



**SCORPION
MINERALS**
LIMITED

ASX ANNOUNCEMENT

8th February 2021

Term Sheet - Iron Ore Rights at Pharos

HIGHLIGHTS

- **Binding Term Sheet executed with Fenix Resources Limited (“Fenix”) for a Farm In and Joint Venture for the iron ore rights at Scorpion’s Pharos Project**
- **Term Sheet covers iron ore rights on 2 tenements controlled by Scorpion adjacent to Fenix’s recently commissioned Iron Ridge Project**
- **Fenix can earn 70% of the iron ore rights by sole funding exploration and resource definition drilling to identify up to 10 million tonnes**
- **Alternatively, Fenix can earn 70% of a portion of the tenements by funding a feasibility study on a resource of at least 1 million tonnes of iron ore**
- **Farm In and JV leaves Scorpion to focus on gold and PGE Ni-Cu targets within the tenements**
- **Scorpion currently reviewing strategy to advance the Mt Mulcahy Cu-Zn-Ag-Au-Co deposit and adjacent VMS targets**
- **Follow up RC drilling planned for this quarter at Lantern and Cap Lamp**

Scorpion Minerals Limited (the Company; ASX: SCN) is pleased to announce that it has entered into a binding Term Sheet for a farm-in and joint venture agreement with Fenix Resources Limited (**Fenix**) (ASX: FEX) for two tenements E20/953 (currently the subject of an option to acquire between Scorpion and Element 25 Limited) and E20/948 (currently 100%-owned by Scorpion). The two tenements totalling 384 km² are located adjacent and contiguous to Fenix’s Iron Ridge operation and have iron ore targets totalling 15 strike kilometres already identified (See Figures 1, 2 and 3).

The binding term sheet provides for Fenix to undertake exploration activities for iron ore, whilst leaving Scorpion to focus on its gold and PGE Ni-Cu targets within the tenements. In addition, Scorpion has agreed with Fenix that it can utilise its camp at Iron Ridge to support ongoing exploration activities in the region for the Company.

The Company is currently planning for follow up RC Drilling this quarter at its Lantern and Cap Lamp prospects and is also reviewing opportunities to advance the Mt Mulcahy Cu-Zn-Ag-Au-Co deposit and adjacent VMS targets.

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

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Company Comment

Director Bronwyn Barnes commented “Scorpion is very pleased to have completed this binding term sheet with Fenix for iron ore exploration on these tenements. With Fenix recently commencing mining operations at their high grade Iron Ridge Project, this joint venture gives Scorpion exposure to the iron ore potential of its tenements whilst we continue to focus our exploration activities on the tenements gold and PGE Ni-Cu targets.”

The material terms of the Binding Term Sheet are as follows:

- (a) Scorpion grants to Fenix the right to earn a 70% interest in the Iron Ore Rights, as defined below, in the tenements during the Farm-in Period of four years; and
- (b) for the remainder of the Farm-in Period, Scorpion grants to Fenix the sole and exclusive right to carry out exploration for iron ore on the tenements for the purpose of exercising the Iron Ore Rights as required to satisfy the Farm-in Requirements.

During the Farm-in Period and, if Fenix satisfies the Farm-in Requirements during the Farm-in Period, during the continuance of the Joint Venture, Scorpion agrees that it will not exercise the Iron Ore Rights in respect of the tenements

- (a) Subject to paragraph (b), to earn a 70% interest in the Iron Ore Project, Fenix must fund all drilling up to 10,000,000 tonnes of Iron Ore JORC-compliant Mineral Resources.
- (b) Notwithstanding paragraph (a), if at any time during the Farm-in period, Fenix completes resource definition drilling and a Feasibility study on a minimum 1,000,000 tonne Iron Ore deposit (**Development Deposit**), Fenix may, by notice in writing to Scorpion:
 - (i) elect to treat the Development Deposit as a stand-alone Iron Ore Project (**Development Project**); and
 - (ii) delineate a mining area within the Tenements (covering the Development Deposit and such other areas as are reasonably sufficient for the conduct of the proposed mining operation.
in which event:
 - (iii) Fenix will be deemed to have satisfied the Farm-in Requirements in respect of the Development Project and the Development Area, and to have earned a 70% interest in the Development Project; and
 - (iv) Scorpion and Fenix will be deemed to have established the Joint Venture in respect of the Development Project.

For the avoidance of doubt, if at any time during the Farm-in Period, Fenix establishes any further Development Area, that Development Area will form part of the same Joint Venture and any and all such Development Areas will form part of the same Joint Venture upon satisfaction of the full Farm-in Requirements under paragraph (a).

