Pegasus Metals Ltd

ASX RELEASE – 10 JANUARY 2018

PEGASUS TO ACQUIRE FARM IN RIGHTS TO THE HIGHLY PROSPECTIVE DABLO PRECIOUS AND BASE METALS EXPLORATION PROJECT IN BURKINA FASO

HIGHLIGHTS

- **Agreement to acquire 100% of Scorpion Minerals Limited which owns the rights to engage in a joint venture over the Dablo Pd-Pt-Au-Ni-Cu (palladium-platinum-gold-nickel-copper) Project in Burkina Faso. The acquisition of Scorpion is subject to Pegasus shareholder approval.**
- **Dablo Project comprises four exploration tenements covering 981 km^2 of an early Birimian age greenstone belt containing a largely unexplored, significant (>35km long) ultramafic-mafic complex in a region which also hosts large-scale Au deposits (Essakane and Inata) and a VMS deposit (Perkoa).**
- **Scorpion holds a right to acquire up to a 70% interest in the Dablo Project in two phases:**
  - **Phase 1 - Scorpion to spend $4M on agreed expenditure within 24 months to earn an initial interest of 51% in the Dablo Project.**
  - **Phase 2 - Scorpion can earn up to a further 19% interest in the Dablo Project by spending up to a further $4M on agreed expenditure within the period of 18 months after completion of Phase 1.**
  - **Scorpion must spend a minimum of $1.15M within 12 months ($400,000 spent to date).**
- **Pegasus has received commitments from sophisticated investors for a Placement to raise $0.6M at 3 cents per share.**
- **Ms Bronwyn Barnes and Mr Grant Osborne will be appointed to and Mr Michael Fotios will resign from the Board of directors.**

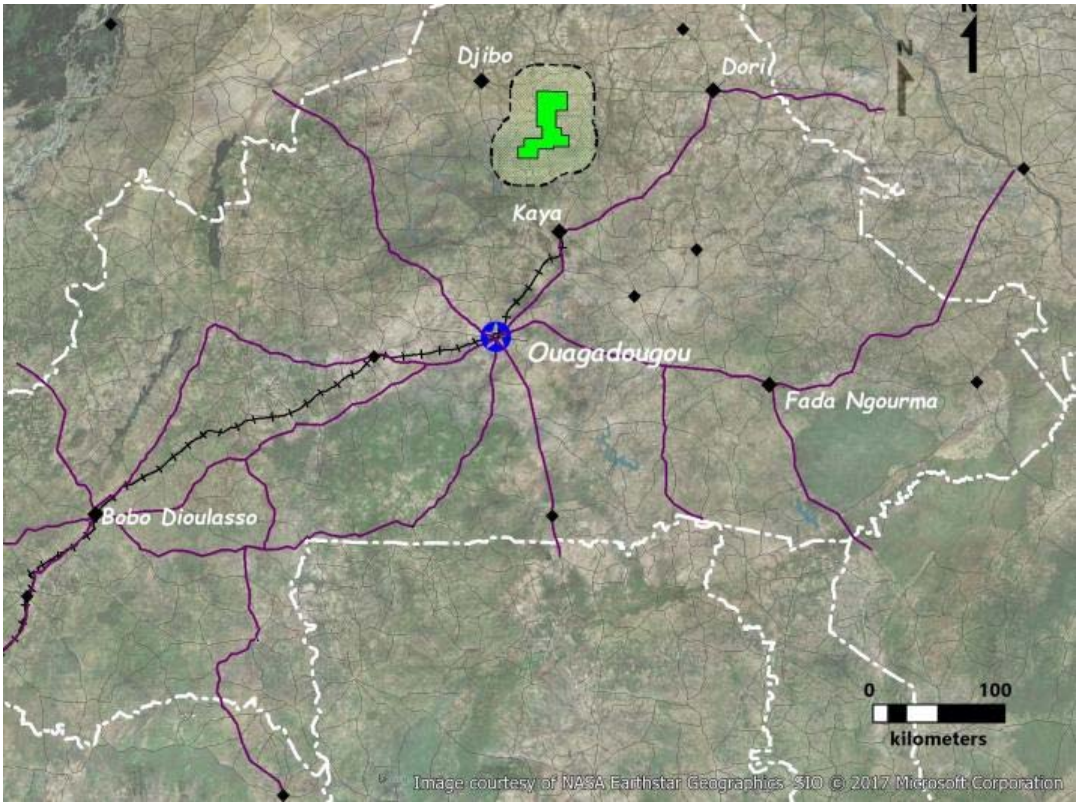
Pegasus Metals Limited (**ASX:PUN**) ("**Pegasus**" or the **"Company**") is pleased to announce that it has entered into an agreement ("**Agreement**") to acquire Scorpion Minerals Limited ("**Scorpion**") which holds the rights to acquire up to a 70% joint venture interest in the Dablo Pd-Pt-Au-Ni-Cu (palladium-platinum-gold-nickel-copper) exploration project ("**Dablo Project**") located in Burkina Faso ("**Transaction**").

Pegasus has continued to assess a number of opportunities in the past twelve months with a view to seeking to enhance shareholder value and supplement the Mt Mulcahy copper project. The Pegasus Board believes the proposed transaction with Scorpion is an excellent opportunity for the Company and has been secured on attractive terms.

Commenting on the Agreement, Pegasus' Director, Mr Michael Fotios said: "We are very pleased to be able to secure this agreement with Scorpion Minerals over this exciting and highly prospective large scale exploration project."

