SCORPION MINERALS LIMITED

ABN 40 115 535 030

Annual Report

30 June 2019

CONTENTS

CORPORATE DIRECTORY

Directors

Bronwyn Barnes	Non-Executive Director
Carol New	Non-Executive Director
Craig Hall	Non-Executive Director

Company Secretary
Carol New

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Balcatta WA 6021

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Solicitors
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Perth WA 6000

Share Registry
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Email: registrar@securitytransfer.com.au

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BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
Australia

Telephone 08 6382 4600
Facsimile 08 6382 4601

ASX Code SCN
Website www.scorpionminerals.com.au

DIRECTOR'S REPORT

Your Directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Scorpion Minerals Limited (formerly Pegasus Metals Limited) and the entities it controlled at the end of or during the financial year ended 30 June 2019.

DIRECTORS

The names and details of the Group's Directors in office during the financial year and until the date of this report are as follows:

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

INFORMATION ON DIRECTORS

Bronwyn Barnes

(appointed 31 October 2018)

Ms Barnes has had an extensive career in the resources sector, having worked with companies ranging from BHP Billiton to emerging juniors in directorship, executive leadership, and operational roles in Australia and internationally. Ms Barnes is a member of the Executive Council of the Association of Mining and Exploration Companies (AMEC) and a member of the Advisory Council for the Curtin University School of Business. Ms Barnes has extensive experience in working across Africa and an extensive career in ASX listed company boards

Ms Barnes is currently a Non-executive director of ASX listed MOD Resources Limited. Ms Barnes was previously a Non-executive director us Windward Resources Limited, Auris Minerals Ltd and JC International Group Ltd.

Carol New

(appointed 1 February 2019)

Ms New holds a Bachelor of Business Degree and is a Chartered Accountant and has over 20 years' experience working with public companies in director, accounting and secretarial roles.

Ms New is currently a Non-executive Director of ASX listed Horseshoe Metals Limited and Target Energy Limited. Ms New was previously a Non-executive Director of Redbank Copper Limited.

Craig Hall

(appointed 11 February 2019)

Mr Hall is an experienced geologist with over 30 years of mineral industry experience in exploration, development and production roles in a range of commodities, principally precious and base metals. He has held a variety of senior positions with mid-tier and junior sector resource companies within Australia and overseas.

Mr Hall is currently a Non-executive director ASX listed Auris Minerals Limited, Horseshoe Metals Limited and Target Energy Limited. Mr Hall was previously a Non-executive Director of Redbank Copper Limited.

COMPANY SECRETARY

Carol New B.Bus, CA

(appointed 16 January 2019)

Ms New holds a Bachelor of Business Degree and is a Chartered Accountant and has over 20 years' experience working with public companies in director, accounting and secretarial roles.

DIRECTOR'S REPORT

PRINCIPAL ACTIVITIY

The principal activity of the Group is exploration for mineral resources.

INTERESTS IN SHARES AND OPTIONS

As at the date of this report, the interests of the Directors in the shares and options of Scorpion Minerals Limited were:

	Ordinary shares	Options over Ordinary Shares
Bronwyn Barnes	5,561,405	9,736,845

DIVIDENDS

There were no dividends declared or paid during the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In January 2018 the Company entered into an agreement to acquire Scorpion Metals Limited ("**SML**") an Australian company 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.

SML 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.

On 2 October 2018, at a general meeting, shareholders approved the acquisition of 100% of SML for a consideration of 12,000,000 SCN shares (refer ASX release on 18 October 2018).

On 31 December 2018, the Burkina Faso Government declared a state of emergency in a number of provinces in northern and eastern Burkina Faso. 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.

Apart from the above or as noted elsewhere in this report no significant changes in the state of affairs of the Group occurred during the financial year.

OPERATING AND FINANCIAL REVIEW

GOING CONCERN

The Group auditor has inserted an emphasis of matter in the audit report regarding going concern. The Directors believe it is appropriate to prepare the financial statements on a going concern basis as there are no matters that exist at the date of the report that indicate the Group will be unable to manage the matters referred to in the Note 1 for the next 12 months.

REVIEW OF OPERATIONS

The focus of operations was the acquisition of Scorpion Metals Limited, with rights to enter a JV on the Dablo exploration project in Burkina Faso, and advancement of the Mt Mulcahy Copper Project in the Murchison, WA.

DIRECTOR'S REPORT

SCORPION MINERALS LIMITED
Dablo Pd-Pt-Au-Ni-Cu Project, Burkina Faso ("Dablo Project")

Scorpion has previously announced (refer PUN:ASX announcement 10th January 2018) that it has entered into an agreement to acquire Scorpion Metals Limited, which holds the rights to enter a 70% joint venture interest in the Dablo 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 (refer Figure 1). The Company has expended funds required to earn a 15% interest in the Dablo Project under the arrangement.

Results-to-date confirm 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 remaining to be tested (refer Figures 2, 3, 4).

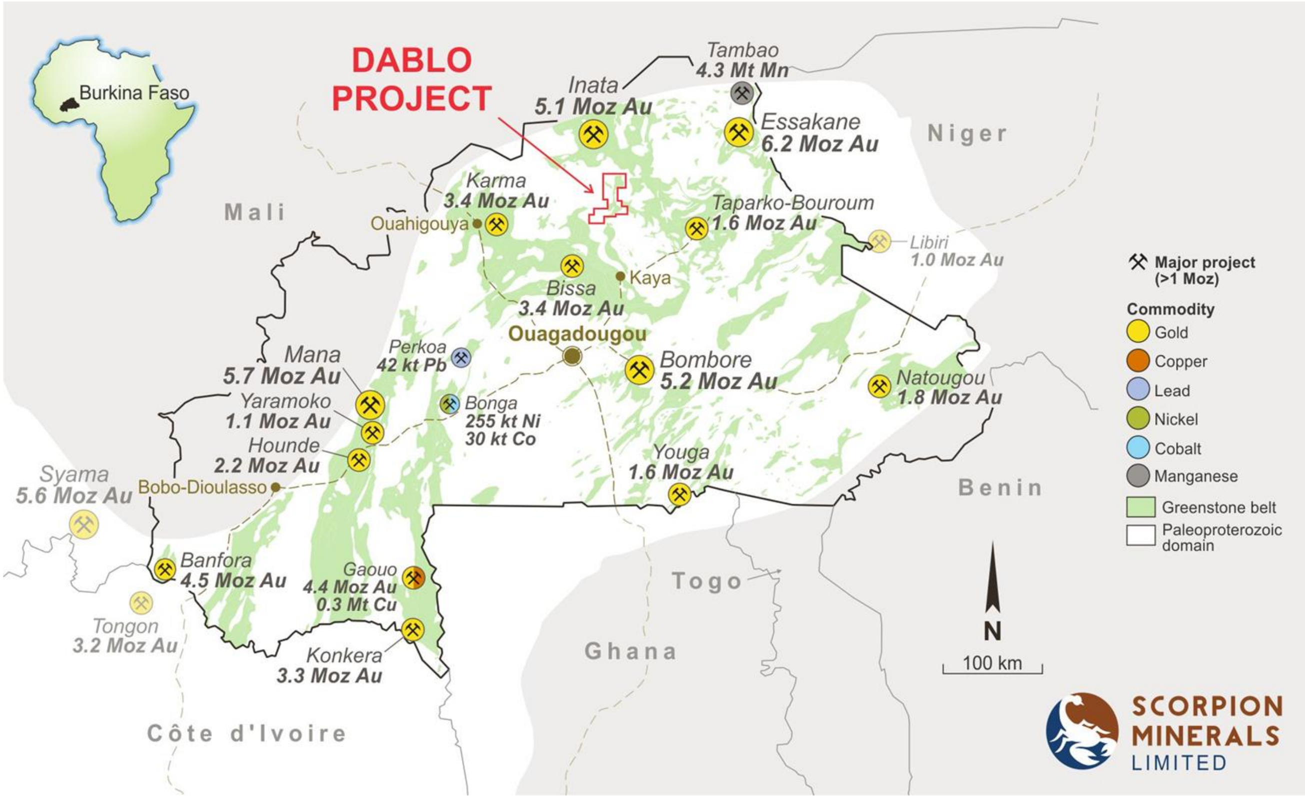

Figure 1: Dablo Project Location, highlighting significant regional mineral projects

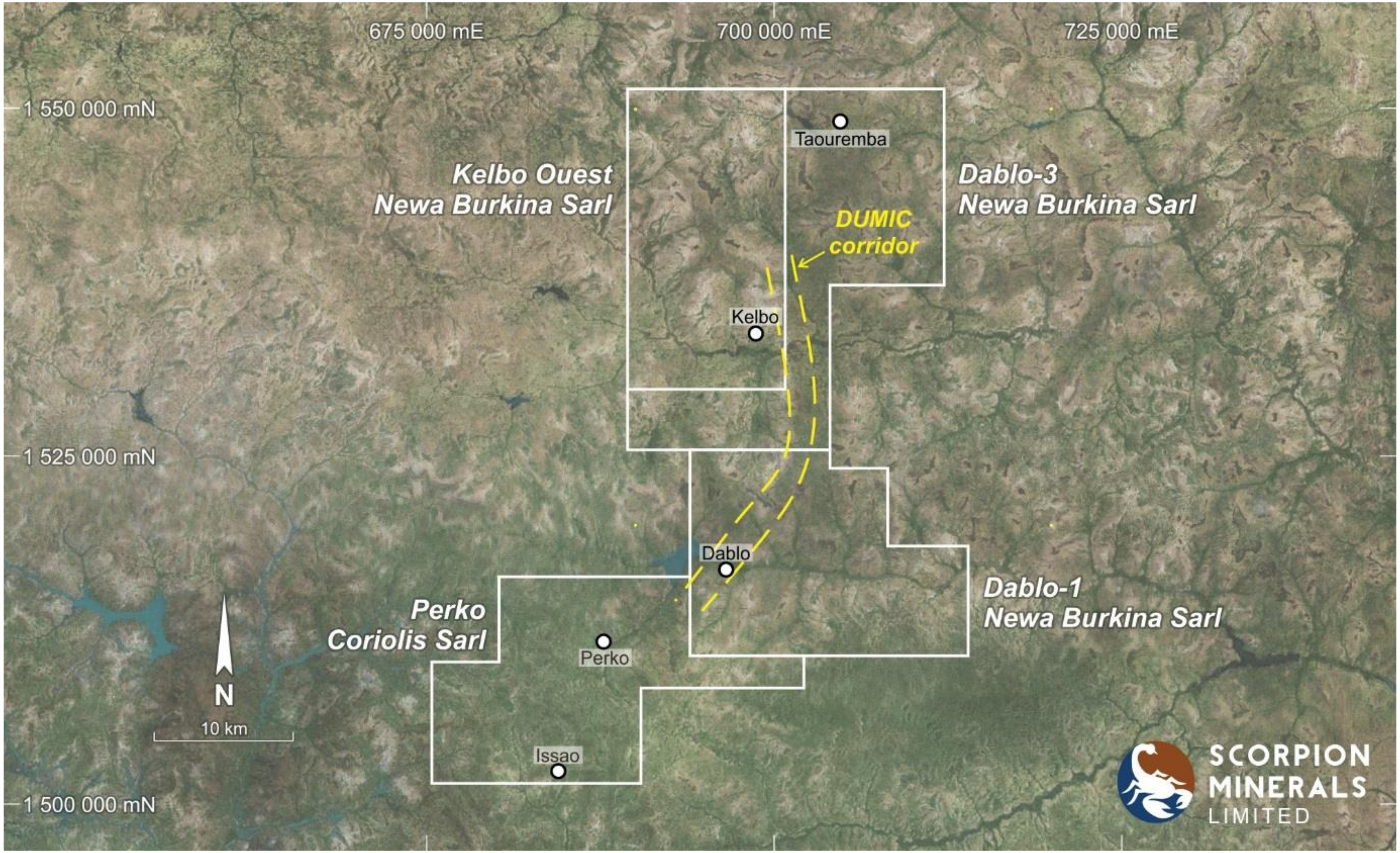

Figure 2: Dablo Project Tenure, highlighting DUMIC (Dablo UltraMafic Intrusic Complex) corridor.