- (c) Upon satisfaction of the Farm-in Requirements during the Farm-in Period, Fenix will be deemed to have earned a 70% interest in the Iron Ore Project, and Fenix and Scorpion will be deemed to have formed a joint venture in respect of the Iron Ore Rights and the Iron Ore Project in their respective percentage interests from time to time (the **Joint Venture**).
- (d) If Fenix fails to complete the Farm-in Requirements prior to the expiry of the 4-year Farm-in Period, Fenix will be deemed to have surrendered its right to earn an interest in the Iron Ore Project (other than any existing Development Project)

Fenix may withdraw from the Terms Sheet at any time prior to the expiry of the Farm-in Period provided that it has expended not less than \$350,000 on exploration expenditure on the Tenements at the time of withdrawal.

The Company continues to assess the potential of additional targets within E20/948 and E20/953.

For additional background on Pharos Project information please refer to ASX releases:

25/6/2020 "Pharos Project Exploration Update"
9/7/2020 "High Grade Gold Rock Chips - Pharos Project"
13/8/2020 "Drilling to Commence – Pharos Project"
31/8/2020 "Commencement of Drilling - Pharos Project"
28/9/2020 "High Grade Gold Confirmed at Lantern - Pharos Project"
8/10/2020 "Phase 2 RC Drilling Commenced- Pharos Project"
2/11/2020 "Priority PGE Ni-Cu Targets – Pharos Tenement"
24/11/2020 Further High Grade Gold Results – Pharos Project"

This announcement has been authorised by the board of directors of the Company.

- ENDS -

Enquiries

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Non-Executive Director

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Competent Persons Statement 1

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 Minerals 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.

Forward Looking Statements

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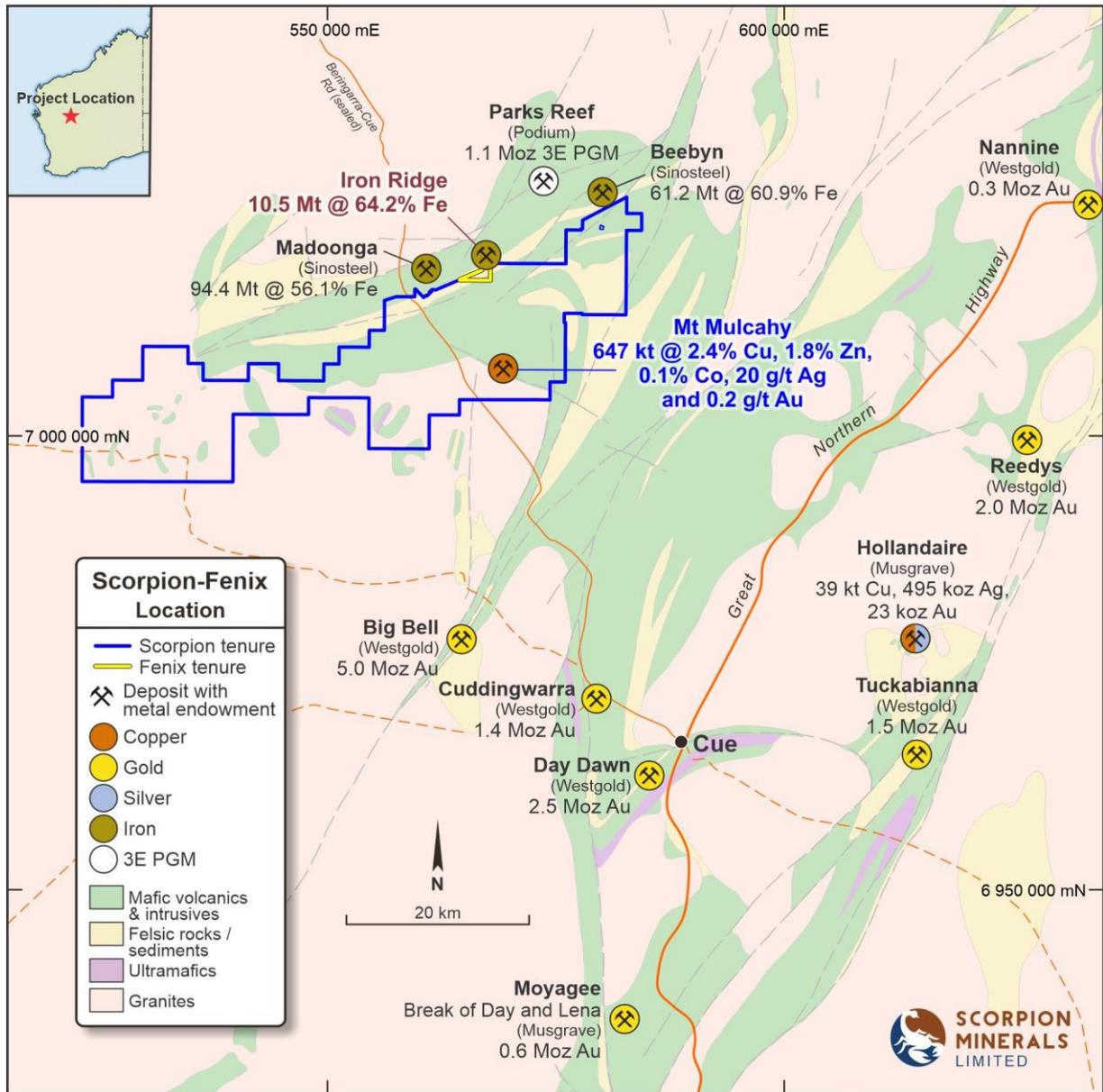