The Dablo Project is a significant ultramafic-mafic complex which could potentially host a large palladium-platinum-gold-nickel-copper deposit. The acquistion of Scorpion provides Pegasus with a first mover advantage in an emerging PGE-Au-Ni-Cu Province. The Dablo Project consists of a large tenement package comprising 4 tenements for a total of 981 km^2 along the Dablo Main Intrusion (DMI) with a strike length of 6km identified within >35km anomalous trend. Historically the Dablo Project was the subject of a Joint Venture between Newa/First Quantum with more than $6M having been spent on exploration activities that included:

- Ground TEM Survey
- Airborne VTEM Survey
- Soil geochemistry, geological mapping, and local prospect scale work (rock chipping, IP)
- 5 diamond holes for 915m in 2014 with best result returning **39.00m at 0.87% Ni, 0.27% Cu, 3.77g/t Pt+Pd and 0.74g/t Au.**



Exploration activities completed at Dablo in the last quarter of 2017 have included the acquisition and processing of a high resolution digital elevation model and remote sensing data (magnetics and radiometrics) covering key parts of all 4 permits. Combination of these datasets was completed by a consultant expert in NW African regolith and geochemistry in order to assess the efficacy and results of soil sampling carried out to date on the two main Dablo permits. Results revealed several areas that deserve additional follow-up, as well as permitting reprioritisation of planned sampling.

In December 2017 a program of 8 reverse circulation drill holes of 200m depth each, totaling 1600m, was successfully concluded at the Dablo North target. This drilling extended the strike length tested by drilling from 100m, at the end of the 2014 campaign, to 225m**. Several zones of sulphides were intersected, some with elevated copper values as determined by portable XRF (pXRF) analysis of the drill chips on site.** Drill samples from the recent campaign have been submitted for preparation in Ouagadougou followed by analysis in Canada (in line with previous analyses), but due to Burkina Faso governmental regulations on sample exportation, results are not expected to be received until the end of February 2018.

Planned exploration activities for the first quarter of 2018 include soil sampling over the two more recent permits, as well as an orientation log sample program over the Dablo North target. Once assays have been received and assessed it is also planned to review the geological logging done to date in order to maximise geological understanding. This will permit a decision to be made regarding the future of diamond drill core from hole DBDD-005, drilled in 2014 to collect samples for metallurgical test work, but still unanalysed and wrapped in plastic in Ouagadougou. Thin sections will be prepared and described petrologically from samples taken during the recent program, the first time such work has been carried out.

DABLO PROJECT – JOINT VENTURE TERMS

Scorpion is party to a memorandum of agreement which sets out the key commercial terms of a proposed joint venture with Newgenco Exploration (West Africa) Pty Ltd ("**NEWA**") over the Dablo Project.

Pursuant to the memorandum of agreement and the agreed proposed commercial terms of the JV with NEWA, Scorpion can acquire up to a 70% interest in the Dablo Project in two phases:

- **Phase 1** - Scorpion to spend $4M on agreed expenditure within 24 months after the date the conditions precedent to the JV agreement are satisfied to earn an initial interest of 51% in the Dablo Project. Scorpion must spend a minimum of $1.15M within 12 months after the Commencement Date.
- **Phase 2** - On completion of Phase 1, Scorpion can earn up to a further 19% interest (being a cumulative interest of 70%) in the Dablo Project by spending up to a further $4M on agreed expenditure within the period of 18 months after completion of Phase 1.

On completion of Phase 2, the parties must jointly contribute to expenditure at the Dablo Project in proportion to their ownership interests or dilute on terms that are usual in agreements of this type.

In line with the acquitision of Scorpion, Pegasus will assume all commitments of the Scorpion/NEWA Agreement.

COMMERCIAL TERMS - PEGASUS ACQUISITION OF SCORPION

The commercial terms of the Agreement between Pegasus and Scorpion are summarised below:

- Pegasus is to acquire 100% of the issued capital of Scorpion for A$0.36M via the issue of a total of 12M fully paid ordinary shares in the capital of Pegasus at an implied price of 3 cents per Share.
- In addition, the promoters/directors of Scorpion will be issued three (3) tranches of unlisted options in the capital of Pegasus to be structured to include a "cashless exercise" alternative (if available):
    - Tranche 1 - 15M Pegasus options with an exercise price of 3 cents per option, expiring 12 months from the date of issue;
    - Tranche 2 - 15M Pegasus options with an exercise price of 5 cents per option, expiring 24 months from the date of issue; and
    - Tranche 3 - 15M Pegasus options with an exercise price of 10 cents per option, expiring 36 months from the date of issue.
- Pegasus will also assume the outstanding loan obligations of Scorpion under the A$0.5M loan facility with Investmet Limited ("**Investmet**"), an entity associated with Mr Michael Fotios. An amount equal to A$0.25M (50%) will be repayable to Investmet from the Capital Raising (defined below) to be completed as part of the Transaction. Any amount in excess of A$0.25M will become repayable in either cash or shares, at Pegasus' election, once the Pegasus share price has traded

as a volume weighted average price (VWAP) above 25 cents per share over a continuous 30-day period.

- At the time of announcing the Transaction, Pegasus will commit to completing a placement to raise a minimum cash amount of A$0.6M (**Capital Raising**).

CAPITAL RAISING

In connection with the proposed acquisition, the Company is pleased to announce it will underake a placement under its ASX Listing Rule 7.1 capacity to sophisticated investors of 20,000,000 ordinary shares at 3 cents per Share, to raise $0.6M before costs associated with the issue.

The funds raised will be applied to progress the proposed acquisition and exploration of the Dablo Project, exploration activities at the Company's Mt Mulcahy Copper Project, working capital and repaying $0.25M of the loan facility provided by Investmet to Scorpion.

CONDITIONS PRECEDENT

Completion of the Transaction will be subject to the following conditions precedent:

1. Scorpion obtaining all necessary regulatory and shareholder approvals pursuant to the Corporations Act 2001 (*Cth*) (**Corporations Act**) and any other law (including ASIC relief).
2. Pegasus obtaining all necessary shareholder and regulatory approvals pursuant to the ASX Listing Rules, the Corporations Act, and any other law (including all ASX approvals and waivers and ASIC relief) to allow Pegasus to lawfully complete the Transaction, including but not limited to, approval pursuant to item 7 of section 611 of the Corporations Act in relation to the debt conversion referred to below.
3. Pegasus Director Related Loans are currently A$1.6M. As part of the Transaction, 50% equating to A$0.8M will be converted to equity in Pegasus at an implied rate of 3 cents per Share, with the balance to remain outstanding, with repayment terms to be extended and repayment to be made in either cash or shares, at Pegasus' election, once the Pegasus share price has traded as a VWAP above 25 cents per share over a continuous 30-day period.