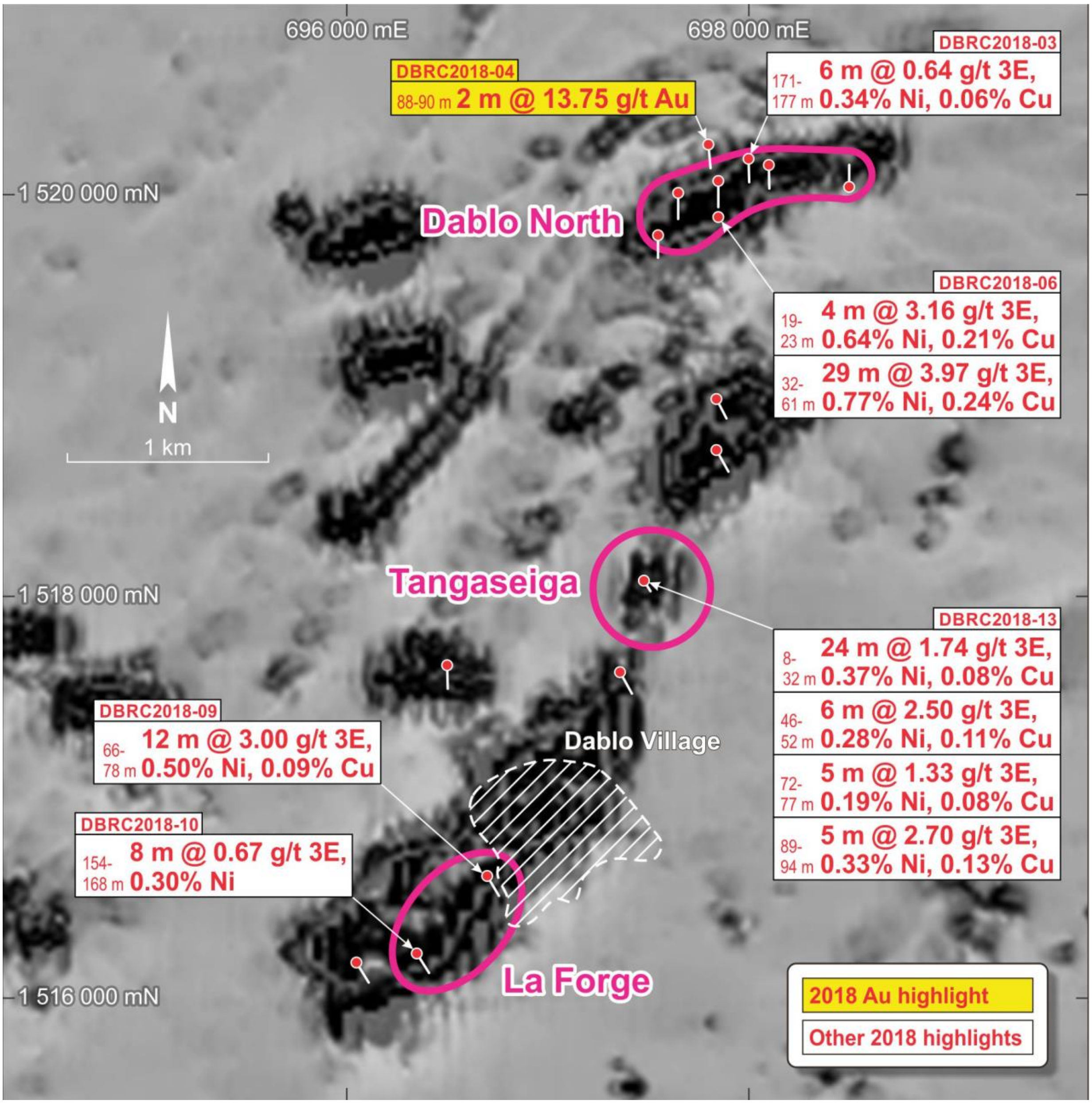

Figure 3: Significant results (white for multi-element intersect, yellow for gold only) from 2018 RC drill campaign, highlighting discovery holes at two new mineralised prospects, and a newly discovered orogenic gold prospect. Background image is greyscale magnetic first vertical derivative.

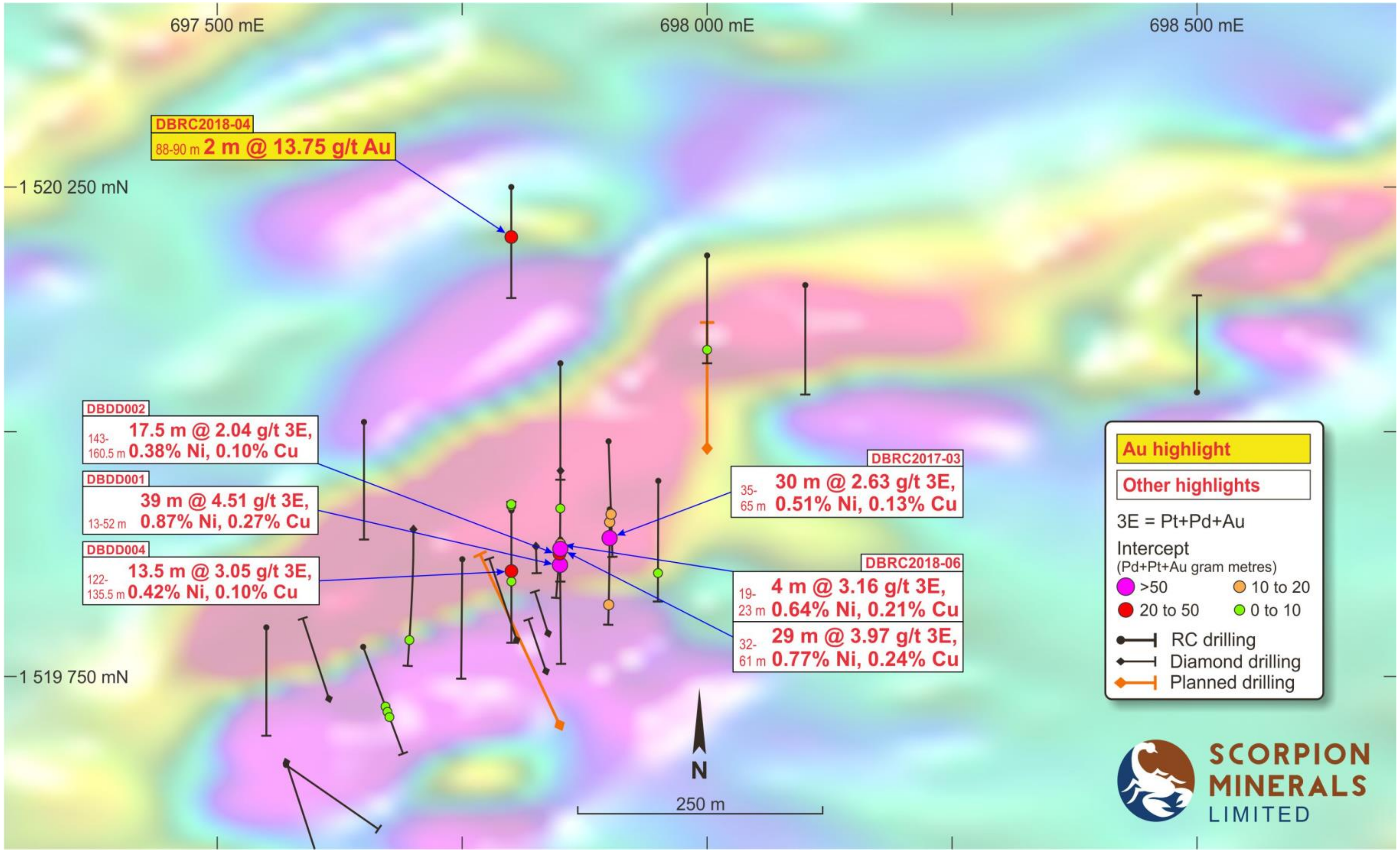

Figure 4: Dablo North significant results from drilling. Colour background image is 1VDRTP magnetic imagery

Security Situation

On the 31st 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 due to security concerns. Scorpion has previously communicated to the market that no work is being undertaken in the field and planned work activity is on hold until the situation stabilises.

The company's joint venture partner has since advised that it has terminated the Memorandum of Agreement (MOA) between NEWA and Scorpion; that it considers the period of exclusivity relating to the Dablo Project to be at an end, and that they were commencing to seek and speak to potential new investors for the Dablo Project. Scorpion has subsequently advised NEWA that it expressly reserves all its right in regards to this matter, and that it is considering, without limitation, potential legal remedies that may be available to the company in relation to Scorpion's rights and interests under the MOA.

MT MULCAHY COPPER PROJECT
Murchison, WA

Geology Discussion

The Mt Mulcahy project in Western Australia (Refer Figure 5) hosts the Mount Mulcahy copper-zinc deposit, a 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, 0.1% cobalt and 20g/t Ag (refer PUN:ASX release 25 September 2014) at the 'South Limb Pod' (SLP).

The folded horizon hosting this mineralisation forms a regional keel, where the surface expression 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 (refer Figure 8).

