

16 May 2019

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

Dear Sir

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

In response to your letter dated 13 May 2019 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. However subsequent to the release of the Quarterly Report for 31 March 2019 SCN note that the estimated expenditure of \$120,000 for exploration activities in the June 2019 quarter has been deferred to the September 2019 quarter due to legal issues and security problems associated with the Dablo Project.

2. What are the key terms of the financing facilities available to SCN as set out in section 8 of Appendix 5B? Please provide details as to the financier, repayment terms, interest rate and whether the finance is secured or unsecured.

Loan Facility Limit: \$2,000,000

Financier: Janus Corporation Pty Ltd, Investmet Limited, Delta Resource Management Pty Ltd

Interest Rate: 8% simple interest

Security: Unsecured

Repayment: - In full in cash within 7 days of the successful completion of a capital raising prior to 31 December 2019; or
- In full in shares, at the Company's election and subject to shareholder approval, if at any time after 16 October 2018, should the volume weighted average price of the Company's ordinary shares exceed \$0.25 per share over a continuous 30 day period; or
- In part or in full in conversion shares, at any time before the capital raising, at the lender's election and subject to shareholder approval and any compliance requirements, prior to a capital raising and at the price at which the capital raising is to be completed.

3. Have any funds been drawn down in the current quarter pursuant to the facility set out in section 8 of the Appendix 5B.

No funds have been drawn down in the current quarter.

4. If no funds have been drawn down in the current quarter pursuant to the facility set out in section 8 of the Appendix 5B, does SCN expect to be able to draw down funds in the current quarter? Please explain the basis for this view.

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.

5. 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;

The company's 100% owned Mt Mulcahy copper-zinc deposit is within an exploration application currently progressing to grant, with native title negotiations in the final stages. The company considers it is an asset that capital for exploration can be raised against upon grant. SCN is also currently pursuing new project opportunities for the company. These steps are all expected to be successful.

6. Does SCN expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, on the basis of achieving successful outcomes for steps referred to question 5

7. 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 it has complied with Listing Rule 3.1.

8. 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,



Carol New

Non-executive Director and Company Secretary



13 May 2019

Reference: 01923

Ms Carol New
Non-executive director & Company Secretary
Scorpion Minerals Limited

By email:

Dear Ms New

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

ASX refers to SCN's Appendix 5B quarterly report for the period ended 31 March 2019 lodged with ASX Market Announcements Platform on 30 April 2019 (the 'Appendix 5B').

ASX notes that SCN has reported:

- negative net operating cash flows for the quarter of \$23,000;
- cash at the end of the quarter of \$14,000; and
- estimated cash outflows for the next quarter of \$160,000.

It is possible to conclude, based on the information in the Appendix 5B that if SCN were to continue to expend cash at the rate indicated by the Appendix 5B, SCN may not have sufficient cash to continue funding its operations.

In view of that, 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?
2. What are the key terms of the financing facilities available to SCN as set out in section 8 of the Appendix 5B? Please provide details as to the financier, repayment terms, interest rate and whether the finance is secured or unsecured?
3. Have any funds been drawn down in the current quarter pursuant to the facility set out in section 8 of the Appendix 5B? If so, please provide the amount drawn down in the current quarter by SCN?
4. If no funds have been drawn down in the current quarter pursuant to the facility set out in section 8 of the Appendix 5B, does SCN expect to be able to draw down funds in the current quarter? Please explain the basis for this view.
5. 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?
6. Does SCN expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
7. 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.

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8. 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 **4:00 PM AWST Thursday, 16 May 2019**. 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:

- 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
Senior Adviser, Listings Compliance (Perth)