(together, the **Conditions**).

Subject to satisfaction of the Conditions, in consideration for Investmet entering the loan terms outlined above, Investmet shall be issued three (3) tranches of unlisted options in the capital of Pegasus ("**Investmet Options**") as follows:

- Tranche 1 - 7.5M Pegasus options with an exercise price of 3 cents per option, expiring 12 months from the date of issue;
- Tranche 2 - 7.5M Pegasus options with an exercise price of 5 cents per option, expiring 24 months from the date of issue; and
- Tranche 3 - 7.5M Pegasus options with an exercise price of 10 cents per option, expiring 36 months from the date of issue.

BOARD CHANGES

Subject to shareholder approval, Ms Bronwyn Barnes and Mr Grant Osborne will be appointed to the Company as Directors.

Mr Michael Fotios will be resigning from the Pegusus Board effective at completion of the acquisition and subject to receipt of shareholder approval for the acquisition of the Dablo Project.

DABLO PROJECT – DETAILED INFORMATION

PROJECT LOCATION

The Dablo Nickel Pd-Pt-Au-Ni-Cu occurrence is located in north-eastern Burkina Faso, associated with disseminated magmatic sulphides found in the northern part of the Dablo Main intrusion.

Figure 1 ***: Project Location.***

The Dablo Main intrusion is an elongated 6km long by 500m wide ultramafic-mafic intrusion, which is interpreted to form part of a >35km long North–South ultramafic-mafic intrusive complex, interpreted to be of 2.0 – 2.1 Ga (early Birimian age) (**Figure 2**).

It is located on a Trans-Lithospheric Fault associated with a large-scale gravity anomaly, and intrudes into a previously unmapped extension of the Bourroum Greenstone belt. Numerous ultramafic-mafic intrusions with highly anomalous surface geochemical anomalism interpreted to be of the same affinity have been identified over the full strike length of the complex.

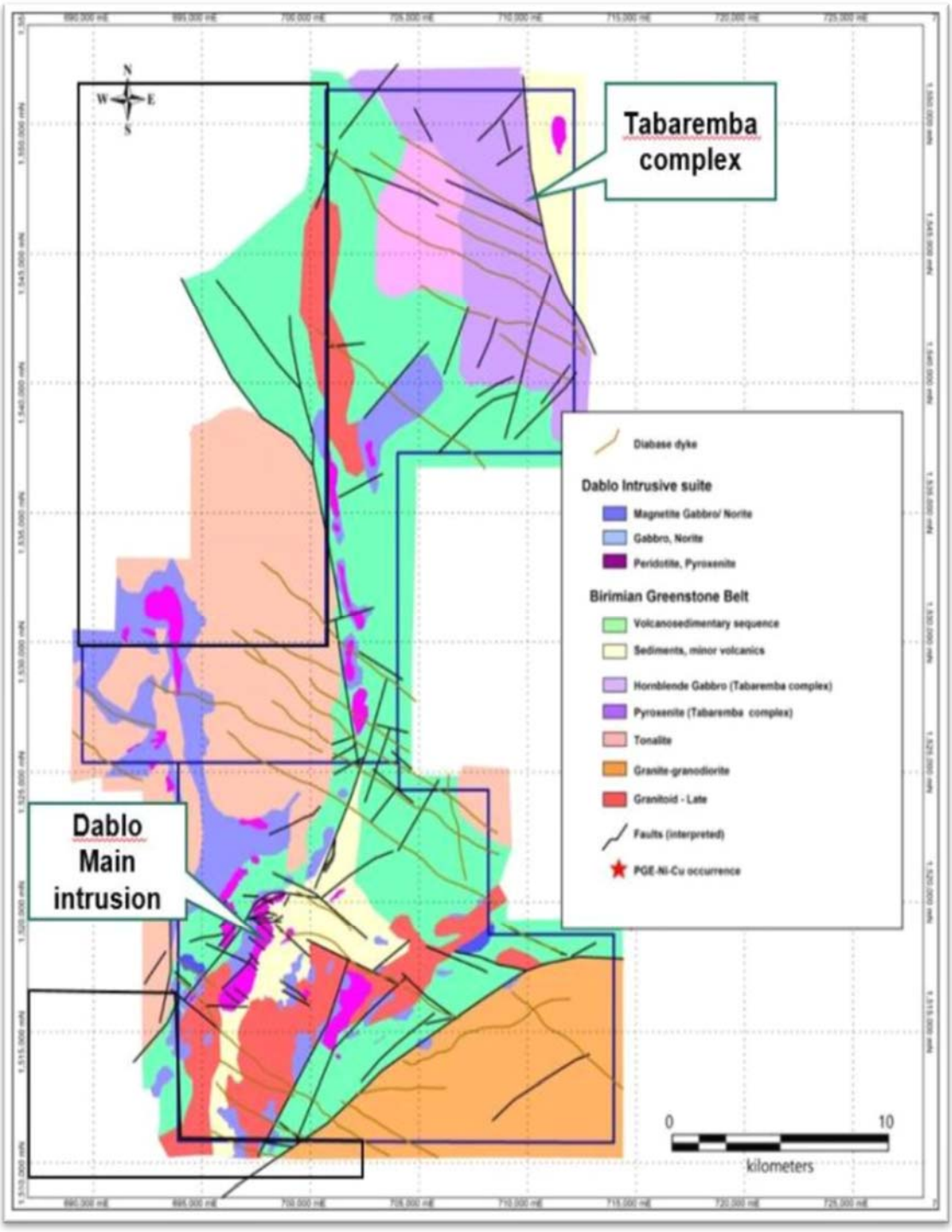


Figure 2 **:** Semi-Regional geology of the Dablo Project. The two western tenements were granted in H1 2016 (expiry 2022) while the eastern two tenements are in the second 3-year period of the maximum 9-year title (expiry 2025).

The Dablo Main Intrusion mostly comprises peridotite with lesser melanogabbronorite and gabbronorite at greenschist metamorphic facies, while in the north, the Tabaremba Complex consists of very coarse-grained pyroxenite and gabbro at lower amphibolite facies.