Table 3: Current Mineral Resource Estimate, Mt Mulcahy Project

Mt Mulcahy South Limb Pod Mineral Resource Estimate as at 30th September 2018											
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**

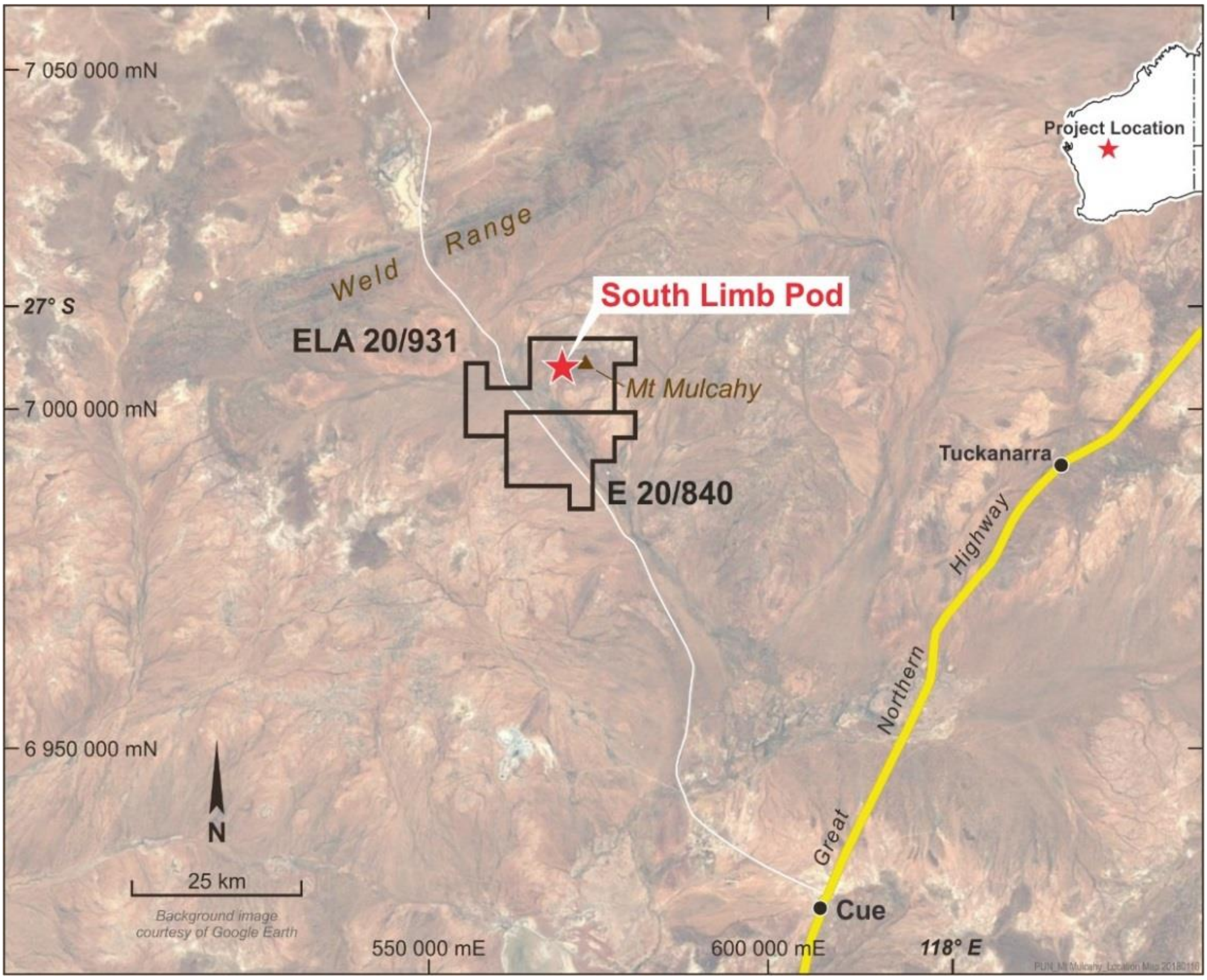

Figure 5: Scorpion Minerals Mt Mulcahy location map.

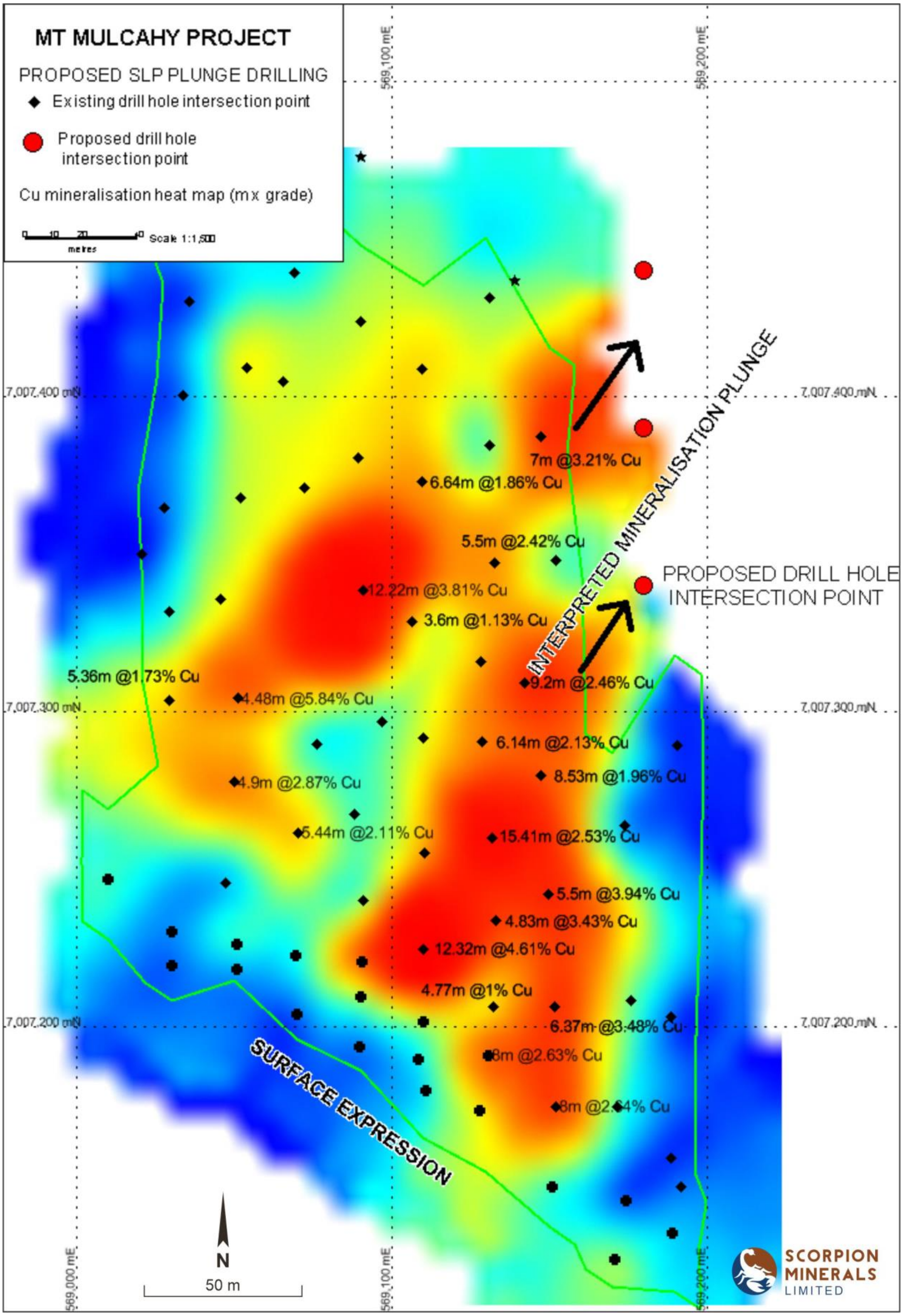

Figure 6: Plan of proposed SLP down plunge drilling.

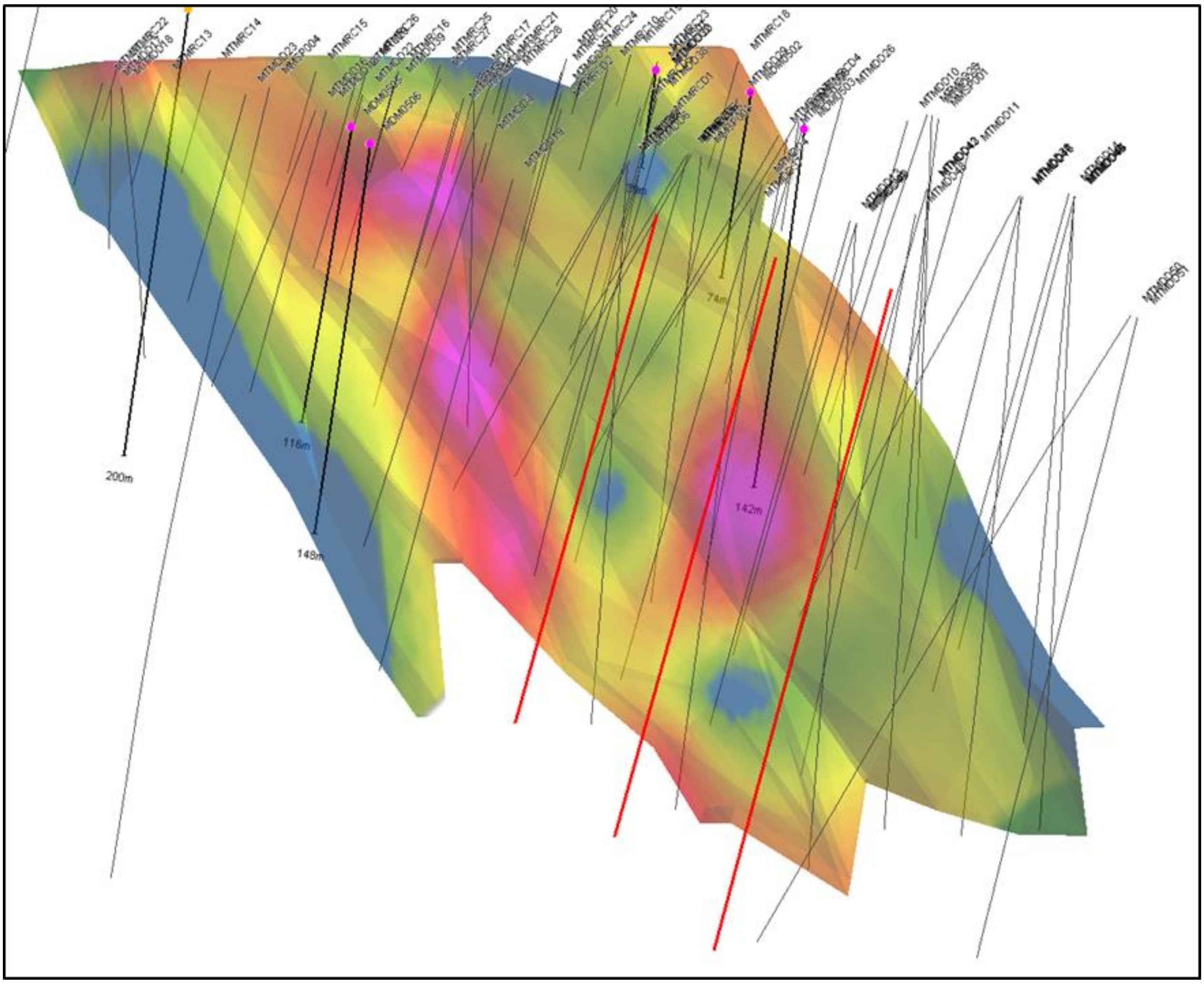

Figure 7: Oblique section of proposed SLP down plunge drilling (red traces), viewed from North East. Previous drilling defining the current resource denoted by grey or black traces.