Figure 1 – Location of Pharos / Mt Mulcahy Project in Murchison area, WA, highlighting regional mineral endowment.

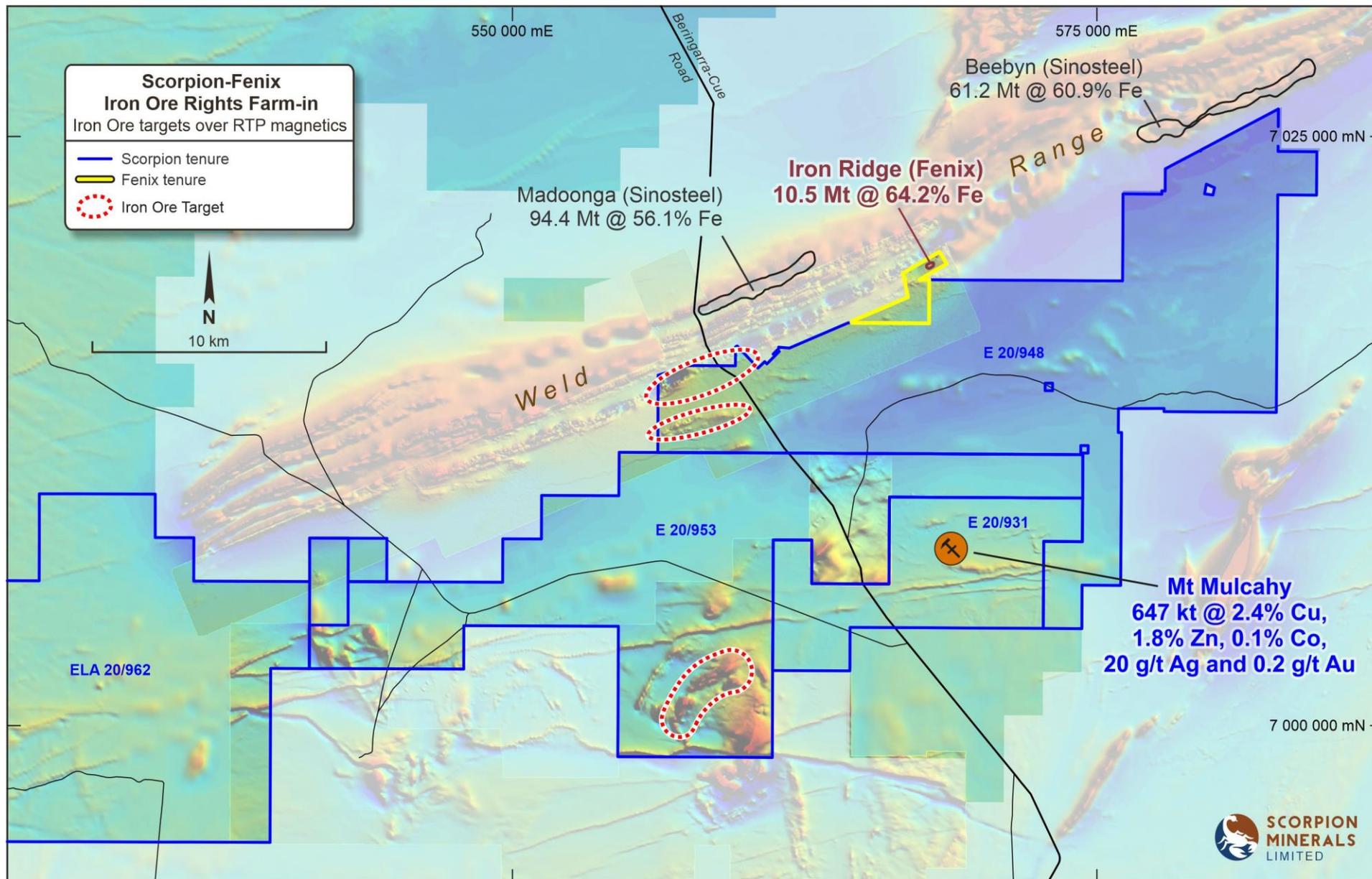


Figure 2 – Location of Pharos /Mt Mulcahy Project, with current iron ore targets highlighted.