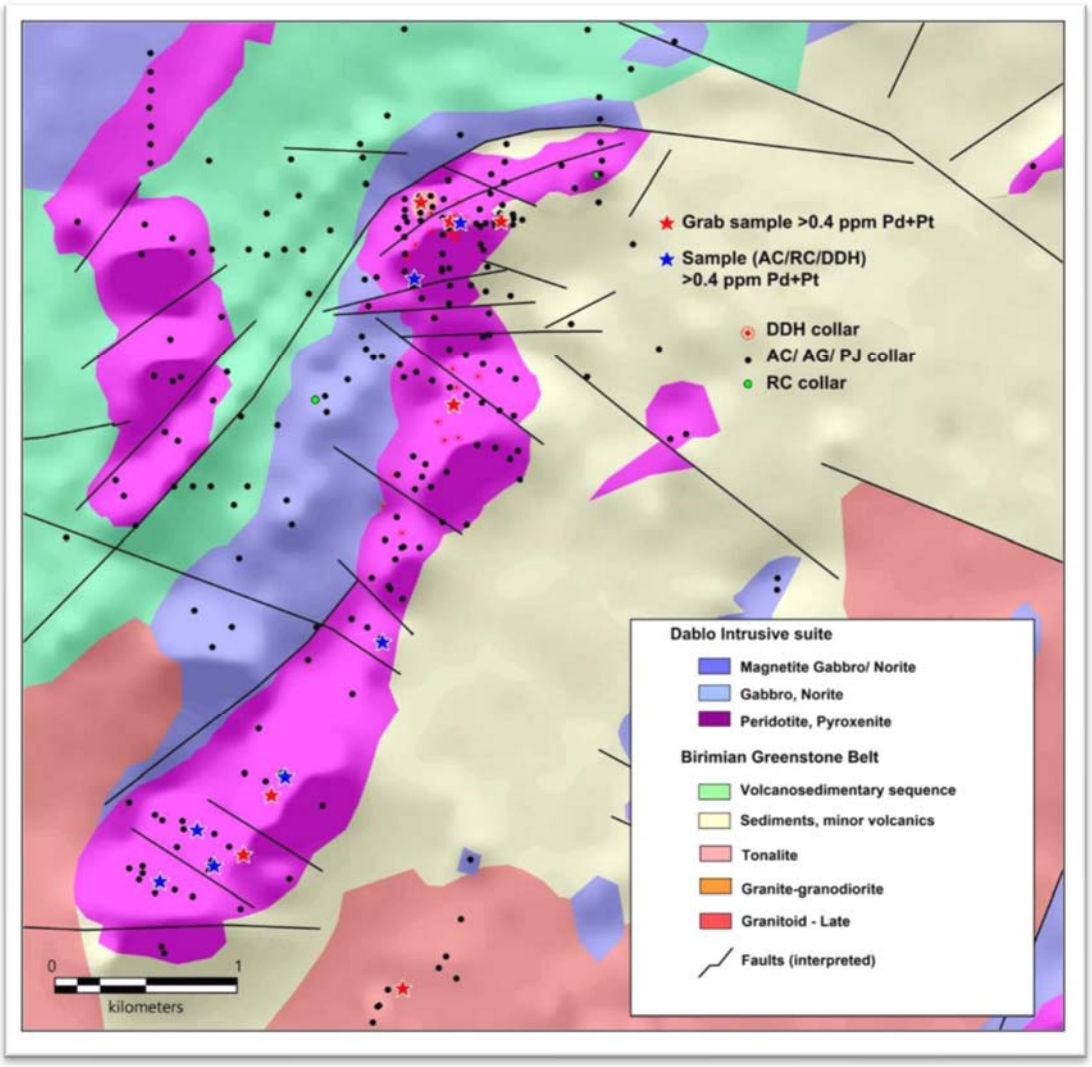


Figure 3 *: Dablo Main Intrusion*

PREVIOUS PROJECT EXPLORATION

To date there has been extensive regional work but only limited drilling. The German Federal Institute for Geosciences and Natural Resources agency, BGR (Bundesanstalt für Geowissenschaften und Rohstoffe) drilled the area in the 1980s, returning significant Ni-Cu grades but only partially assayed for precious metals. NEWA field work was conducted in a Project Generation Alliance with First Quantum Minerals Ltd ("**FQM**"), with the objective of discovering Ni-Cu-PGE sulphides in West Africa. **The occurrence was discovered in an outcrop by NEWA in 2011 with rock chip sampling yielding 3-4g/t PGE.**

A land package was assembled and FQM supported the drilling of 5 diamond holes for 915m in 2014, with the best result returning **39.00m at 0.87% Ni, 0.27% Cu and 4.51 g/t Pd+Pt+Au (from 13.00m-52.00m in DBDD001) from disseminated sulphides in peridotite**. This drilling has never been followed up (in terms of testing strike/down dip potential) and only covers 150m of the anomalous 6km strike of the DMI (**Figure 4**).

Drilling success led to a ground TEM survey and subsequent airborne VTEM survey. The area has been covered with several regional datasets (soils, mapping, VTEM, Aeromagnetics) as well as local project scale work (rock chipping, mapping, soils, IP etc) and is largely drill-ready.

NEWA executed the diamond drilling programme but surrendered project management to FQM prior to receipt of the first analyses. NEWA completed limited petrology on the historical BGR core (D-series

diamond drill holes) but there has been no petrology on the NEWA-executed DBDD-series diamond drill holes, and hole DBDD005, drilled adjacent to DBDD001 for metallurgical sampling, remains sealed in plastic in Ouagadougou awaiting analysis and metallurgical testwork. Semi-qualitative field portable XRF values of 36m @ 0.68%Ni and 0.21% Cu (from 22m-58m) were obtained from this hole.

It is interpreted that disseminated sulphide mineralisation lies at the base of at least two magmatic pulses within the DMI, and both are PGE-anomalous. The shallower mineralised intersection (0m-45m deep) has anomalous PGE (Pd=2.5Pt)-Au-Ni-Cu, while the deeper intersection (218m-235m) has PGE-(Pd=3.71Pt)-Au with weakly anomalous Ni, Cu.