Geology Activities

Post year-end, in September 2019, ELA 20/931 was granted. Drilling of down-plunge extensional holes (refer Figures 6 and, 7) to the current resource at the SLP is planned, along with regional exploration for VMS and gold targets.

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.

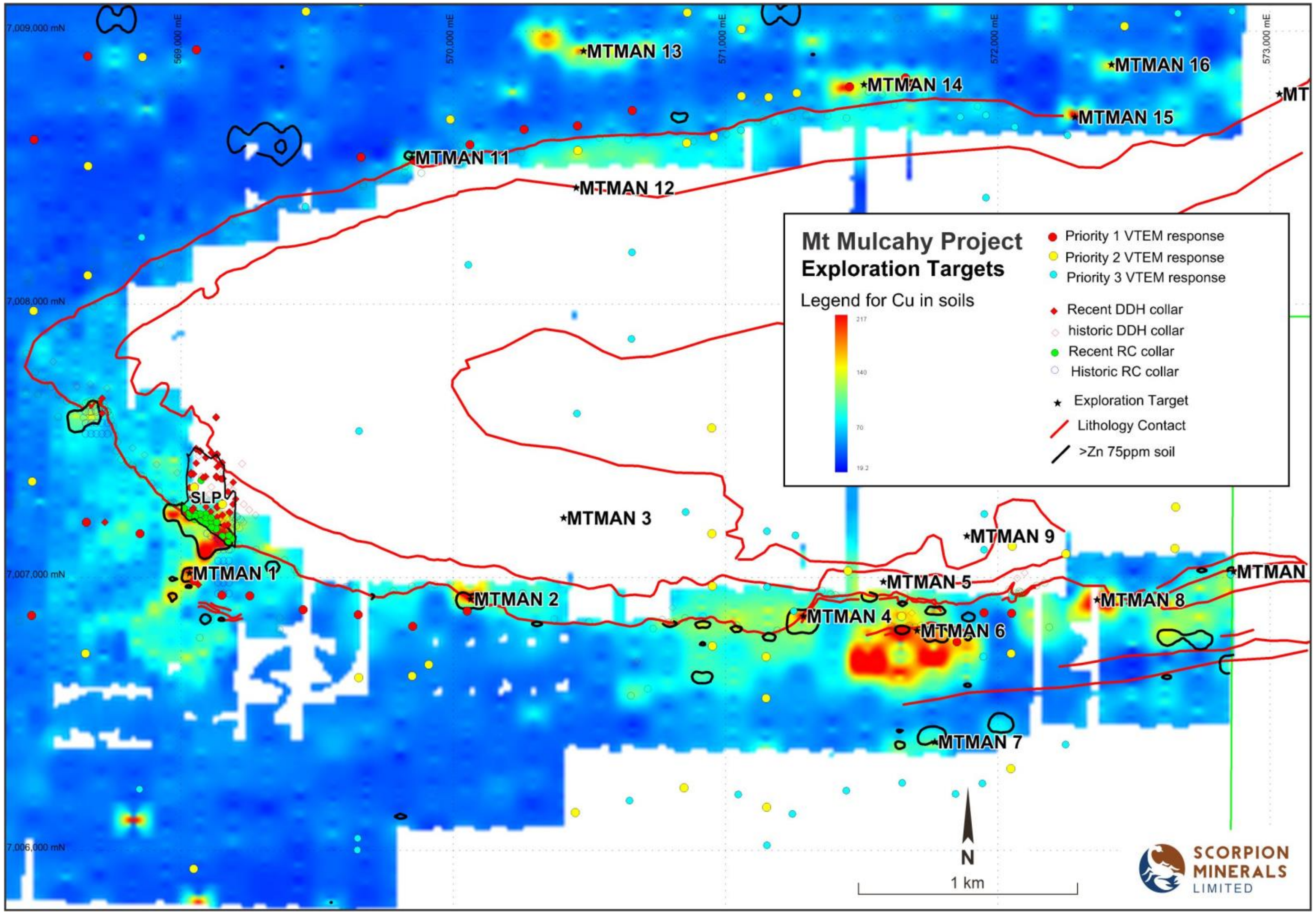

Figure 8: Mt Mulcahy priority exploration areas (MTMAN designation), in relation to South Limb Pod (SLP), shown with soil geochemistry, VTEM anomalies, and lithology contacts.

DIRECTOR'S REPORT

LIKELY DEVELOPMENTS

No further exploration at Dablo is planned, as the Company assesses both the security situation and the legality of the termination of the Memorandum of Agreement (MOA) between NEWA and Scorpion Metals Limited. The Company is considering its legal position with regards to protecting is rights under the MOA.

Ongoing exploration at Mt Mulcahy is planned, following the grant of E20/931.

The Company has applied for two prospecting licenses in the Quinns VMS discovery area at Nowthanna southeast of Mt Magnet, and upon grant, intends to undertake drilling in the area.

During the year, Scorpion Minerals continued to look for growth opportunities that would benefit shareholders, including potential company mergers and advanced exploration or mining project acquisitions, with a particular focus on copper and other base metals.

Projects located in the Murchison district, that further support the development of the Company's Mt Mulcahy Project, are a particular focus of the Board in its ongoing assessment of new opportunities.

In the opinion of the Directors, there is no additional information available as at the date of this report on any likely developments which may materially affect the operations of the Group and the expected results of those operations in subsequent years.

Competent Persons Statement 1

The information in this report that relates to the geology and Exploration Results relating to the Dablo Project in Burkina Faso is based on, and fairly reflects information compiled by Mr Grant Osborne, whom is a member of the Australian Institute of Geoscientists. Mr Osborne was previously 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'. Mr Osborne has previously consented to the inclusion of the information in the form and context in which it appears.

Competent Persons Statement 2

The information in this report that relates to the Exploration Results and Mineral Resources at the Mt Mulcahy Project 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.

The information in this report that relates to the Mt Mulcahy Mineral Resource is based on information originally compiled by Mr Rob Spiers, an independent consultant to Scorpion Minerals Limited and a then full-time employee and Director of H&S Consultants Pty Ltd (formerly Hellman & Schofield Pty Ltd), and reviewed by Mr Hall. This information was originally issued in the Company's ASX announcement "Maiden Copper-Zinc Resource at Mt Mulcahy", released to the ASX on 25th September 2014. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The company confirms that the form and context in which the findings are presented have not materially modified from the original market announcements.

DIRECTOR'S REPORT

FINANCIAL RESULTS FOR THE PERIOD

The operating loss after income tax of the Group for the year ended 30 June 2019 was $2,644,232 (2018: loss of $294,916).

SHAREHOLDER RETURNS

	2019	2018
Basic and diluted loss per share (cents)	(1.51)	(0.22)

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Post year-end, in September 2019, ELA 20/931 was granted. Drilling, at an approximate cost of $110,000, of down-plunge extensional holes (refer Figures 6 and 7) to the current resource at the SLP is planned, along with regional exploration for VMS and gold targets.

Other than the above, there have not been any matters that have arisen since 30 June 2019 that have significantly affected, or may significantly affect, the operations of the Group, the results of the operations or the state of affairs of the Group in future years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The directors are not aware of any likely developments in the operations of the Group and the expected results of those operations that may have a material effect in subsequent years that are not already disclosed. Comments on certain operations of the Group are included in this annual report under the operating and financial review on activities on page 6.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are subject to environmental regulation in respect to its mineral tenements relating to exploration activities on those tenements. No breaches of any environmental restrictions were recorded during the financial year. The Group has not yet fully reviewed the reporting requirements under the Energy Efficient Opportunities Act 2006 or the National Greenhouse and Energy Reporting Act 2007, but believes it has adequate systems in place to ensure compliance with these Acts having regard to the scale and nature of current operations.

CORPORATE GOVERNANCE

The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd Edition) as published by the ASX Corporate Governance Council.

The 2019 Corporate Governance Statement is dated as at 30 June 2019 and reflects the corporate governance practices in place throughout the 2019 financial year. A copy of the Company's 2019 Corporate Governance Statement can be accessed at: http://www.scorpionminerals.com.au/wp-content/uploads/2019/09/2019_Corporate_Governance_Statement

REMUNERATION REPORT (AUDITED)

Directors and Key Management Personnel disclosed in this report (see page 4 for details about each Director). During the financial year there were no Key Management Personnel other than the Directors.

Name	***Position***
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

The information provided in this Remuneration Report has been audited as required under Section 308 (3C) of the Corporations Act 2001.

Assessing performance and claw-back of remuneration

The Remuneration Committee of the board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors, the CEO and the executive team. The Board's policy for determining the nature and amount of remuneration for Board members and senior Executives of the Group (if any) is as follows:

Remuneration Policies for Non-Executive Directors

The Board will adopt remuneration policies for Non-Executive Directors (including fees, travel and other benefits). In adopting such policies, the Board will take into account the following guidelines:

- Non-Executive Directors should be remunerated by way of fees – in the form of cash, non-cash benefits or superannuation contributions;
- Non-Executive Directors should not participate in schemes designed for remuneration of executives;
- Non-Executive Directors should not receive bonus payments;
- Non-Executive Directors should not be provided with retirement benefits other than statutory superannuation; and
- The maximum aggregate annual remuneration is approved by shareholders.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is currently $200,000 which was approved at a General Meeting held on 22 January 2008. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Group and are able to participate in employee option plans.

Remuneration Policies for Executive Directors and Executive Management

The Board will adopt remuneration policies for Executive Directors and Executive Management, including:

- Fixed annual remuneration (including superannuation) and short term and long-term incentive awards (including performance targets);
- Any termination payments (which are to be agreed in advance and include provisions in case of early termination); and
- Offers of equity under Board approved employee equity plans. Any issue of Company shares or options (if any) made to Executive Directors are to be placed before shareholders for approval.

The Board's objectives are that the remuneration policies:

- Motivate Executive Directors and Executive Management to pursue the long-term growth and success of the Company;
- Demonstrate a clear relationship between performance and remuneration; and
- Involve an appropriate balance between fixed and incentive remuneration, to reflect the short and long-term performance objectives appropriate to the Company's circumstances and goals.

