SCORPION MINERALS LIMITED

ACN 115 535 030

Interim Financial Report

For the half-year ended 31 December 2018

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These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the Annual Report for the year ended 30 June 2018 and any public announcements made by Scorpion Minerals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

Your Directors are pleased to present their report on the consolidated entity consisting of Scorpion Minerals Limited and the entity it controlled at the end of, or during, the half-year ended 31 December 2018.

DIRECTORS

The names of the Directors who held office during or since the end of the half-year, to the date of this report, are:

Bronwyn Barnes	Non-Executive Director – appointed 31 October 2018
Carol New	Non-Executive Director – appointed 1 February 2019
Craig Hall	Non-Executive Director – appointed 11 February 2019
Grant Osborne	Non-Executive Director – appointed 31 October 2018 – resigned 1 February 2019
Michael Fotios	Non-Executive Director – resigned 31 October 2018
Alan Still	Non-Executive Director – resigned 31 October 2018
Neil Porter	Non-Executive Director – resigned 11 February 2019

COMPANY SECRETARY

Carol New	- appointed 16 January 2019
Brendon Morton	- resigned 16 January 2019

REVIEW OF OPERATIONS

Mt Mulcahy

The Mt Mulcahy project hosts the Mount Mulcahy copper-zinc deposit, 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, and 20g/t Ag at the 'South Limb Pod' (SLP) (refer ASX release dated 25 September 2014). The horizon hosting this mineralisation 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.

The Company is currently awaiting the grant of ELA 20/931, and is finalising heritage agreements with the respective Native Title Claimant Group. Planned drilling of down-plunge extensional holes to the current resource at the SLP awaits the grant of the new licence.

The Company is also progressing its applications (P51/3016-17) in the Nowthanna area, also finalising heritage agreements with the respective Native Title Claimant Group. The project is some 50km south of Meekatharra, and contains stratigraphy which the Company believes has the potential to host VMS mineralisation.

Dablo PGE-Au-Ni-Cu Project, Burkina Faso

In January 2018 Pegasus announced 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 PGE-Au-Ni-Cu exploration project in Burkina Faso, Africa, (refer Figure 1) through Newgenco Exploration (West Africa) Pty Ltd ("NEWA"). Burkina Faso is considered a premier exploration destination for large mineral deposits (particularly gold) within the Paleo-Proterozoic greenstones of the Birimian shield. The Company has recently earnt a 15% interest in the Dablo Project.

On the 23rd October 2018 (refer ASX:PUN release "Dablo Project Update"), the company announced results from the 3000 m RC drilling programme completed at Dablo PGE-Au-Ni-Cu project earlier in the year (refer PUN:ASX announcements 12th June 2018 and 18th June 2018), where holes tested extensions to previous drilling and undrilled regional targets. As a result, two regional PGE-Au-Ni-Cu discoveries were made south of Dablo North – Tangaseiga and La Forge.

DIRECTORS' REPORT (continued)

Drilling Highlights announced included:

- Dablo North: 29m @ 3.97 g/t 3E, 0.64% Ni, 0.24% Cu from 32m
- Tangaseiga: 24m @ 1.74 g/t 3E, 0.37% Ni, 0.08% Cu from 8m
- La Forge: 12m @ 3.00 g/t 3E, 0.50% Ni, 0.09% Cu from 66m

Potential epigenetic orogenic high-grade gold mineralisation was also discovered in a single hole drilled north of northern ultramafic contact at Dablo North:

- 2m @ 13.75 g/t Au from 88 m

Results confirmed the potential for multiple zones of PGE-Au-Ni-Cu and lode Au mineralisation along the identified 6km strike of the Dablo Ultramafic-Mafic Intrusive Complex, with an additional 24km of interpreted corridor remains to be tested.

Security Situation
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. Although this does not directly affect the project area, the company is monitoring security concerns and working with the joint venture partner to assess the situation. At this stage no work is being undertaken in the field and planned work activity is on hold until the situation stabilises.

Due to the uncertainty as to when the State of Emergency will be lifted the Company has fully impaired the carrying value of the Dablo Project. The impairment amount was $1,622,768.