Airborne and ground geophysical datasets have been completed and where sampled, there is a strong correlation between anomalous Pd-Pt-Au-Ni-Cu surface geochemical samples, magnetic trends and IP anomalies over the 6km strike of the DMI.

Examination of the cross section (Figure 3) shows that the PGE-anomalous zones are located on the margins of an IP Chargeability high.

Results of the first 4 diamond drill holes at Dablo Main are shown in **Table 1**.

Hole_ID	From	to	Length	AU_ppm	Pt_ppm	Pd_ppm	Ni_%	Cu_%	Pd+Pt+Au
DBDD001	13.00	52.00	39.00	0.74	1.10	2.67	0.873	0.268	4.51
Including	**22.76**	**44.46**	**21.70**	**1.13**	**1.63**	**3.99**	**1.201**	**0.385**	**6.75**
DBDD002	65.18	69.00	3.82	0.18	0.36	0.79	0.314	0.0775	1.33
DBDD002	142.92	160.38	17.46	0.26	0.38	1.40	0.38	0.0967	2.04
Including	**155.00**	**160.38**	**5.38**	**0.34**	**0.56**	**2.11**	**0.427**	**0.097**	**3.01**

DBDD003	202.00	204.19	2.19	0.03	0.12	0.86	0.216	0.0177	1.01
DBDD004	122.03	135.56	13.53	0.40	0.54	2.11	0.423	0.096	3.05
including	**126.26**	**135.56**	**9.30**	**0.50**	**0.69**	**2.68**	**0.444**	**0.112**	**3.87**

Table 1 : Dablo Main: Diamond drill results

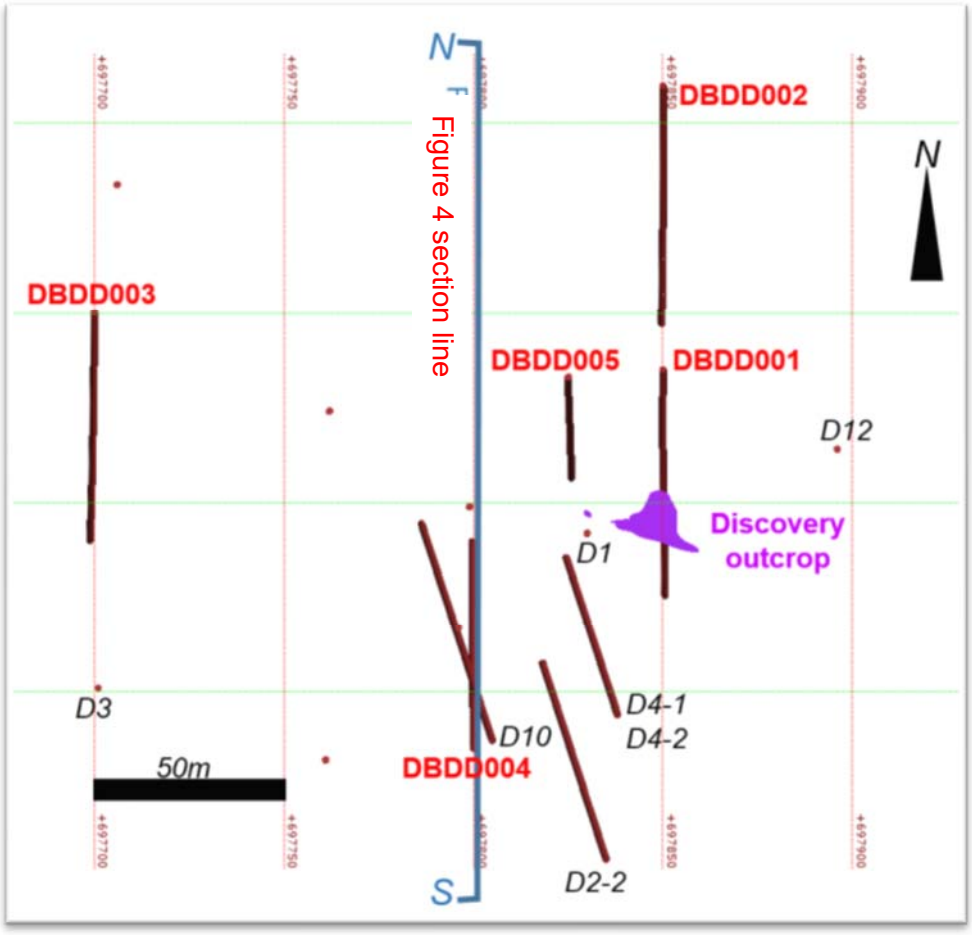


Figure 4 *:* Drill hole location plan of the Dablo Main Intrusion showing drill hole traces (brown) and the discovery outcrop. Only drill holes deeper than 5m are labelled (Red label = NEWA; lack label=historical) with dots indicating vertical holes. The location of figure 3 is shown.