Performance based remuneration

There was no performance-based remuneration paid to Directors during the financial year. Based upon the present stage of development of the Company, performance-based remuneration is not considered appropriate.

REMUNERATION REPORT (AUDITED) continued

Group performance, shareholder wealth and Directors' and executives' remuneration
The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and Directors and Executives' performance. Currently, this is facilitated through the issue of options to Executives to encourage the alignment of personal and shareholder interests. No market-based performance remuneration has been paid in the current year.

Voting and comments made at the Group's 2018 Annual General Meeting
At the Group's 2018 Annual General Meeting, the Company's Remuneration Report was passed on a show of hands.

The Board remains confident that the Group's remuneration policy and the level and structure of its executive remuneration are suitable for the Company and its shareholders and hence it has not amended its overall remuneration policy.

Details of remuneration
The amount of remuneration of the Directors (as defined in AASB 124 Related Party Disclosures) is set out below. During the financial year there were no Key Management Personnel other than the Directors.

	Short-Term	**Post-Employment**	**Share-based Payments**	**Total**
	Salary & Fees	Superannuation	Options	
	$	**$**	**$**	**$**
Directors				
Michael Fotios				
2019	12,000*	-	-	12,000*
2018	36,000*	-	-	36,000*
Alan Still				
2019	10,000*	-	-	10,000*
2018	30,000*	-	-	30,000*
Neil Porter				
2019	17,500*	-	-	17,500*
2018	30,000*	-	-	30,000*
Grant Osborne				
2019	7,500*	-	-	7,500*
2018	-	-	-	-
Craig Hall				
2019	11,250*	-	-	11,250*
2018	-	-	-	-
Carol New				
2019	11,250*	-	-	11,250*
2018	-	-	-	-
Bronwyn Barnes				
2019	20,000*	-	-	20,000*
2018	-	-	-	-
Total Key Management Personnel compensation				
2019	**89,500**	-	-	**89,500**
2018	**96,000**	-	-	**96,000**

* Salary or fees were all or partially accrued during the year and are outstanding where unpaid.

As at 30 June 2019 the following amounts owed to the directors remain unpaid:

- Alan Still $67,500
- Craig Hall $11,250
- Carol New $11,250
- Bronwyn Barnes $151,600

There are no cash bonuses or non-monetary benefits relating to any of the Directors and Key Management Personnel during the year.

REMUNERATION REPORT (AUDITED) continued

Shareholdings of Key Management Personnel

	Balance 1 July 18	Granted as remuneration	On exercise of options	Net change Other	Balance 30 June 19
Bronwyn Barnes	-	-	-	8,561,405*	8,561,405
	-	-	-	8,561,405	8,561,405

***** These shares were purchased on market or by way of a placement.

Option holdings of Key Management Personnel

	Balance 1 July 18	Granted as remuneration	Other	On lapsing of options	Balance 30 June 19
Bronwyn Barnes	-	-	29,210,535*	-	29,210,535
	-	-	29,210,535	-	29,210,535

* These options were issued to directors of the subsidiary at the time the subsidiary was acquired by the parent.

Service agreements
As at the date of this report there are no executives or Key Management Personnel, other than the Directors, engaged by the Company. Formal appointment letters are in place with Non-Executive Directors, each of which is entitled to a fee of $30,000 per annum effective from 1 January 2017 ($36,000 per annum previous year). There are no termination payments payable.

Share-based compensation
There were no options issued to Directors and Executives as part of their remuneration during the year (2018: nil).

Additional information
The table below sets out information about the Group's earnings and movements in shareholder wealth of the periods since listing:

	30 June 19 $	30 June 18 $	30 June 2017 $	30 June 2016 $	30 June 2015 $
Revenue	-	-	-	-	333
Net before tax (loss)/profit	(2,644,233)	(294,916)	(452,190)	(2,091,648)	(695,496)
Share price at year-end	0.004	0.024	0.030	0.043	0.11

There were no remuneration consultants engaged by the Group during the financial year.

This is the end of the audited remuneration report.

DIRECTORS' MEETINGS
During the year the Group held four meetings of Directors. Board decisions were also undertaken via circular resolutions signed by all Directors entitled to vote.

Director	Eligible to Attend	Attended
M Fotios	1	1
A Still	1	1
N Porter	3	2
B Barnes	3	3
G Osborne	2	2
C Hall	1	1
C New	1	1

DIRECTOR'S REPORT

SHARES UNDER OPTION

At the date of this report there are nil unlisted options outstanding.

	Number of options
Balance at the beginning of the year	-
Movements of share options during the year	69,000,000
Total number of options outstanding as at the date of this report	**69,000,000**

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

INSURANCE OF DIRECTORS AND OFFICERS

The Company entered into a Directors and Officer's liability insurance policy for a 12 month period commencing 7 February 2019 for a total premium of $17,325.00 (30 June 2018: Nil).

The Company has entered into Deeds of Access, Insurance and Indemnity with each of the Directors and Officers of the Company. Under the Deeds of Access, Insurance and Indemnity, the Company will indemnify those Officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities as Directors and Officers of the Company or any related entities.

NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The Board of Directors would consider the position that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditors, would not compromise the auditors' independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services would be reviewed to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 11- Code of Ethics for Professional Accountants.

No non-audit services were provided by BDO Audit (WA) Pty Ltd during the current financial year.

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 21.

Signed in accordance with a resolution of the Directors, and on behalf of the Board by,

Craig Hall
Director

Perth, Western Australia
30 September 2019

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PO Box 700 West Perth WA 6872
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DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF SCORPION MINERALS LIMITED

As lead auditor of Scorpion Minerals Limited for the year ended 30 June 2019, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 30 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE	Notes	2019	2018
		$	$
REVENUE			
Other income	2	-	110,148
Director fees		(89,500)	(96,000)
Exploration expenses	3	(94,894)	70,784
Impairment expense	27(b)	(1,622,768)	-
Occupancy expenses		(32,000)	(88,400)
Other expenses	3	(724,263)	(264,752)
Operating loss		(2,563,425)	(268,220)
Finance income		139	304
Finance costs		(80,946)	(27,000)
Finance costs - net		(80,807)	(26,696)
Loss before income tax		(2,644,232)	(294,916)
Income tax benefit/(expense)	4	-	-
Loss after income tax for the year		(2,644,232)	(294,916)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(2,644,232)	(294,916)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF SCORPION MINERALS LIMITED	12	(2,644,232)	(294,916)
Loss per share for loss attributable to ordinary equity holders of the Group:			
Basic loss per share (cents per share)	14	(1.51)	(0.22)
Diluted loss per share (cents per share)	14	N/A	N/A

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE	Notes	2019 $	2018 $
CURRENT ASSETS			
Cash and cash equivalents	5	4,750	28,464
Trade and other receivables	6	133,025	179,969
Other current assets	7	-	17,856
TOTAL CURRENT ASSETS		137,775	226,289
NON-CURRENT ASSETS			
Trade and other receivables	6	-	400,000
Capitalised exploration expenditure	8	2,060,027	2,060,027
TOTAL NON-CURRENT ASSETS		2,060,027	2,460,027
TOTAL ASSETS		2,197,802	2,686,316
CURRENT LIABILITIES			
Trade and other payables	9	1,859,933	1,921,411
Borrowings	10	1,099,199	354,297
TOTAL CURRENT LIABILITIES		2,959,132	2,275,708
TOTAL LIABILITIES		2,959,132	2,275,708
NET ASSETS / (LIABILITY)		(761,330)	410,609
EQUITY			
Contributed equity	11	19,822,564	18,814,564
Accumulated losses	12	(21,048,187)	(21,033,576)
Reserves	13	464,293	2,629,621
TOTAL EQUITY		(761,330)	410,609

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated ffinancial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Contributed Equity $	Accumulated Losses $	Share-based Payments Reserve $	Total Equity $
CONSOLIDATED					
Balance at 1 July 2018		**18,814,564**	**(21,033,576)**	**2,629,621**	**410,609**
Loss for the year	12	-	(2,644,232)	-	(2,644,232)
Total comprehensive loss for the year		-	(2,644,232)	-	(2,644,232)
Transactions with owners in their capacity as owners					
Shares issued during the year		1,008,000	-	-	1,008,000
Options issued during the year		-	-	464,293	464,293
Transfer on expiry of options			2,629,621	(2,629,621)	-
Balance at 30 June 2019		**19,822,564**	**(21,048,187)**	**464,293**	**(761,330)**

	Note	Contributed Equity $	Accumulated Losses $	Share-based Payments Reserve $	Total Equity $
Balance at 1 July 2017		**18,189,063**	**(20,738,660)**	**2,629,621**	**80,024**
Loss for the year	12	-	(294,916)	-	(294,916)
Total comprehensive loss for the year		-	(294,916)	-	(294,916)
Transactions with owners in their capacity as owners		625,501		-	625,501
Balance at 30 June 2018		**18,814,564**	**(21,033,576)**	**2,629,621**	**410,609**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2019 $	2018 $
Cash Flows from operating activities			
Research and development tax refund		-	110,148
Payments to suppliers and employees		(195,683)	(421,818)
Payments for exploration		-	96,930
Interest paid		-	(6,945)
Interest received		176	304
Net cash outflow from operating activities	25	**(195,507)**	**(221,381)**
Cash flows from investing activities			
Cash on acquisition of subsidiary		2,630	
Investment in new opportunity	6	-	(400,000)
Net cash outflow from investing activities		**2,630**	**(400,000)**
Cash flows from financing activities			
Proceeds from the issue of shares		-	565,500
Proceeds from share applications not yet issued		-	60,000
Proceeds from borrowings		169,163	23,731
Net cash inflow from financing activities		**169,163**	**649,231**
Net increase/(decrease) in cash and cash equivalents		(23,714)	27,850
Cash and cash equivalents at the beginning of the year		28,464	614
Cash and cash equivalents at the end of the year	5	4,750	28,464

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial information included in this report have been set out below.

(a) Basis of preparation of historical financial information

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Boards, Australian Accounting Interpretations and the *Corporations Act 2001*. These financial statements have been prepared on a historical cost basis. Pegasus Metals Limited is a for-profit entity for the purpose of preparing financial statements.

The financial report complies with Australian Accounting Standards which include International Financial Reporting Standards as adopted in Australia. Compliance with these standards ensure that the consolidated financial statements and notes as presented comply with International Financial Reporting Standards (IFRS).

Going Concern

The Group incurred a loss of $2,644,232 for the year (2018: loss of $294,916) and incurred cash outflows from operating activities of $195,507 (2018: $221,381) with a working capital deficiency of $2,821,357 at 30 June 2019 (2018 working capital deficiency: $2,049,419) and net liabilities of $761,330 (2018: Net Assets $410,609).