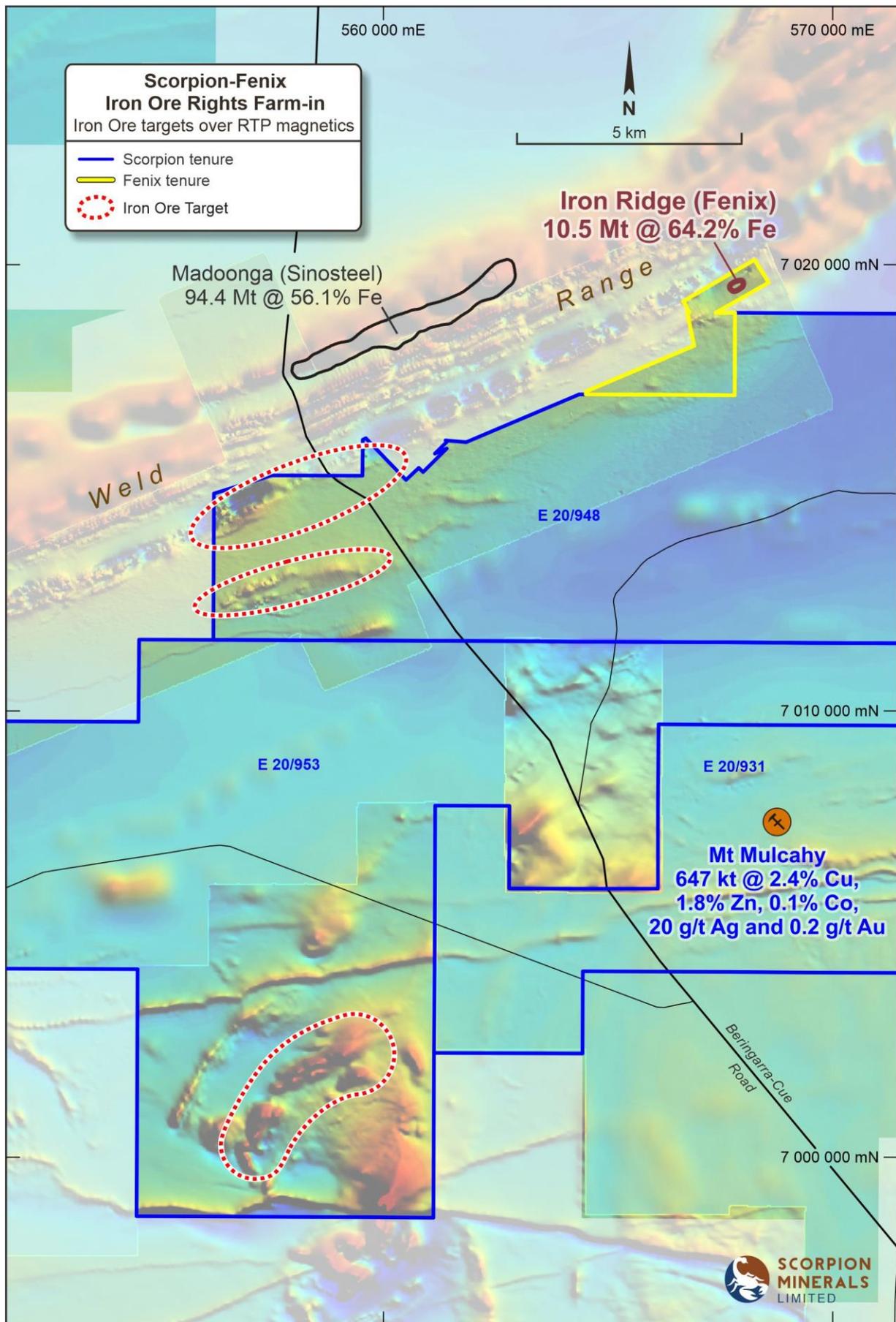


Figure 3 – Enlargement of Iron Ore targets, Pharos Project.