

3 February 2021

Mr Dale Allen
Australian Stock Exchange
Level 40 Central Park
152-158 St Georges Terrace
Perth WA 6000

By email: ListingsCompliancePerth@asx.com.au

Dear Sir

Re: Scorpion Metals Limited ('SCN'): Appendix 5B Query

In response to your letter dated 29 January 2021 we advise the following:

1. Does SCN expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

SCN does expect that it will continue to have negative operating cash flows for the time being. As an exploration company it is dependent upon shareholder funds to meet operating cash flow for the foreseeable future. During the December 2020 quarter, SCN actively explored for gold and copper by undertaking the Phase 2 RC drilling program for a total of 2,008m out of a planned 2,500m. SCN also acquired new tenements.

It is expected the remaining 500m of the Phase 2 drilling program will be completed in the next quarter. However, as the remaining part of the drill program is smaller than the part conducted in the December quarter the cash outflows will be less than the December quarter.

2. Has SCN taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

SCN is considering capital raising alternatives through:

- The Board is actively considering a number of capital raising scenarios however these have not been finalised at this time. On the basis of the level of investor demand in SCN's recent raisings, as well as the drilling results achieved since that time, SCN considers that such a raising would have a high prospect of success; and
- SCN is also considering other avenues relating to its asset base that may provide cash to the Company. These opportunities are the subject of incomplete and confidential negotiations, which are in their late stages, but due to commercial sensitivity the Company is not able to provide further details at this time. In the event that a transaction eventuates the Company will make a more detailed announcement at that time.

SCN is also assessing other opportunities available for the company.

3. Does SCN expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? In answering this question, please comment specifically on the following:

- 3.1 the undrawn loan balance available at quarter end (being \$904,000);

SCN expects to be able to draw down funds in the current quarter based on the following:

- the loan facility is not fully drawn; and
- the lenders have not indicated to SCN that a draw down cannot be funded.

- 3.2 the December quarter negative operating cash flows of \$1,060,000; and

The December quarter negative cash flows were higher than the previous quarter as a result of drilling costs being paid for in cash instead of by way of issue of new shares, and settlement of aged payables and director fees dating back to September 2012. As noted above, cash outflows for the current quarter will be less than those for the December quarter.

- 3.3 the closing cash balance of \$20,000.

The Board is actively considering a number of capital raising scenarios, and is confident that this will be concluded in the short term. SCN will also draw down on the lending facility as and when required.

As a result of the above, SCN does expect to be able to continue its operations and meet its business objectives.

4. Please confirm that SCN is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.

SCN confirms that this is the case.

5. Please provide a description of the \$326,000 of payments to related parties made during the December disclosed in the Appendix 5B form, which is information required by listing rule 5.3.5 to be included in SCN's quarterly activity statement.

Paid To	Related Party	\$	Description
Integra Management Consultants Pty Ltd	Bronwyn Barnes	173,400	Consulting Fees July 2017 – June 2018 Director Fees November 2019 to October 2020
New Consulting Services Pty Ltd	Carol New	85,074	BAS Agent Services to June 2020 Director Fees February 2019 to October 2020 Company Secretarial Fees February 2019 to October 2020
Craig Hall	Craig Hall	51,250	Director Fees February 2019 to October 2020
Kate Stoney	Kate Stoney	16,500	Company Secretarial Fees December 2019 to October 2020

6. Please confirm that SCN's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of SCN with delegated authority from the board to respond to ASX on disclosure matters.

The Board of SCN have authorised the responses to your queries.

Sincerely,

A handwritten signature in cursive script, appearing to read 'C New'.

Carol New

Non-executive Director and Company Secretary



29 January 2021

Reference: 30020

Ms Kate Stoney
Company Secretary
Scorpion Minerals Limited

By email: group.accounts@deltaman.com.au

Dear Ms Stoney

Scorpion Minerals Limited ('SCN'): Appendix 5B Query

ASX refers to SCN's Appendix 5B quarterly report for the period ended 31 December 2020 lodged with ASX Market Announcements Platform on 28 January 2021 (the 'Appendix 5B').

ASX notes that SCN has reported:

- negative net operating cash flows for the quarter of \$1,060,000;
- cash at the end of the quarter of \$20,000; and
- the following responses to the questions in section 8.8 of the Appendix 5B as set out below:
 - Q1 – Does the entity expect that it will continue to have the current level of new operating cash flows for the time being and, if not, why not?
 - A1 – *'No. September quarter had larger than average cash outflow from Operating Activities due to exploration program and payments of trade payables and accruals (including Directors' fees as detailed at Item 6.1)'*
 - Q2 – Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
 - A2 – *'No, the Company has sufficient funding via the Debt Facility detailed in Item 7.1'*
 - Q3 – Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
 - A3 – *'Yes. The Company is able to fund its ongoing operations and to meet its business objectives through use of funds available via the Debt Facility detailed in Item 7.1'*

(together, the 'Responses')

ASX does not consider the Responses have adequately addressed the questions posed in section 8.8 of the Appendix 5B form. As such, ASX asks SCN to respond separately to each of the following questions and requests for information:

1. Does SCN expect that it will continue to have negative operating cash flows for the time being and, if not, why not? In answering this question, please comment on the *December quarter* operating cash flows.
2. Has SCN taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

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3. Does SCN expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? In answering this question, please comment specifically on the following:
 - 3.1 the undrawn loan balance available at quarter end (being \$904,000);
 - 3.2 the December quarter negative operating cash flows of \$1,060,000; and
 - 3.3 the closing cash balance of \$20,000.
 4. Please confirm that SCN is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
 5. Please provide a description of the \$326,000 of payments to related parties made during the December quarter disclosed in the Appendix 5B form, which is information required by listing rule 5.3.5 to be included in SCN's quarterly activity statement.
 6. Please confirm that SCN's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of SCN with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **2:00 PM AWST Wednesday, 3 February 2021**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in SCN's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, SCN's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and Listing Rule 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to SCN's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that SCN's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in SCN's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

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- the reasons for the trading halt;
 - how long you want the trading halt to last;
 - the event you expect to happen that will end the trading halt;
 - that you are not aware of any reason why the trading halt should not be granted; and
 - any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Dale Allen
Principal Adviser, Listings Compliance (Perth)