At 27 September 2019, the Group has a cash balance of $1,723. Included within the working capital deficiency of $2,821,357 is $2,060,856 owing to director and former director related entities (disclosed in note 9 and 10). These amounts are due for payment on or before 31 December 2019. Of the amounts owing to third party creditors totalling $828,431, $798,664 are overdue and outside their payment terms. At 30 June 2019, the group had an undrawn loan facility of $503,000. One of the Lenders has agreed to provide a further $250,000 to the Company if needed.

The ability of the group to continue as a going concern is dependent upon all of the following:

- the continued financial support of its former director related- entities;
- the ability to continue to draw down on the remaining amount available under the loan facility of $503,000 at 30 June 2019;
- the possible negotiation on the extension of the maturity date of the loans from the former director related entities;
- the continued management of third party creditors; and
- the group's ability to raise funds through the issue of equity.

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.

Management 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:

- the loans from former director related entities has $503,000 undrawn as at 30 June 2019. The directors have confirmed the continued availability of this facility;
- one of the Lenders has agreed to provide a further $250,000 to the Company if needed;
- letters of support have been obtained from director and former director related party creditors and loans totalling $2,060,856 indicating that there is no intention to collect within the next 12 months;
- the ability to negotiate extended payment terms with director related and former director related party creditors and lenders;
- the ability of the Company to continue to manage and negotiate extended payment terms with overdue third party creditors;
- maintaining exploration spending and corporate overheads to a minimum level commensurate with funds available;
- the possible exercise of options in the next year; and
- the Group plans to raise funds through a capital raising given the successful grant of Exploration Licence 20/931 at Mt Mulcahy subsequent to balance date. Initial discussions with potential investors have commenced.

Should the Group not be able to successfully manage the uncertainties inherent in the above, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(b) Revenue Recognition

Interest

Revenue is recognised as interest accrues using the effective interest method. This method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipt over the expected life of the financial asset.

(c) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit. Deferred tax assets are only recognised for deductible temporary differences and unused tax loses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

(d) Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount is determined and impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

(e) Cash and Cash Equivalents

"Cash and cash equivalents" includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(f) Fair value estimation

Fair values may be used for financial asset and liability measurement and well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at statement of financial position date. The quoted market price for financial assets is the current bid price and the quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at reporting date. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments.

The fair value of trade receivables and payables is their normal value less estimated credit adjustments due to their short-term nature.

(g) Borrowing costs

Borrowing costs are capitalised that are directly attributable to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(h) Trade and other payables
Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 days payment terms. They are recognised initially at fair value and subsequently at amortised cost.

(i) Employee Benefits
Wages and Salaries, Annual Leave and Sick Leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of statement of financial position date are recognised in respect of employees' services rendered up to reporting date and measured at amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. Liabilities for wages and salaries are included as part of Other Payables and liabilities for annual and sick leave are included as part of Employee Benefits Provisions.

Long Service Leave
Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the statement of financial position date using the projected future projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at reporting date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Retirement Benefit Obligations
The Group does not have a defined contribution superannuation fund. All employees of the Group are entitled to receive a superannuation guarantee contribution required by the government which is currently 9.5%.

(j) Exploration and evaluation expenditure
Exploration and evaluation expenditure encompass expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Exploration and evaluation expenditure incurred by the Group is accumulated for each area of interest and recorded as an asset if:

1) the right to tenure of the area of interest are current; and
2) at least one of the following conditions is also met:
    a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
    b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing. Exploration and evaluation incurred by the Group are expensed in the year they are incurred.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition. Exploration and evaluation incurred by the Group subsequent to acquisition of the rights to explore is expensed
as incurred. During the financial year, no amounts have been capitalised, as the relevant tenement was in the process of being renewed, and all expenditure was recorded in Profit and Loss.

The recoverable amount of each area of interest is determined on a bi-annual basis and the provision recorded in respect of that area adjusted so that the net carrying amount does not exceed the recoverable amount. For areas of interest that are not considered to have any commercial value, or where exploration rights are no longer current, the capitalised amounts are written off against the provision and any remaining amounts are charged to profit or loss. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(k) Contributed Equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(l) Goods and Services Tax

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financial activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(m) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

(n) Provisions

Provisions for legal claims are recognised when the Group has a legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(o) Share based payments

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions").

The fair value of options is recognised as an expense with a corresponding increase in equity (share-based payments reserve). The fair value is measured at grant date and recognised over the period during which the holder becomes unconditionally entitled to the options. Fair value is determined by an independent valuer using a Black-Scholes option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Pegasus Metals ("market conditions").

The cumulative expense recognised between grant date and vesting date is adjusted to reflect the director's best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the Group until vesting date, or such that employees are required to meet internal sales targets. No expense is recognised for options that do not ultimately vest because a market condition was not met. Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to the Statement of Profit or Loss and Other Comprehensive Income. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(p) Earnings per Share

(i) Basic Earnings per Share

Basic earnings per share is determined by dividing the operating loss after income tax by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of partly paid shares or options outstanding during the financial year.

(q) Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker, which has been identified by the Group as the Managing Director and other members of the Board of Directors.

(r) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. Interest calculated using the effective interest rate method is accrued over the period it becomes due and increases the carrying amount of the liability.

(s) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Scorpion Minerals Limited. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent. Non-controlling interests in the results and equity of subsidiaries are shown separately in the Statement of Profit or Loss and Other Comprehensive Income.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent. Non-controlling interests in the results and equity of subsidiaries are shown separately in the Statement of Profit
or Loss and Other Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(t) Changes in Accounting Policies

This note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on the group's financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

AASB 9 Financial Instruments – Impact of Adoption

Impairment of financial assets

The Group's financial assets subject to AASB 9's new expected credit loss model are cash and trade receivables, which arise from the provision of services and sale of goods.

The impact of the impairment requirements of AASB 9 on cash and cash equivalents has not resulted in a material impact to the financial statements.

Under AASB 9, the Group was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model. This change in methodology has not had a material impact on the financial statements. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure or a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

AASB 9 Financial Instruments – Accounting Policies Applied from 1 July 2018

Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

· those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

· those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At half year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

From 1 July 2018, the Group assesses expected credit losses associated on a forward looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

AASB 15 Revenue from Contracts with Customers – Impact of Adoption

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018. As the group currently has no revenue streams beyond interest income earned from cash deposits, this has not resulted in any adjustments being made to the financial statements, and no changes to the accounting policies of the group.

(u) New Standards Issued but not yet Adopted

AASB 16 Leases

The key feature of AASB 16 for (lease accounting) are as follows:

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use asset similarly to other non-financial assets and lease liabilities similar to other financial liabilities.
- Assets and liabilities arising from lease will be initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-lined payments), and includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

AASB 16 contains disclosure requirements for lessees and is effective for annual reporting periods beginning on 1 January 2019, with early adoption permitted. The Group is assessing the potential impact on of this standard on its consolidated financial statements resulting from the application of AASB 16, which has not yet been finalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(v) Critical Accounting Estimates and Judgements
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of capitalised exploration and evaluation expenditure
The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include abandonment of area of interest, the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

NOTE 2. OTHER INCOME	2019 $	2018 $
R&D incentive rebate	-	110,148

NOTE 3. EXPENSES	2019 $	2018 $
Other expenses		
Accounting and secretarial fees	65,266	46,871
Audit fees	48,353	48,353
Consultants and advisors	40,000	23,640
Corporate costs	41,422	39,270
Fines & penalties	154	19,320
Legal fees	37,230	72,772
Share Based Payments – see Note 23	464,293	-
Insurance	7,339	-
Other expenses	20,206	14,526
	724,263	264,752
Exploration expenses		
Exploration expenditure	94,894	33,433
Mining lease application [1]	-	(104,217)
	94,894	(70,784)

[1]The Company applied to the Department of Mines, Industry Regulation and Safety (DMIRS) for a mining lease MLA 20/535 covering EL20/422. The application was subsequently revoked and the application funds were refunded to the Company.

	2019 $	2018 $
NOTE 4. INCOME TAX		
a) Reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(2,644,232)	(294,916)
Prima facie income tax at 27.5% (2018: 27.5%)	(727,164)	(81,102)
Non-deductible expenses	(43)	6,401
Movement in unrecognised temporary differences	(16,089)	(33,688)
Effect of tax loss not recognised as deferred assets	743,296	108,389
Income tax (expense)/benefit	-	-
b) Unrecognised deferred tax assets arising on timing differences and losses:		
Unrecognised deferred tax asset – tax losses	4,218,820	3,367,135
Unrecognised deferred tax asset - timing	24,675	4,234
	4,243,495	3,371,369

NOTE 5. CASH AT BANK

	2019 $	2018 $
Cash at bank and on hand	4,750	28,464
	4,750	28,464

Information about the Group's exposure to interest rate risk is provided in Note 15.

NOTE 6. TRADE AND OTHER RECEIVABLES

	2019 $	2018 $
Current		
GST receivable	131,055	177,901
Other receivables	1,970	2,068
	133,025	179,969
Non-current		
Prepayment	-	400,000
Total trade and other receivables	133,025	579,969

The prior period prepayment of $400,000 represented funds advanced to the Scorpion subsidiary prior to its acquisition by the parent entity.

As of 30 June 2019, trade receivables that were past due or impaired was nil (2018: nil). Information about the Group's exposure to credit risk is provided in Note 15.

NOTE 7. OTHER CURRENT ASSETS

	2019 $	2018 $
Bank guarantees and bonds	-	17,856
	-	17,856

NOTE 8. CAPITALISED EXPLORATION EXPENDITURE

	2019 $	2018 $
Capitalised tenement acquisition costs		
Opening net book amount	2,060,027	2,060,027
Closing net book amount	2,060,027	2,060,027

The ultimate recoverability of the Group's areas of interest is dependent on the successful discovery and commercialisation of the project. The Group follows the guidance of AASB 6 Exploration for and Evaluation of Mineral Resources to determine when capitalised exploration and evaluation expenditure is impaired.

Refer to Note 1(u) for further details.

NOTE 9. TRADE AND OTHER PAYABLES

	2019 $	2018 $
Trade payables	828,430	594,848
Director and former director related entities creditors	810,375	1,311,063
Accrued expenses	32,228	-
Accrued director fees and remuneration	177,500	15,500
Payroll liabilities – accrued superannuation	11,400	-
	1,859,933	1,921,411

Details about the Group's exposure to risks arising from current and non-current liabilities are set out in Note 15.

NOTE 10: BORROWINGS

On 14 March 2014, the Group entered into a loan agreement with the lenders to the amount of $1,000,000 or such other greater sum as the parties may agree in writing. The loan is provided by a syndicate of lender the details of which are provided in Note 22. The purpose of the loan facility is to provide working capital to the Group to fund its immediate operational requirements and the loan bears no interest. The loan facility limit does not refresh if debt is converted to equity. This agreement was superseded by the variations and agreement described below.