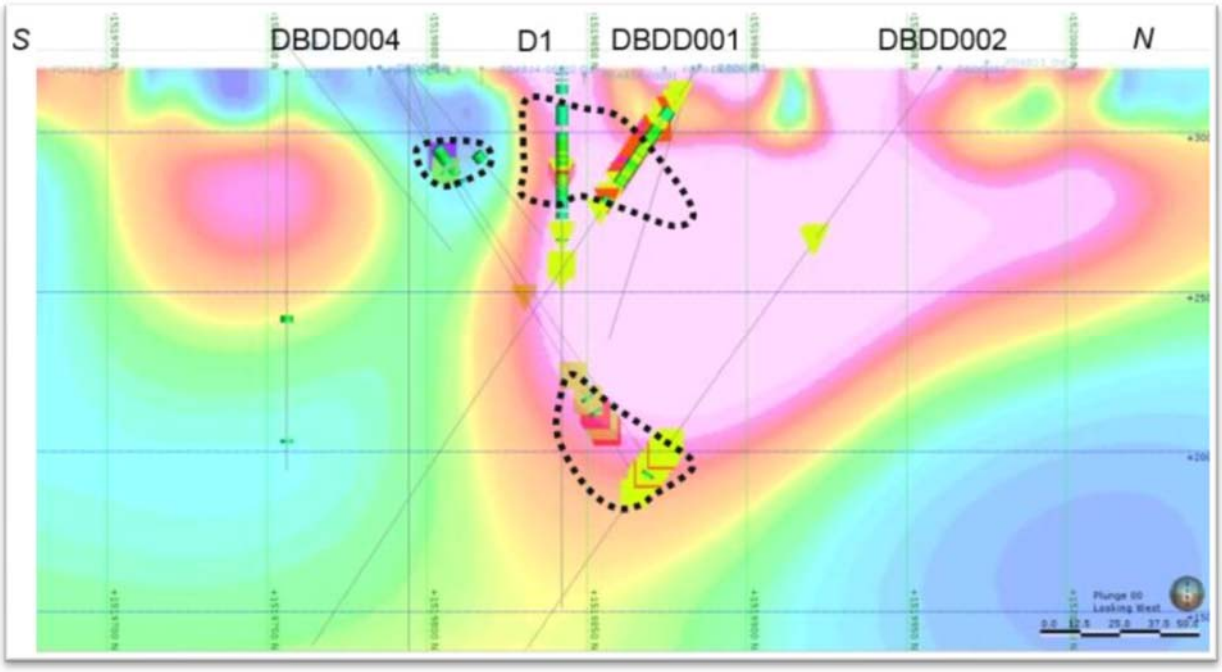


Figure 5 *:* West-looking cross section along 697800E with a 100m window. Drill hole DBDD004 and the IP Chargeability section image are central to the slice while holes D1, DBDD001 and DBDD002 are located 50m east. The drill holes are coloured with Ni grades >0.5% while the triangles (Pd=2.5Pt) and squares (Pd=3.71Pt) represent values of Pt+Pd+Au >1g/t. A postulated upper and lower mineralized zone are shown as hatched polygons. On this section, the former extends from ca 310m-275m RL while the latter extends from 210m-185m RL. Surface is at 320m RL.

GEOCHEMISTRY

The geochemistry obtained to date is summarised as follows:

Interval Name	From (m)	To (m)	Interval (m)	Ni (%)	Cu (%)	Ni/Cu	Pd (ppm)	Pt (ppm)	Au (ppm)	3E (ppm)	Pd/Pt	Pd/Au	Pt/Au
Oxide Zone	16.15	28.00	11.85	0.71	0.23	3.09	2.40	1.00	0.80	4.20	2.40	3.00	1.25
Sulphide Zone	28.00	56.00	28.00	0.91	0.28	3.31	2.70	1.11	0.85	4.66	2.43	3.18	1.31
		Oxide/Sulfide		78%	84%	9.%	89%	90%	94%	90%	99%	94%	96%
Totals	16.15	26.00	39.85	0.85	0.26	3.24	2.61	1.08	0.84	4.52	2.42	3.12	1.29

Table 2: Comparison of base metal, PGE and Au grades and ratios for the oxide and sulfide portions of the DBDD001 intersection.

Competent Person Statement

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves.

The Information contained in this announcement is an accurate representation of the available data relating to the Dablo Project.

The information contained in this announcement that relates to geology and exploration results is based, and fairly reflects, information compiled by Mr Grant Osborne, who is a Member of the Australian Institute of Geoscientists. Mr Osborne is a consultant to Pegasus Resources Ltd. Mr Osborne has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Osborne consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

All parties have consented to the inclusion of their work for the purposes of this announcement. The interpretations and conclusions reached in this announcement are based on current geological theory and the best evidence available to the authors at the time of writing. It is the nature of all scientific conclusions that they are founded on an assessment of probabilities and, however high these probabilities might be, they make no claim for absolute certainty. Any economic decisions which might be taken on the basis of interpretations or conclusions contained in this announcement will therefore carry an element of risks.

JORC Code, 2012 Edition – Table 1 Section 1 Sampling Techniques and Data (Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	*Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.*	• BGR (The German Federal Institute for Geosciences and Natural Resources agency, or "Bundesanstalt für Geowissenschaften und Rohstoffe') diamond drilled (D-series holes) the area in the 1980s. 17 Holes were drilled for 2183m advance. No reference to qualitative BGR exploration results are made in this release. • NEWA (Newgenco Exploration (West Africa) Pty Ltd)- drilled 5 diamond holes (DBDD-series holes) for 915m advance in 2014. pXRF results are discussed for Hole DBDD005, which has not yet been assayed. 3 RC holes were aklso drilled at this time • NEWA drilled 8 Reverse Circulation (RC) Holes for 1600m advance in December 2017. Samples are not assayed at the date of this release
	Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.	• NEWA exploration- Sample representivity was ensured by a combination of Company Procedures regarding quality controls (QC) and quality assurance/ testing (QA). Examples of QC include (but are not limited to), daily workplace and equipment inspections, as well as drilling and sampling procedures. Examples of QA include (but are not limited to), collection of drilling duplicates (field duplicates), and the sourcing and use of certified standards (STD OREAS 13b) and blank samples.

	Aspects of the determination of mineralisation that are Material to the Public Report - In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.	• NEWA diamond drilling- Visually and pXRF anomalous mineralised zones and margins were identified and marked for sampling. Generally metre long half-core samples were submitted to the laboratory for analysis. Sampling was conducted on holes DBDD001-004. Hole DBDD005 has not yet been submitted for analysis. Diamond core samples were submitted to ALS Global in Canada using analytical methods ME-MS61 and PGM-23. • NEWA RC drilling – RC drilling was used to obtain 1m samples, from which split samples have been obtained for transport to ALS Global in Canada. Samples are to be assayed using analytical methods ME-MS61 and PGM-23.