RESULTS OF OPERATIONS

The Group incurred an after-tax operating loss for the half-year ended 31 December 2018 of $2,356,894 (31 December 2017: $76,915).

SUBSEQUENT EVENTS

There are no other matters or circumstances that have arisen since 31 December 2018 other than board changes disclosed under the Directors heading.

CORPORATE

On 27 October 2017, the Company announced it had entered into an agreement with Mr Michael Fotios and his associated entities to provide funding of up to $1,000,000 to the Company. During the half-year, the terms of the Loan Facility were varied as follows:

- the facility limit was increased to $2,000,000;
- Interest (on a simple interest basis) is payable at 8%; and
- At any time after 16 October 2018, should the VWAP of the Company's ordinary shares exceed $0.25 per share over a continuous 30 day period, then the Company may elect to repay the loan balance (including any accumulated interest) in cash or shares (subject to shareholder approval).

Refer to note 7 for further detail.

DIRECTORS' REPORT (continued)

COMPETENT PERSONS STATEMENT

Mt Mulcahy South Limb Pod Mineral Resource Estimate as at 31 December 2017											
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**

The information in this Mineral Resource Statement is based on information compiled and/or reviewed by Mr Mr Michael Fotios, whom is a member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Mr Fotios 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 2004 and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Fotios consents to the inclusion in this Half-Year Report of the matters based on his information in the form and context in which it appears. The Annual Mineral Resource Statement as a whole has been approved by Mr Fotios.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

This report is made in accordance with a resolution of Directors and signed for and on behalf of the Board by:

Bronwyn Barnes
Non-Executive Director

Perth, Western Australia
15 March 2019

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DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF SCORPION MINERALS LIMITED

As lead auditor for the review of Scorpion Minerals Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Scorpion Minerals Limited and the entities it controlled during the period.

Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 15 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Half-Year 2018 $	Half-Year 2017 $
CONTINUING OPERATIONS			
Other income	**2(a)**	110	110,227
Exploration expenses		(29,088)	(9,726)
Finance costs		(177,207)	-
Impairment of asset	**3(b)**	(1,622,768)	-
Other expenses	**2(b)**	(527,941)	(177,416)
LOSS BEFORE INCOME TAX		(2,356,894)	(76,915)
Income tax expense		-	-
LOSS AFTER INCOME TAX FOR THE HALF-YEAR		(2,356,894)	(76,915)
Other comprehensive income for the half-year, net of tax		-	-
TOTAL COMPREHENSIVE LOSS FOR THE HALF-YEAR ATTRIBUTABLE TO THE OWNERS OF SCORPION MINERALS LIMITED		(2,356,894)	(76,915)
Loss per share attributable to the ordinary equity holders of the Parent:			
Basic and diluted (cents per share)		(1.45)	(0.06)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	31 December 2018 $	30 June 2018 $
CURRENT ASSETS			
Cash and cash equivalents		3,545	28,464
Trade and other receivables		163,407	179,969
Other current assets		25,365	17,856
TOTAL CURRENT ASSETS		192,317	226,289
NON-CURRENT ASSETS			
Trade and other receivables		-	400,000
Capitalised tenement acquisition costs	5	2,060,027	2,060,027
TOTAL NON-CURRENT ASSETS		2,060,027	2,460,027
TOTAL ASSETS		2,252,344	2,686,316
CURRENT LIABILITIES			
Trade and other payables	6	1,723,692	1,921,411
Borrowings	7	1,002,644	354,297
TOTAL CURRENT LIABILITIES		2,726,336	2,275,708
TOTAL LIABILITIES		2,726,336	2,275,708
NET ASSETS/(LIABILITIES)		(473,992)	410,609
EQUITY			
Issued capital	8	19,822,564	18,814,564
Accumulated losses		(20,760,849)	(18,403,955)
Reserves	9	464,293	-
TOTAL EQUITY/(DEFICIENCY)		(473,992)	410,609