Reconciliation of carrying amount of loans from related parties:		
Opening amount	354,297	306,131
Reclassified as other borrowings	(8,952)	-
Drawdowns during the year	167,164	244,591
Loans assumed on acquisition of subsidiary	868,982	-
Interest accrued	80,946	20,054
Interest repaid in shares during the year	(28,017)	
Repayments in shares during the year	(344,173)	(216,479)
Closing drawdown balance	1,090,247	354,297
Loans from non-related parties	8,952	-

On 27 October 2017, the Company announced it had entered into an agreement with Investmet Limited and Delta Resources to provide funding of up to $1,000,000 to the Company.

As per the ASX Announcement dated 27 September 2018, a Letter of Variation was executed to increase the loan facility limit from $1,000,000 to $2,000,000.

On 16 October 2018 a revised agreement incorporating all previous variations was signed.

Details about the Group's exposure to risks arising from current and non-current borrowings are set out in Note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. CONTRIBUTED EQUITY	2019	
Issued Capital	**Number**	**$**
Fully paid ordinary shares (a)	177,024,525	17,622,564
Shares to be issued (b)(i)	11,000,000	2,200,000
Total Contributed Equity	188,024,525	19,822,564

	2018	
Issued Capital	**Number**	**$**
Fully paid ordinary shares (a)	135,024,525	16,554,564
Shares to be issued (b)	13,000,000	2,260,000
Total Contributed Equity	148,024,525	18,814,564

(i) The above shares to be issued represents the deferred consideration payable under the Mt Mulcahy Tenement Sale Agreement.

(a) Movements in fully paid ordinary shares

Details	Number	$
Balance 1 July 2017	116,174,519	15,989,063
Issued during the year	18,850,006	565,501
Balance 30 June 2018	135,024,525	16,554,564
Issued during the year	42,000,000	1,068,000
Balance 30 June 2019	177,024,525	17,622,564

(b) Movements in shares to be issued

Details	Number	$
Opening balance 1 July 2017	11,000,000	2,200,000
Unissued Placement shares	2,000,000	60,000
Balance 30 June 2018	**13,000,000**	**2,260,000**
Issued Placement shares	(2,000,000)	(60,000)
Balance at 30 June 2019	**11,000,000**	**2,200,000**

NOTE 12. ACCUMULATED LOSSES	2019 $	2018 $
Accumulated losses at beginning of year	(21,033,576)	(20,738,660)
Net loss for the year	(2,644,232)	(294,916)
Transfer on expiry of options	2,629,621	
Accumulated losses at end of year	(21,048,187)	(21,033,576)

NOTE 13. SHARE BASED PAYMENT RESERVE		
Balance at beginning of year	2,629,621	2,629,621
Transfer on expiry of options	(2,629,621)	-
Issue of unlisted options	464,293	-
Balance at end of year	464,293	2,629,621

Nature and purpose of reserves
Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of shares issued to employees, to Directors and for the acquisition of assets.

	2019	2018

NOTE 14. LOSS PER SHARE	$	$
Loss attributable to the members of the company used in calculating basic and diluted loss per share	(2,644,232)	(294,916)
Basic loss per share (cents)	(1.51)	(0. 22)
Diluted loss per share (cents)	N/A	N/A
(Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share)	175,337,767	133,583,380

The loss for the year means that the potential ordinary shares on issue are anti-dilutive.

NOTE 15. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market Risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the cash and cash equivalents.

Trade and other receivables
As the Group operates in the mining explorer sector, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables. Presently, the Group undertakes exploration and evaluation activities exclusively in Australia. At the reporting date there were no significant concentrations of credit risk.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2019	**2018**
	$	**$**
Cash and cash equivalents	4,750	28,464
Other receivables	1,970	179,969
Other current assets	-	17,856
	6,720	226,289

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Financial assets – counterparties without external credit rating		
Financial assets with no default in past	1,970	179,969
Cash at bank and short-term bank deposits		
AA – S&P rating	4,750	46,320
	6,720	226,289

NOTE 15. FINANCIAL RISK MANAGEMENT continued

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity and to sell surplus assets to fund exploration and evaluation activities. The Group monitors the level of funding from related parties and the reliance of such funding on the basis of the gearing ratio.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 June 2019

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	1,859,933	1,859,933	1,859,933	-	-	-	-
Borrowings	1,099,199	1,099,199	-	1,099,199	-	-	-
	2,959,132	2,959,132	1,859,933	1,099,199	-	-	-

30 June 2018

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	1,921,411	1,921,411	1,921,411	-	-	-	-
Borrowings	354,297	354,297	-	-	354,297	-	-
	2,275,708	2,275,708	1,921,411	-	354,297	-	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Sensitivity analysis

If the interest rates had weakened/strengthen by 10% (based on forward treasury rates) at 30 June 2018, there would be no material impact on the statement of profit or loss and other comprehensive income. There would be no effect on the equity reserves other that those directly related to statement of profit or loss and other comprehensive income movements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. FINANCIAL RISK MANAGEMENT continued

Interest rate risk
Exposure arises predominantly from assets and liabilities bearing variable interest rates as the Group intends to hold fixed rate assets and liabilities to maturity. Interest rate risk is not considered to be material.

2019	**Fixed Interest**	**Floating Interest**	**Non-Interest Bearing**	**Total**
Financial Assets	**$**	**$**	**$**	**$**
Cash and cash equivalents	-	4,750	-	4,750
Trade and other receivables	-	-	1,970	1,970
Weighted Average Interest Rate	-	-	-	-
Net Financial Assets	-	4,750	1,970	6,720
Financial Liabilities				
Trade and other payables and borrowings	1,099,199	-	1,859,933	2,959,132
	1,099,199	-	1,859,933	2959,132

2018				
Financial Assets	**$**	**$**	**$**	**$**
Cash and cash equivalents	-	28,464	-	28,464
Trade and other receivables	17,856	-	179,969	197,825
Weighted Average Interest Rate	1.90%	-	-	-
Net Financial Assets	17,856	28,464	179,969	226,289
Financial Liabilities				
Trade and other payables and borrowings	350,244	-	1,925,464	2,275,708
	350,244	-	1,925,464	2,275,708

Fair values
The Group does not have any financial instruments that are subject to recurring fair value measurements. Due to their short-term nature, the carrying amounts of the current receivables and current trade and other payables are assumed to approximate their fair value.

NOTE 16. 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 17. COMMITMENTS

Exploration commitments

The Group has certain obligations to perform minimum exploration work and to spend minimum amounts on exploration tenements. The obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Group.

Due to the nature of the Group's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or any new joint venture agreements. Expenditure may be increased when new tenements are granted.

Commitment contracted for at balance date but not recognised as liabilities are as follows:

	2019
	$
Within one year	50,000

NOTE 18. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Post year-end, in September 2019, ELA 20/931 was granted. Drilling, at an approximate cost of $110,000, of down-plunge extensional holes (refer Figures 6 and 7 in the Directors Report) to the current resource at the SLP is planned, along with regional exploration for VMS and gold targets.

Other than the above, there have not been any matters that have arisen since 30 June 2019 that have significantly affected, or may significantly affect, the operations of the Group, the results of the operations or the state of affairs of the Group in future years.

	2019	2018
NOTE 19. AUDITOR'S REMUNERATION	$	$
Amount paid or payable to BDO Audit (WA) Pty Ltd for assurance services	48,353	60,867

NOTE 20. DIVIDENDS

There were no dividends declared or paid during the current and prior years.

NOTE 21. RELATED PARTY TRANSACTIONS

	2019	2018
	$	$
(a) Summarised Compensation of Key Management Personnel		
Short-term employee benefits	89,500	96,000
Post-employment benefits	-	-
	89,500	96,000

NOTE 21. RELATED PARTY TRANSACTIONS continued

(b) Other Transactions with Key Management Personnel

The entities referred to below were related parties whilst Mr Michael Fotios was a director of the Company and also a director of each of the entities. Mr Fotios ceased to be a director of the Company on 31 October 2018 and of each entity on 30 April 2019.

Related party creditors

The Group has entered into an administrative services management agreement with Delta Resource Management Pty Ltd (Delta). Amounts totalling $373,488 were settled through the issue of shares to Delta Resource Management Pty Ltd for the year (2018: 103,740). As at 30 June 2019, there is balance of $597,370 excl. of GST outstanding (2018: $750,197).

Delta subcontracted some services through Whitestone Mining Services Pty Ltd (Whitestone) who has invoiced the Company directly. No payments were made to Whitestone during the year (2018: $50,000). As at 30 June 2019, there is balance of $286,520 excl. of GST outstanding (2018: $286,520).

	2019 $	2018 $
Delta Resource Management Pty Ltd	657,107	825,217
Eastern Goldfields Limited	-	25,079
Investmet Limited	93,018	147,340
Whitestone Mining Services Pty Ltd	-	313,427
	750,125	1,311,063

The above transactions are based on normal commercial terms and conditions and at arm’s length.

Loans from related parties

The purpose of the loans with related parties is to provide working capital to the Group to fund its immediate operational requirements. The proceeds from the loans have been used to meet short-term expenditure needs. The following balance is outstanding at the end of the reporting period. Further information relating to loan from Michael Fotios Family Trust is set out in Note 10.

	2019 $	2018 $
Non-interest-bearing loans		
Loan from Eastern Goldfields Limited	-	4,053
	-	4,053
Interest-bearing loans		
Azurite Corporation Pty Ltd	324,570	-
Delta Resource Management Pty Ltd	37,856	8,142
Michael Fotios Family Trust	442,099	-
Investmet Limited	285,722	337,549
Whitestone Mining Services Pty Ltd	-	4,553
	1,090,247	350,244

The above loans are not expected to be repaid until such a time that the Company has received the necessary funds for repayment and such a repayment would not impair the ability for the Company to continue as a going concern.

Share and option issues to related parties

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. For further details refer to Note 23.

NOTE 22. INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	*Equity Holding*		*Cost of Parent Entity's Investment*	
	2019	**2018**	**2019**	**2018**
	%	**%**	**$**	**$**
Parent Entity				
Scorpion Minerals Limited				
Controlled Entity				
Placer Resources Pty Ltd	100	100	700,000	700,000
Less: Impairment loss			(700,000)	(700,000)
Scorpion Metals Limited	100	100	168,000	-
			168,000	-

Scorpion Metals Limited, Scorpion Minerals Limited and Placer Resources Pty Ltd are domiciled and incorporated in Australia.