Criteria	JORC Code explanation	Commentary
Drilling techniques	*Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face- sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• NEWA diamond drilling- Diamond drilling was cased using HQ and then cored with NQ. Diamond core was not orientated. • NEWA RC drilling – RC drilling was conducted using a truck -mounted Schramm with booster.
Drill sample recovery	*Method of recording and assessing core and chip sample recoveries and results assessed.*	• NEWA diamond drilling -Diamond core recoveries for DBDD001-005 were logged and recorded in the database. Recoveries for these holes was regarded as excellent. • NEWA RC drilling – RC drilling recoveries were not recorded
	Measures taken to maximise sample recovery and ensure representative nature of the samples.	• NEWA diamond drilling –Normal drilling activities were undertaken by Major Drilling. Depths were checked against the depth given on the core blocks and rod counts are routinely carried out by the driller. • NEWA RC drilling – RC drilling recoveries were not recorded but considered satisfactory. A booster was employed to keep air pressure up down the hole, and minimize the effects of ground water, which was observed to be negligible.
	Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	No analysis has been undertaken as yet regarding whether sample bias may have occurred due to preferential loss/gain of fine/coarse material, but is not considered to have a material effect given the competent nature of the drill core.
Logging	*Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	Geological logging of samples followed industry common practice. Qualitative logging of samples including (but not limited to); lithology, mineralogy, alteration, veining and weathering. Diamond core logging included additional fields such as structure and some geotechnical parameters.
	Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.	All logging is quantitative, based on visual field estimates. Systematic photography of the diamond core in the wet and dry form was completed.

	The total length and percentage of the relevant intersections logged.	Detailed diamond core logging, with digital capture was conducted for 100% of the core by NEWA's geological team at the Company's secure facility offsite. Detailed RC logging of all drilling was completed on site.
Criteria	**JORC Code explanation**	**Commentary**
Sub-sampling techniques and sample preparation	*If core, whether cut or sawn and whether quarter, half or all core taken.*	All core submitted for assay was half core with the exception being when quarter core was submitted where petrographic samples had been taken from the other quarter core
	If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.	All RC samples were riffle split at the rig, and sampled dry.
	For all sample types, the nature, quality and appropriateness of the sample preparation technique.	Company procedures were followed to ensure sub- sampling adequacy and consistency. These included (but were not limited to), daily work place inspections of sampling equipment and practices.
	Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.	Blanks, duplicates and certified reference materials were submitted with the samples to the laboratory as part of the quality control procedures.
	Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.	Minimal field duplicate sampling has been carried out.
	Whether sample sizes are appropriate to the grain size of the material being sampled.	The sample sizes are considered to be appropriate to correctly represent the sought mineralisation.
Quality of assay data and laboratory tests	*The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*	ME-MS61 is a Four Acid Digestion technique with MS finish and considered a total extraction method, particularly appropriate for this type of deposit and stage of exploration.

	For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.	• NEWA diamond drilling pXRF measurements were undertaken by a Delta Innovex, and used to guide sample selection for analysis. • NEWA RC drilling pXRF measurements were initially taken by a Bruker S1 TITAN 600. This was subsequently found to be faulty and substituted for a hired Delta Premium XRF device in Soil mode.
Criteria	**JORC Code explanation**	**Commentary**
	Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.	Company QAQC involved the submission of blanks and standards, a Certified Reference Material (CRM) standard was inserted into the sample run. The analytical laboratory also provide their own routine quality controls within their own practices. The results from their own validations were provided to NEWA. Results from the CRM standards and blanks gives confidence in the accuracy and precision of the assay data returned from ALS.
	The verification of significant intersections by either independent or alternative company personnel.	Multiple company geologists and consultants have verified mineralised intersections.
	The use of twinned holes.	No twinned holes have been drilled, HoleDDBD005 was drilled within 25m of Hole DDBD001 to provide metallurgical information on that intersect
	Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.	Primary data was collected for drill holes using a laptop computer and Microsoft Excel Software. The information was sent to the company for validation and compilation into a database.
	Discuss any adjustment to assay data.	No adjustments or calibrations were made to any assay data used in this report.

Location of data points	*Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.*	Drill collar locations were pegged before drilling and surveyed using handheld GPS to accuracy of +/- 1m. Down-hole single were conducted by the diamond drilling contractor. The survey method used was GyroSmart every 5m downhole.
	Specification of the grid system used.	The grid system used is WGS84 UTM Zone 30N
	Quality and adequacy of topographic control.	The collars generally plot within ± 3m RL of the high resolution AW3D Japanese Satellite DEM (1m) acquired by NEWA in December 2017
Criteria	**JORC Code explanation**	**Commentary**
Data spacing and distribution	*Data spacing for reporting of Exploration Results.*	The drill hole spacing is target specific, refer to figures in text.
	Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.	The drilling is effectively reconnaissance in nature, and currently not appropriate for Mineral Resource or Ore Reserve Estimations.
	Whether sample compositing has been applied.	No sample compositing has been applied.
Orientation of data in relation to geological structure	*Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.*	Drillholes are drilled on NS section lines, approximately perpendicular the strike of the interpreted mineralized zone. Most drill holes have intersected the interpreted flat-dipping (ca 30 degrees) mineralisation at perpendicular angle, and is not considered to have introduced a sampling bias.
	If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	Not Applicable

Sample security	*The measures taken to ensure sample security*	All samples were removed from site to a secure local storage facility after drilling. Samples submitted for assay were split from the originals on-site and transported in company vehicles to the preparation laboratory in Ougadougou. ALS laboratory checks received samples against the sample dispatch form and issues a reconciliation report. The chain of custody is managed company management, in conjunction with ALS using tracking sheets to monitor the progress of sample dispatches.
Audits or reviews	*The results of any audits or reviews of sampling techniques and data.*	No audits or review of the data management system has been carried out.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary

Mineral tenement and land tenure status	*Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.*	•Scorpion Minerals holds a right to acquire up to a 70% interest in the Dablo Project via a joint venture (JV) with Newgenco Exploration (West Africa) Pty Ltd ("NEWA") over the Dablo Project in Burkina Faso. Four permits (Dablo1-4) covering 40km of regional strike form the project area and expire between 2022 and 2025. The earn-in is two tiered: –Phase 1 - Scorpion to spend $4M on agreed expenditure within 24 months to earn an initial interest of 51% in the Dablo Project. –Phase 2 - Scorpion can earn up to a further 19% interest in the Dablo Project by spending up to a further $4M on agreed expenditure within the period of 18 months after completion of Phase 1. –Scorpion must spend a minimum of $1.15M within 12 months ($400,000 spent to date as at the date of this release).
	The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.	The permits are in good standing and no known impediments exist.
Criteria	**JORC Code explanation**	**Commentary**