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Issued Capital	Accumulated Losses	Reserve	Total Equity
CONSOLIDATED				
Balance 1 July 2018	18,814,564	(18,403,955)	-	410,609
Loss for the half-year	-	(2,356,894)	-	(2,356,894)
Total comprehensive loss for the half year	-	(2,356,894)	-	(2,356,894)
Shares issued during the period	1,008,000	-		1,008,000
Options issued during the period	-	-	464,293	464,293
Balance 31 December 2018	**19,822,564**	**(20,760,849)**	**464,293**	**(473,992)**

	Issued Capital	Accumulated Losses	Reserve	Total Equity
CONSOLIDATED				
Balance 1 July 2017	18,189,063	(20,738,660)	2,629,621	80,024
Loss for the half-year	-	(76,915)	-	(76,915)
Total comprehensive loss for the half year	-	(76,915)	-	(76,915)
Transfer on expiry of options		2,629,621	(2,629,621)	-
Balance 31 December 2017	**18,189,063**	**(18,185,954)**	-	**3,109**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Half-Year	
	2018	2017
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Research and development tax refund	-	110,148
Expenditure on exploration and evaluation	-	(34,119)
Payments to suppliers and employees	(139,227)	(197,678)
Interest received	110	79
Net cash outflow to operating activities	**(139,117)**	**(121,570)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash on acquisition of subsidiary	2,630	-
Net cash inflow from investing activities	**2,630**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	111,568	121,980
Net cash inflow from financing activities	**111,568**	**121,980**
Net increase in cash and cash equivalents	(24,919)	410
Cash and cash equivalents at the beginning of the half-year	28,464	614
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	**3,545**	**1,024**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

Statement of compliance

The half-year financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the annual financial statements for the year ended 30 June 2018 and any public announcements made by Scorpion Minerals Ltd during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2018 annual financial report for the financial year ended 30 June 2018 with the exception of the changes outlines in 'Changes of Accounting Policies'. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Going concern

The Group incurred a net loss of $2,356,894 (31 December 2017: $76,915) and incurred net cash outflows from operating activities of $139,117 for the half year ended 31 December 2018 (31 December 2017: $121,570 outflow). As at 31 December 2018, the group had a working capital deficiency of $2,534,019 (30 June 2018: $2,049,419) and a deficiency of assets to liabilities of $473,992. At 15 March 2019, the Group had a cash balance of $13,209.

The ability of the Group to pay its debts as and when they become due is dependent upon:

- the group's continued ability to call upon the loan facility entered into with former director, Mr Michael Fotios and his associated entities and that loans drawn at 31 December 2018 will not be called for repayment until the company is in a financial position to make repayment; and
- in addition to any financing provided under the terms of the loan agreement referred to above, further capital raisings being undertaken; and
- negotiating deferred terms of repayment with overdue third party creditors.

These conditions indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

The Directors believe that there are sufficient funds available to continue to meet the Group's working capital requirements as at the date of this report. The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- there exists an undrawn loan balance available to the company with Mr. Fotios and his associated entities for an amount of $559,000. expenditure on the Dablo Project is minimalised to holding costs only (estimated $170,000 pa) until the state of emergency in Burkina Faso is lifted and it is safe to recommence on-ground exploration;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Going concern (continued)

- letters of confirmation have been obtained in relation to related party creditors (refer Note 5) and related party borrowings (refer Note 6) totalling $1,967,520 confirming that they do not expect repayment until such time that Scorpion Minerals Limited have received the necessary funds for repayment and such a repayment would not impair Scorpion Minerals Limited to continue as a going concern;

- The Directors have informally agreed to defer payment of their fees until such time as the Group's financial position is improved. One Director has agreed to accept part of their fees in shares;
- the Board is confident that the remaining liabilities not covered by deferment agreements are able to be settled in an orderly fashion, and at the date of this financial report, there are no statutory demands against the company in respect of any outstanding liabilities; and
- the directors are actively searching for new opportunities and projects for the Company, and are confident that they will be able to achieve this in the near future.

Should the Group not be able to achieve successful outcomes with the above matters, including renegotiation of terms with third party creditors, there is significant uncertainty whether the entity may be able to continue as a going concern, and therefore it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Significant accounting judgments and key estimates

The preparation of the interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2018.