NOTE 23. 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**

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:

Company	**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 of the subsidiary entity at the time the subsidiary entity was acquired by the parent entity and prior to Ms Barnes or Mr Osborne's appointment to the board of the parent entity. $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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23. SHARE BASED PAYMENTS continued

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**

NOTE 24. STATEMENT OF CASH FLOWS

	2019 $	2018 $
Reconciliation of cash and cash equivalents		
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	4,750	28,464
Operating loss after tax	(2,644,232)	(294,916)
Depreciation	-	-
Impairment expenses	1,622,768	-
Share based payment expense	464,293	
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	464,800	110,324
Increase/(decrease) in interest	(20,187)	20,055
Increase/(decrease) in trade and other payables	(82,949)	(56,844)
Net cash (used in) operating activities	(195,507)	(221,381)

There were no non-cash financing and investing activities (2018: nil).

NOTE 25. SCORPION MINERALS LIMITED PARENT COMPANY INFORMATION

	2019 $	2018 $
ASSETS		
Current assets	137,013	226,289
Non-current assets	2,645,446	2,460,027
TOTAL ASSETS	**2,782,459**	**2,686,316**
LIABILITIES		
Current liabilities	1,719,321	1,921,411
Borrowings	164,544	354,297
TOTAL LIABILITIES	**1,883,865**	**2,275,708**
EQUITY		
Contributed equity	19,822,564	18,814,564
Reserves	464,293	2,629,621
Accumulated losses	(19,388,263)	(21,033,576)
TOTAL EQUITY	**(898,594)**	**(410,609)**
FINANCIAL PERFORMANCE		
(Loss) for the year	**(984,309)**	**(294,916)**

GUARANTEES ENTERED INTO BY PARENT ENTITY

As at 30 June 2019 and 2018, the Company has not provided any financial guarantees in relation to the debts of its subsidiaries.

NOTE 26: 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 at a value of $0.014 at date of issue for a total consideration of $168,000. 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
Consideration – 12,000,000 shares @ $0.014	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

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, accompanying consolidated notes, are in accordance with the Corporations Act 2001 and:

    (a) Comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

    (b) Give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Group.

2. In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

3. The Directors have been given the declarations by the Managing Director required by section 295A.

4. The Group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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

Craig Hall
Director

Perth, Western Australia
30 September 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of Scorpion Minerals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Scorpion Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related 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 opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying Value of Exploration and Evaluation Assets

Key audit matter	How the matter was addressed in our audit
At 30 June 2019 the Group held a significant carrying value of Exploration and Expenditure Assets as disclosed in Note 8. As the carrying value of these Exploration and Evaluation Assets represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount. Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular: • Whether the conditions for capitalisation are satisfied; • Which elements of exploration and evaluation expenditures qualify for recognition; and • Whether facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment. As a result, this is considered a key audit matter.	Our procedures included, but were not limited to: • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and director's minutes; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether there are any other facts or circumstances existing to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 8 to the financial statements.

Accounting for the acquisition of the subsidiary

Key audit matter	How the matter was addressed in our audit
On the 10 January 2018, the company announced that it had entered into an agreement to acquire 100% of the issued capital of Scorpion Minerals Limited, a public unlisted company. The transaction completed on 18 October 2018, when all the conditions precedent were met. As consideration for the transaction, the company issued shares and options as disclosed in Note 23 to the financial statements, and assumed various liabilities as disclosed in Note 26. Accounting for this transaction requires management to exercise judgement to determine the appropriate accounting treatment including whether the acquisition should be classed as an asset or business acquisition, estimating the fair value of net assets acquired and estimating the fair value of the purchase consideration.	Our procedures included, but were not limited to the following: • Reviewing the key terms and conditions of the transaction agreement; • Evaluating management's determination of whether the transaction constituted a business or an asset acquisition; • Challenging the methodology and assumptions utilised to identify and determine the fair value of the assets and liabilities acquired; • Assessing management's determination of the fair value of the consideration paid; and • Assessing the adequacy of the Group's disclosures of the acquisition in Note 26 to the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 19 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Scorpion Minerals Limited, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Neil Smith

Director

Perth, 30 September 2019

ADDITIONAL INFORMATION

Additional Information for Listed Public Companies

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is current as at 5 September 2019.

Distribution of quoted security holders

Range	Holders	Units	Percentage
1 - 1,000	30	4,758	0.003%
1,001 - 5,000	93	301,187	0.170%
5,001 - 10,000	64	550,683	0.311%
10,001 - 100,000	229	9,715,588	5.488%
Over 100,000	127	166,452,309	94.028%
TOTAL	**543**	**177,024,525**	**100%**

Voting rights

All ordinary shares carry one vote per share without restriction.

Unquoted securities

Nil.

On-market buy-back

There is no current on-market buy-back.

Securities Exchange listing

Quotation has been granted for the Company's Ordinary Shares on ASX Limited (Code: PUN).

Substantial shareholders

Shareholder Name	Units	Percentage
Investmet Ltd	31,092,735	17.57%
Delta Resource Management Pty Ltd	13,831,033	8.10%

Less Than Marketable Parcel

Parcel	Holders	Units	Percentage
Total unmarketable parcel $500	373	2,668,488	1.98%

ADDITIONAL INFORMATION

Twenty largest shareholders – Ordinary Shares

	Shareholder Name	Units	Percentage
1	INVESTMET LTD	31,092,735	17.57%
2	DELTA RESOURCE MANAGEMENT PTY LTD	14,345,899	8.10%
3	WYLLIE GROUP PTY LTD	6,596,465	3.73%
4	BARNES STUART C & B < S & B BARNES FAMILY A/C>	5,561,405	3.14%
5	PERTH SELECT SEAFOODS PTY LTD	5,000,000	2.82%
6	BOTSIS HOLDINGS PTY LTD	4,408,448	2.49%
7	FOTIOS MICHAEL GEORGE <MICHAEL FOTIOS FAMILY TRUST>	4,341,893	2.45%
8	SHARIC SUPER PTY LTD <FARRIS S/F A/C>	4,100,658	2.32%
9	NORTHAMPTON MINING PTY LTD	4,000,000	2.26%
10	GUNZ PTY LTD <GUNZ SUPER FUND A/C>	3,471,068	1.96%
11	SORENSON DANE PEDER EVAN	3,286,323	1.86%
12	MOORE BJ & HAMMOND PC <BJM SUPER A/C>	3,200,000	1.81%
13	SPENCER ANDREW WILLIAM <AJ FAMILY A/C>	3,079,919	1.74%
14	HAMMOND PC & MOORE BJ <MGB SUPER A/C>	3,074,962	1.74%
15	JEMAYA PTY LTD <FEATHERBY FAMILY A/C>	3,000,000	1.69%
16	LACLOS PTY LTD <LACLOS LIFESTYLE A/C>	3,000,000	1.69%
17	SHARPLESS GJ + JL	2,496,229	1.41%
18	FOTIOS ANTHONY HAROLD <FOTIOS FAMILY A/C>	2,281,937	1.29%
19	THICK PHILIP ANDREW	2,040,000	1.15%
20	OAKMOUNT NOMINEES PTY LTD <NARROMINE S/F A/C>	2,024,805	1.15%
	TOTAL	**110,402,746**	**62.36%**

Corporate Governance Statement

The Company's Corporate Governance Statement for the 2019 financial year can be accessed at:
http://pegasusmetals.com.au/http-staging-pegasus-indepth-com-au-corporategovernance.html

ANNUAL MINERAL RESOURCE STATEMENT

In accordance with ASX Listing Rule 5.21, the Company reviews and reports its Mineral Resources at least annually. The date of reporting is 30 June each year, to coincide with the Company's end of financial year balance date. If there are any material changes to its Mineral Resources over the course of the year, the Company is required to promptly report these changes.

In completing the annual review for the year ended 30 June 2019, the historical resource factors were reviewed and found to be relevant and current. The Mount Mulcahy Project has not been converted to an active operation yet and hence no resource depletion has occurred for the review period.

THE MINERAL RESOURCE STATEMENT

The current Mineral Resource Statement for the South Limb Pod ('SLP') at the Mt Mulcahy Copper Project is shown in Table 1 below.

The total Mineral Resource estimate comprises 647,000 tonnes at a grade of 2.3% Cu for 15,200 tonnes of contained copper metal (33.5M lbs); a grade of 1.8% Zn for 11,800 tonnes of contained zinc metal (26.3M lbs); and 20 g/t Ag for 415,000 ounces of contained silver, reported at a lower cut-off grade of 0.5% for copper)

Table 1: Total Mineral Resource Estimate

Mt Mulcahy South Limb Pod Mineral Resource Estimate as at 30 June 2018											
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**

Notes accompanying Mineral Resource Statement

1. Rounding may result in apparent summation differences between tonnes, grade and contained metal content.
2. Rounding is to the nearest 1,000 tonnes, 0.1% Cu, Zn, Co, 1 g/t Ag, 0.1 g/t Au; 100 tonnes for Cu, Zn metal.
3. Significant figures do not imply an added level of precision.
4. Reported at a 0.5% Cu cut-off figure

MATERIAL CHANGES AND RESOURCE STATEMENT COMPARISON

There have been no material changes to the Mineral Resource during the review period from 1 July 2017 to 30 June 2018.

The information in this Annual Report that relates to Mineral Resources was prepared and first disclosed under the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code") 2004 Edition and has not been updated since to comply with the JORC Code 2012 Edition on the basis that the information has not materially changed since it was last reported. It was first released to ASX on 13 February 2013 and was titled "Prospectus".

The Company is not aware of any new information or data that materially affects the information as previously released on 13 February 2013 and all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

ANNUAL MINERAL RESOURCE STATEMENT

GOVERNANCE ARRANGEMENTS AND INTERNAL CONTROLS

The Group has ensured that the Mineral Resources quoted are subject to good governance arrangements and internal controls. The Mineral Resources reported have been generated by independent external consultants whom are experienced in best practices in modelling and estimation methods. The consultants have also undertaken reviews of the quality and suitability of the underlying information used to determine the resource estimate. In addition, management carry out regular reviews and audits of internal processes and external contractors that have been engaged by the Company.

TENEMENT SCHEDULE

TENEMENT No.	LOCATION	INTEREST %	HOLDER
E20/931	WA	100	Pegasus Metals Ltd
E20/840	WA	100	Pegasus Metals Ltd
P51/3016[1]	WA	100	Pegasus Metals Ltd
P51/3017[1]	WA	100	Pegasus Metals Ltd

[1]Under application

COMPETENT PERSONS STATEMENT

The information in this report that relates to the Exploration Results and Mineral Resources at the Mt Mulcahy Project 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.

The information in this report that relates to the Mt Mulcahy Mineral Resource is based on information originally compiled by Mr Rob Spiers, an independent consultant to Scorpion Minerals Limited and a then full-time employee and Director of H&S Consultants Pty Ltd (formerly Hellman & Schofield Pty Ltd), and reviewed by Mr Hall. This information was originally issued in the Company's ASX announcement "Maiden Copper-Zinc Resource at Mt Mulcahy", released to the ASX on 25th September 2014. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The company confirms that the form and context in which the findings are presented have not materially modified from the original market announcements.