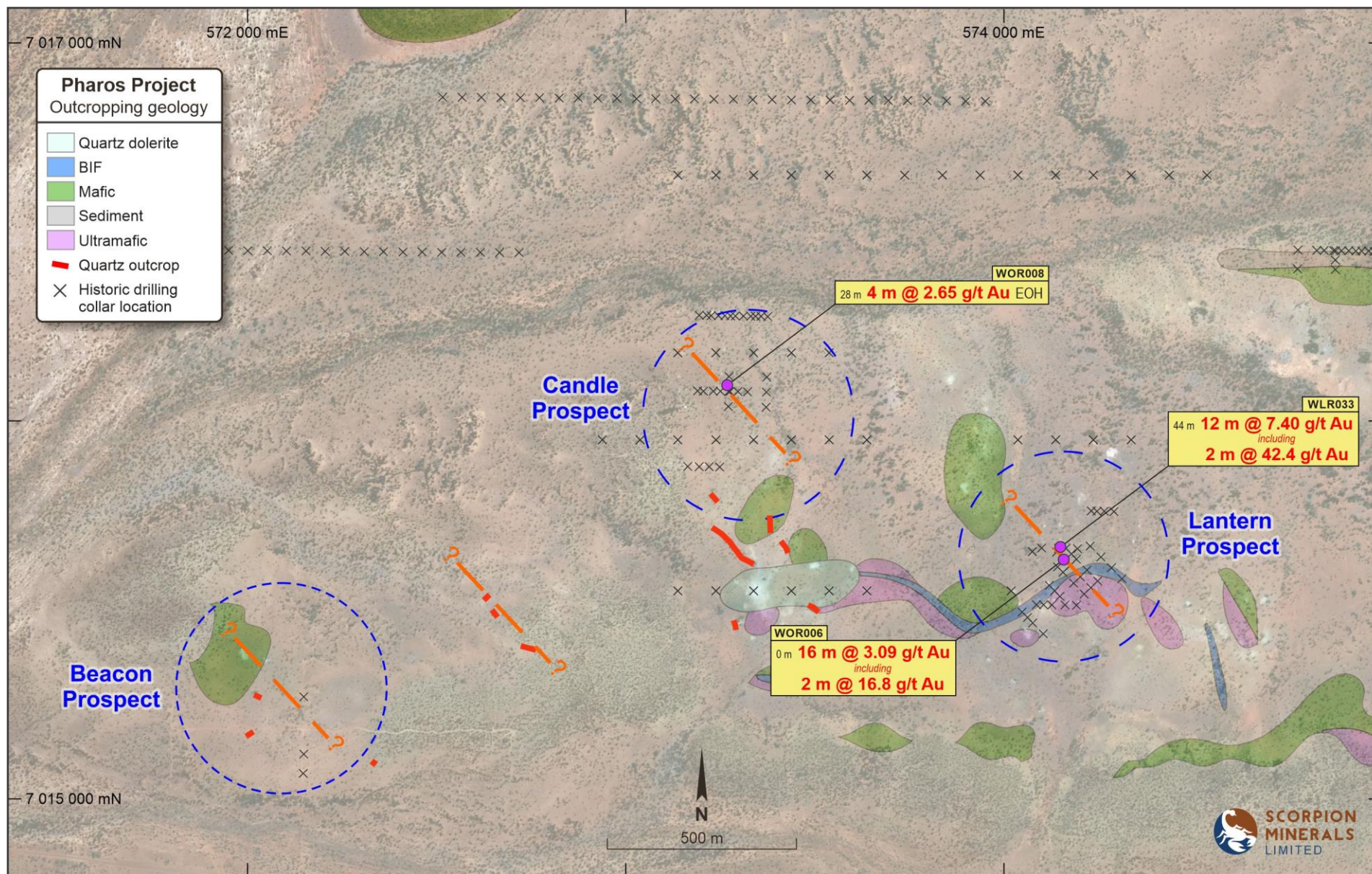


Figure 4 – Lantern and Candle Prospects showing Significant Historic Drilling Results, with geology after Newcrest 1999. Interpreted NW trend in orange

Appendix 1: Tenement Schedule (ASX Listing Rule 5.3.3)

- *The mining tenements held at the end of each quarter and their location*

➤ TENEMENT SCHEDULE

TENEMENT No.	LOCATION	STATUS	INTEREST %	HOLDER
E20/931	WA	Granted	100	Pegasus Metals Ltd
P51/3016	WA	Application	100	Pegasus Metals Ltd
P51/3017	WA	Application	100	Pegasus Metals Ltd
E20/948	WA	Granted	0%*	Element 25
E20/953	WA	Application	0%	Element 25

- *The mining tenements acquired during the quarter and their location*

Nil

- *The mining tenements disposed of during the quarter and their location*

E20/840, Murchison Region, Western Australia

- *The beneficial percentage interests held in farm-in or farm-out agreements at the end of the quarter*

Commenced 9 month option period for E20/948 post quarter end*

- *The beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter*

15% of Dablo 1,2,3,4- Burkina Faso**.

* refer Pharos Project (Yallon and Sunday Well) Call Option Agreement Summary

** refer Dablo Pd-Pt-Au-Ni-Cu Project, Burkina Faso, this release

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Scorpion Metals Limited

ABN

40 115 535 030

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(42)	(42)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(13)	(59)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(55)	(102)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	55	99
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	55	99

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2	5
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(55)	(102)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	55	99
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2	2

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	2	5
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2	5

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
-
-

N/A

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	2,000	1,596
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The Company has an unsecured loan agreement with a syndicate of lenders. The facility limit is \$2,000,000, interest rate is 8% p.a.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	40
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	60
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	100

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Nil			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Nil			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



31 January 2020

Sign here:
(Director/~~Company secretary~~)

Date:

Print name: Carol New (Director)

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.