Exploration done by other parties	*Acknowledgment and appraisal of exploration by other parties.*	The German Federal Institute for Geosciences and Natural Resources agency, BGR (Bundesanstalt für Geowissenschaften und Rohstoffe) explored and drilled the area in the 1980s, returning significant Ni-Cu grades but only partially assayed for precious metals. NEWA conducted in a Project Generation Alliance with First Quantum Minerals Ltd ("FQM"), with the objective of discovering Ni-Cu-PGE sulfides in West Africa. The DMI occurrence was discovered in an outcrop by NEWA in 2011 with rock chip sampling yielding 3-4g/t PGE. A land package was assembled and FQM supported the drilling of 5 diamond holes for 915m in 2014, with the best result returning 39.00m at 0.87% Ni, 0.27% Cu and 4.51 g/t Pd+Pt+Au (from 13.00m-52.00m in DBDD001) from disseminated sulfides in peridotite. The drilling success led to a ground TEM survey and subsequent airborne VTEM survey. The area has been covered with several regional datasets (soils, mapping, VTEM, Aeromagnetics) as well as local project scale work (rock chipping, mapping, soils, IP etc) and can be considered largely drill-ready.
Geology	*Deposit type, geological setting and style of mineralisation.*	The mineralisation is PGE-Ni-Cu disseminated magmatic sulfide associated with the Dablo Main Intrusion, an elongate ultramafic-mafic intrusion 6 km long and up to 500 meters wide. It is part of a 30 km long ultramafic-mafic intrusive trend of Paleoproterozoic age. The host is mostly gabbronorite/ norite/peridotite at greenschist facies, with mineralization associated with an early ~2.0-2.1 Ga Birimian-aged magmatic event, located on a trans-lithospheric fault associated with a large scale gravity anomaly. The area is flat, with almost no outcrop, regolith cover consists of soil, lateritic duricrust and locally sand. The average depth of regolith is around 12 metres. Some supergene mineralization is noted at the weathing interface, and sulfides are observed below weathered zone as disseminations and interstitial concentrations, with lesser sulfide veinlets and local small blebs. It is interpreted that disseminated sulfide mineralisation lies at the base of at least two magmatic pulses.

<table>
<tr><th>Criteria</th><th>JORC Code explanation</th><th>Commentary</th></tr>
<tr><td>Drill hole Information</td><td>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:
easting and northing of the drill hole collar
elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar
dip and azimuth of the hole
down hole length and interception depth
hole length.</td><td>The drill hole collar plan in Figure 4 of this release illustrates the spatial relationship of the NEWA 2014 diamond drillholes. The table below denotes the location of each of the holes as well as drillhole orientation data (at collar position). Intercept values are tabulated in the release.

<table><tr><th>Hole_ID</th><th>UTM_E</th><th>UTM_N</th><th>EL</th><th>Az</th><th>Dip</th><th>Depth</th></tr><tr><td>DBDD001</td><td>697850</td><td>1519885</td><td>320.6</td><td>180</td><td>-55</td><td>218</td></tr><tr><td>DBDD002</td><td>697850</td><td>1519960</td><td>320.0</td><td>180</td><td>-55</td><td>223</td></tr><tr><td>DBDD003</td><td>697700</td><td>1519900</td><td>319.9</td><td>180</td><td>-55</td><td>257</td></tr><tr><td>DBDD004</td><td>697800</td><td>1519785</td><td>320.4</td><td>360</td><td>-58</td><td>169</td></tr><tr><td>DBDD005</td><td>697825</td><td>1519883</td><td>320.0</td><td>180</td><td>-74</td><td>89</td></tr></table></td></tr>
<tr><td></td><td>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</td><td>Downhole survey data has not been included, due to size of the data, and difficulty displaying in tabulated view.</td></tr>
<tr><td>Data aggregation methods</td><td>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</td><td>Exploration results are nominally reported where Ni values are anomalous (Ni> 0.2%), and Cu, Pd, Pt and Au values are directly reported</td></tr>
<tr><td></td><td>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</td><td>Where higher grade zones internal to broader intervals of lower grade mineralisation were reported, these were noted as included intervals and emboldened.</td></tr>
<tr><td></td><td>The assumptions used for any reporting of metal equivalent values should be clearly stated</td><td>No metal equivalents have been reported. Values for Pd, Pd and Au are occasionally arithmetically added to deliver a “3E” value.</td></tr>
</table>

Criteria	JORC Code explanation	Commentary
Relationship between mineralisation widths and intercept lengths	*These relationships are particularly important in the reporting of Exploration Results.* *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	The south-orientated drill holes (Azimuth 180 Grid) have intersected the interpreted flat-dipping (ca 30 degrees) mineralisation perpendicularly, and reported mineralised intervals are expected to represent true widths. North-orientated holes (Azimuth 360 Grid) will intersect mineralization obliquely and will show inflated widths in comparison to exoected true width. All reported intersections are down-hole lengths.
Diagrams	*Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar*	Maps and cross sections are reported in Figures 2 and 5, within the main body of this release.
Balanced reporting	*Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	All low and high grade significant intersections have been reported.
Other substantive exploration data	*Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	All relevant exploration data is shown on figures and discussed in the text.

Further work	*The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	More detailed geological logging and structural interpretation will be carried out, to further validate the exploration model. Soil sampling over the two more recent permits, as well as an orientation lag sample program over the Dablo North target is planned. Assays from the 2018 RC drilling will be received and assessed for additional drill targeting. A decision will be made on the possible analysis of diamond drill core from hole DBDD-005, drilled in 2014 ostensibly for metallurgical test work, but still unanalyzed and wrapped in plastic in Ouagadougou. Thin sections will be prepared and described petrologically from available core.