Changes in accounting policy

A number of new or amended standards became applicable for the current reporting period for which the Group has adopted

- AASB 15 Revenue from Contracts with Customers; and
- AASB 9 Financial Instruments

The new accounting policies are disclosed below. There is no impact on the Company for the period ended 31 December 2018.

AASB 15 Revenue from contracts with Customers

AASB 15 Revenue from contracts with Customers replaces AASB 118 Revenue. AASB 15 was adopted by the Group pn 1 July 2018., AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Scorpion Minerals Limited has considered AASB 15 and determined that there is no impact on the Groups' financial statements as the Group is not generating sales revenue at this stage.

The Group's new revenue accounting policy is detailed below:

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount which the Group expects to be entitled. If the consideration promised includes a variable component, the Group estimates the expected consideration for the estimated impact of the variable component at the point of recognition and re-estimates at every reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 Financial Instruments. Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 Financial Instruments from 1 July 2018 did not give rise to any transitional adjustments.

Adoption of new and revised accounting standards

In the half year ended 31 December 2018, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2018. It has been determined by the Group that, there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to the Group's accounting policies.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

	Half-Year	
	31 December 2018	**31 December 2017**
NOTE 2: OTHER INCOME AND EXPENSES	**$**	**$**
(a) Revenue		
R&D rebate received	-	110,148
Interest received	110	79
	110	**110,227**
(b) Other expenses		
Other administrative expenses	(28,974)	(39,816)
External professional fees	(130,276)	(81,433)
Directors Fees	(47,000)	(45,000)
Share based payments	(302,800)	-
ASX fees	(18,891)	(11,167)
	(527,941)	**(177,416)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: ACQUISITION OF SUBSIDIARY SCORPION METALS LIMITED

(a) Summary of Acquisition

During the period, Scorpion Minerals Limited acquired 100% of the issued share capital of Scorpion Metals Limited for a consideration of 12,000,000 SCN shares. Scorpion Metals Limited is an Australian company and holds the right to earn 51% of the Dablo Project which is located in Burkina Faso via joint venture agreement with Newgenco Exploration (West Africa) Pty Ltd.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value
	$
Cash	2,630
Rights to Dablo Project	1,622,768
Trade and other payables	(217,398)
Loans	(1,240,000)
Net identifiable assets acquired	168,000

Shareholder approval to complete the transaction was gained at a General Meeting of Shareholders held on 2 October 2018.

(b) Impairment of Dablo Project

On 31 December 2018, a State of Emergency was declared in Burkina Faso where the Dablo Project is located. As a result, all on ground activity has ceased on the Dablo Project. Due to the uncertainty as to when the State of Emergency will be lifted the Company has fully impaired the carrying value of the Dablo Project. The impairment amount was $1,622,768.

NOTE 4: SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Group does not have any operating segments with discrete financial information. The group does not have any customers, and all the group's assets and liabilities are located within Australia.

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

NOTE 5: CAPITALISED EXPLORATION EXPENDITURE	**31 December 2018 $**	**30 June 2018 $**
Capitalised exploration and evaluation		
Opening net book amount	2,060,027	2,060,027
Closing net book amount	**2,060,027**	**2,060,027**

Ultimate recoupment of exploration expenditure carried forward is dependant on successful development and commercial exploitation, or alternatively, sale of the respective areas.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 6: TRADE AND OTHER PAYABLES - UNSECURED

Trade payables	533,915	575,927
Related party creditors(1)	1,026,429	1,329,984
Accrued expenses	163,348	15,500
	1,723,692	**1,921,411**

(1)Reconciliation of carrying amount of related party accounts payable

Delta Resource Management	562,484	825,217
Investmet Ltd	93,018	147,340
National Supply Partners Pty Ltd	27,500	11,000
Whitestone Mining Services Pty Ltd	313,427	313,427
Zedsee Enterprises (Pvt) Ltd	30,000	33,000
	1,026,429	**1,329,984**

NOTE 7: BORROWINGS - UNSECURED

Eastern Goldfields Limited – non-interest bearing	4,053	4,053
Loans from related parties(1)	998,591	350,244
	1,002,644	**354,297**

Reconciliation of carrying amount of related party loans		
Opening amount	350,244	266,605
Loans assumed on acquisition of subsidiary	840,000	-
Drawdowns during the period	111,568	130,064
Interest accrued	68,969	20,054
Share based repayments	(372,190)	
Repayments during the period	-	(21,100)
Closing balance	998,591	350,244

On 27 September 2018 and 18 October 2018, the Company announced that the terms of the unsecured loan agreement it had entered into with Mr Michael Fotios and associated entities on 26 October 2017, had been varied as follows:

- The facility limit was increased to $2,000,000;
- Interest (on a simple interest basis) is payable at 8%;
- At any time after 16 October 2018, should the VWAP of the Company's ordinary shares exceed $0.25 per share over a continuous 30 day period, then the Company may elect to repay the loan balance (including any accumulated interest) in cash or shares (subject to shareholder approval).

The undrawn loan balance available to the Company from Michael Fotios and associated entities amounts to $559,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 8: ISSUED CAPITAL

	2018	
Issued Capital	**Number**	**$**
Fully paid ordinary shares	177,024,525	17,762,702
Shares to be issued	11,000,000	2,200,000
Capital raising costs	-	(140,138)
	188,024,525	**19,822,564**

Movements in share capital	**Number**	**$**
Balance 1 July 2018	135,024,525	16,694,702
Issued during the period	42,000,000	1,068,000
Shares to be issued	11,000,000	2,200,000
Balance 31 December 2018	**188,024,525**	**19,962,702**
Balance 1 July 2017	127,174,519	18,189,063
Balance 31 December 2017	**127,174,519**	**18,189,063**

NOTE 9: OPTION RESERVE

	31 December 2018 $	30 June 2018 $
Balance at beginning of period	2,629,621	2,629,621
Transfer to retained earnings on expiry of options	(2,629,621)	-
Issued during the period	464,293	-
Balance end of period	**464,293**	**2,629,621**

NOTE 10: SHARE BASED PAYMENTS

On 2 October 2018, and as part of acquisition of Scorpion Metals Limited, shareholders approved the issue of 12,000,000 shares at a deemed issue price of $0.03 as consideration for the acquisition of all of the capital of the subsidiary Scorpion Metals Limited. The shares were issued on 18 October 2018 and recorded in the accounts at the share price $0.018 being the fair value of the shares on the date of issue.

Shareholders also approved the issue of a total of 45,000,000 options to the directors of Scorpion Metals Limited.

The options were issued 18 October 2018 on the following terms:

Director	3 cents Expiry 18/10/2019	5 cents Expiry 18/10/2020	10 cents Expiring 18/10/2021	Total
Bronwyn Barnes	9,736,845	9,736,845	9,736,845	29,210,535
Grant Osborne	3,421,051	3,421,051	3,421,051	10,263,153
John Dixon	1,842,104	1,842,104	1,842,104	5,526,312
Total	**15,000,000**	**15,000,000**	**15,000,000**	**45,000,000**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 10: SHARE BASED PAYMENTS continued

On 2 October 2018, shareholders also approved the issue of 26,666,666 shares at an implied price of $0.03 per share and a total of 22,500,000 options to Investmet Limited and Delta Resource Management Pty Ltd as consideration for the agreement to revised loan terms as detailed in the Notice of Meeting.

The options were issued 18 October 2018 on the following terms:

Director	3 cents Ex 18/10/2019	5 cents Ex 18/10/2020	10 cents Ex 18/10/2021	Total
Investmet Limited	3,750,000	3,750,000	3,750,000	11,250,000
Delta Resource Management Pty Ltd	3,750,000	3,750,000	3,750,000	11,250,000
Total	**7,500,000**	**7,500,000**	**7,500,000**	**22,500,000**

During the half-year ended 31 December 2018, $302,800 was expensed as a share-based payment to directors and $151,400 was expensed as financing costs for a share-based payment to Investmet Limited and Delta Resource Management Pty Ltd.

The fair value of these options granted was calculated by using the Black-Scholes option valuation methodology and applying the following inputs:

Input Data	3 cents Ex 18/10/2019	5 cents Ex 18/10/2020	10 cents Ex 18/10/2021	Total
Share Price	$0.018	$0.018	$0.018	-
Current Exercise Price of Option	$0.030	$0.050	$0.100	-
Periods to Exercise in years	1.00	2.00	3.00	-
Expiry Date	18/10/2019	18/10/2020	18/10/2021	
Expected share price volatility	118%	118%	118%	
Risk-free interest rate	4%	4%	4%	
Value per option	$0.0057	$0.0071	$0.0074	
Total	**$127,228**	**$159,598**	**$173,375**	**$454,201**

On 26 October 2018, the Company issued 1,333,333 shares at an implied price of $0.03 per share and a total of 1,500,000 options to Longreach Capital for corporate advisory services. The options issued were on the following terms:

Recipient	3 cents Ex 26/10/2019	5 cents Ex 26/10/2020	10 cents Ex 26/10/2021	Total
Longreach Capital	500,000	500,000	500,000	1,500,000

The fair value of these options $10,093 was expensed as a corporate advisory fee and was calculated by using the Black-Scholes option valuation methodology and applying the following inputs:

Input Data	3 cents Ex 26/10/2019	5 cents Ex 26/10/2020	10 cents Ex 26/10/2021	Total
Share Price	$0.018	$0.018	$0.018	-
Current Exercise Price of Option	$0.030	$0.050	$0.100	-
Periods to Exercise in years	1.00	2.00	3.00	-
Expiry Date	26/10/2019	26/10/2020	26/10/2021	
Expected share price volatility	118%	118%	118%	
Risk-free interest rate	4%	4%	4%	
Value per option	$0.0057	$0.0071	$0.0074	
Total	**$2,827**	**$3,547**	**$3,719**	**$10,093**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 11: CONTINGENCIES

At 31 December 2018, there were $528,302 trade creditors included in current liabilities which were outside their agreed terms of repayment.

The directors expect to enter into repayment plans with their long outstanding third-party creditors. The directors believe this will not have an effect on the company's ability to continue as a going concern as detailed further in Note 1

The Directors are of the opinion that there are no material contingent liabilities or contingent assets of the Group at reporting date (31 December 2018: nil).

NOTE 12: COMMITMENTS

There have been no changes in commitments from 30 June 2018.

NOTE 13: DIVIDENDS

There were no dividends paid during the half-year ended 31 December 2018 (30 June 18:Nil).

NOTE 14: SUBSEQUENT EVENTS

There are no other matters or circumstances that have arisen since 31 December 2018 other than board changes disclosed under the Directors heading.

NOTE 15: RELATED PARTY TRANSACTIONS

On 2 October 2018, shareholders approved the Conditions Precedent for the acquisition of Scorpion Metals Limited resulting in the Company assuming the subsidiaries' loan from Michael Fotios and Associated Entities of $840,000.

During the half-year ended 31 December 2018, Director Michael Fotios, made payments totalling $3,908 on the Group's behalf. This amount is payable in full.

During the half-year ended 31 December 2018, Investmet, an entity associated with Director Michael Fotios, made loans totalling $96,612 to the Company. This amount is payable in full.

During the half-year ended 31 December 2018, Delta Resource Management, an entity associated with Director Michael Fotios, made loans totalling $21,048 to the Company. This amount is payable in full.

The Michael Fotios Family Trust has provided confirmation it will not call upon any outstanding payable balance and will provide funding as is required by the company to pay its debts as and when they fall due, unless Scorpion Minerals Limited is in the position to repay the amount.

At the half-year ended 31 December 2018, Whitestone Mining Services, an entity associated with Director Michael Fotios, had a payable amount of $362,366 due to it. This amount is payable in full.

Refer to Note 6 and Note 7 regarding related party creditor and loan balances outstanding at 31 December 2018.

There are no other changes to related party transactions since the last reporting date.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and notes set out on pages 7 to 18 are in accordance with the *Corporations Act 2001*, including:
   (a) complying with the *Corporations Regulations 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory professional requirements of the Group; and
   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Scorpion Minerals Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors and is signed for and on behalf of the Directors by:

Bronwyn Barnes
Non–Executive Director

Perth, Western Australia
15 March 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Scorpion Minerals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Scorpion Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001 including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Neil Smith

Director

Perth, 15 March 2019