



## **Annual Report**

RNS Number : 0895T  
Scotgold Resources Ltd  
30 September 2014

## **SCOTGOLD RESOURCES LIMITED**

Re: Annual Report for the year ended 30 June 2014

Scotgold Resources Limited ("Scotgold" or "the Company") (ASX:SGX) (AIM:SGZ) announces its final results for the year ended 30 June 2014. The Company's full annual report for the year to 30 June 2014 is now available on the Company's website and will be posted to shareholders shortly. The financial information set out within this announcement is not the audited results but has been extracted from them. In addition to the audited financial results for the year, the Annual Report contains an Operational Review that is based on the operational updates that have been made by Scotgold and contains no new material information.

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## **OPERATIONAL REVIEW**

### **CONONISH GOLD AND SILVER PROJECT**

#### **Resources**

Subsequent to the grant of planning permission in February 2012 and as a result of discussions with potential financiers to the project, the Company embarked on an 18 hole (2200m) infill drilling program aimed at converting Inferred resources to Indicated resources which was completed in October 2012. Full details of the results from the infill program were announced in the press release of 8/10/2012 - **Drilling Results**.

Based on the results of the infill drilling program, Dr Simon Dominy of Snowden Mining Industry Consultants Pty Ltd (Snowden) compiled an updated Resource estimate reported in accordance with the JORC 2004 Code.

Table 1 below shows the revised Mineral Resource estimate as announced in the press release of 14/11/2012 - **Cononish Resource Update**. The table also serves as the Company's Annual Mineral Resource statement.

**Table 1: Annual Mineral Resource Statement as at 30/06/2014**

**Cononish Main Vein Gold and Silver Mineral Resources** (reported at a 3.5 g/t Au cut-off) compiled 14/11/12.

Reported using the 2004 JORC Code (JORC, 2004). Tonnages and contained ounces rounded to the nearest 100 t or 100 oz. Gold grade rounded to the nearest 0.1 g/t Au. The Inferred Resource grade is reported with a grade range to indicate the likely upside due to the information effect.

| Classification         | Tonnes (t)     | Grade (g/t)    | Ounces (oz)   | Grade (g/t) | Ounces (oz)    |
|------------------------|----------------|----------------|---------------|-------------|----------------|
|                        |                | Gold           | Gold          | Silver      | Silver         |
| Measured (M)           | 53,100         | 14.1           | 24,000        | 61.2        | 104,500        |
| Indicated (I)          | 142,900        | 12.7           | 58,600        | 49.9        | 229,500        |
| <b>Total M. and I.</b> | <b>196,000</b> | <b>13.1</b>    | <b>82,600</b> | <b>53.0</b> | <b>334,000</b> |
| Inferred               | 264,600        | 10.2 (10 - 15) | 86,600        | 34.9        | 297,300        |

**Scotgold Note:** Incorporating the grade range, the Inferred Mineral Resource is estimated to lie between 85,000 oz Au and 127,000 oz Au. It should be noted that any upside may not exist or it may only be present in a portion of the resource.

Note: ***This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.***

There has been no change to the reported Mineral Resources between 30/06/2013 and 30/06/2014, which as at 30/06/2013, totalled including Measured, Indicated and Inferred categories, 460,600t @ 11.7g/t Au and 45g/t Ag.

The results from the 2012 infill program, importantly, substantiated and increased the grades and tonnages in previously classified Inferred category blocks with an increase in tonnage of 15.9% and 16.5% in contained ozs in the blocks impacted and give significant encouragement to the Board regarding confidence in the potential conversion of other Inferred blocks which may occur as future mine development progresses.

In addition to the currently defined resources, Scotgold believes that there is potential to define further resources close to the Cononish mine, subject to appropriate further work. The extensive gold-in-soil anomalies, mineralisation associated with outcrops and trenching and geophysical anomalies in close proximity to the current resource clearly warrant further follow up during the development stage. Much of this potential is based on the along strike and down dip extensions of the Cononish vein, but there are indications that other reefs are present in the area too. At this stage, such figures are highly conceptual and there is no guarantee that further exploration will define additional resources.

## **Ore Reserves**

There are no Ore Reserves estimated in terms of the JORC (2012) code as at 30/06/2014.

Reserves reported in 2013 under the JORC 2004 code are no longer applicable. As noted in the following section and subsequent to its internal review of both Mineral Resources and Ore Reserves, the Company is examining a number of different options and possible configurations for the project and

has deemed it appropriate to update both Minerals Resources and Ore Reserves to comply with the JORC (2012) code when this work has been concluded.

### **Project status**

In order to facilitate financing under current market conditions, the Company, in conjunction with its consultants, have continued to examine and evaluate possible alternative configurations for the Cononish Gold and Silver Project with a view to optimising returns and attempting to reduce the initial capital expenditure and the overall funding requirement to bring the project to production.

The initial options considered to date have considered varied processing rates, strategic mining sequences and mining selectivity. These options remain under current review and a number of other options relating to construction, commissioning and production build up periods, as well as plant configuration, are currently being considered for further examination and evaluation before a preferred development option can be finalised.

From the initial options considered, it was apparent that a change to the current planning condition (Condition 13) regarding the hours of operation of the processing plant presented an attractive opportunity to be actively pursued. Current planning conditions restrict hours of operation of the processing plant from 07h00 to 23h00 Mondays to Saturdays with no processing on Sunday or recognised Scottish public holidays. A change to 24/6 operations (though still with no processing on Sunday or recognised Scottish public holidays) would enable a significant decrease in the 'name plate' plant hourly throughput rate, whilst maintaining previously considered annual production rates, with attendant possible capital reductions for the processing plant and associated infrastructure.

To this end, the Company held a number of discussions with the Loch Lomond and the Trossachs National Park Planning Authority ("the Planning Authority"). Scotgold submitted a formal letter to the Planning Authority requesting pre-application advice regarding variation to this condition. The Company has received the response and recently conducted a site visit with the Planning Authority and relevant other authorities in this regard and plan to submit the requisite application to vary this condition shortly.

Contingent to continuing progress made towards varying this condition, the Company continues to assess other potentially beneficial options for the project.

The Company is in discussion with possible plant suppliers regarding the capital costs and financing of the possible smaller facility and is in negotiations relating to supplier financing for the mining equipment required with the aim of achieving further reductions in the initial capital expenditure.

The decision notice granting planning permission to the project issued by the Planning Authority on 13 February 2012 required a number of 'suspensive' conditions to be satisfied prior to the start of development. All submissions have been made (excluding those to be made immediately prior to the start of development) and 64% of the conditions have been discharged. Finalisation of these discussions relating to the outstanding conditions already submitted, has been put on hold pending the application to vary condition 13 and further progress towards completing finance for the project.

The Company submitted an application for a licence under the Water Environment (Controlled Activities) Regulations 2011 (CAR regulations) relating to proposed burn diversion works and all necessary permitting for these works has been granted by the Scottish Environmental Protection Agency (SEPA).

In January 2013, AMEC Earth and Environmental (AMEC) commenced detailed engineering design of the Tailings Management Facility. Final designs and tender documents were at an advanced stage with six companies pre-qualified to tender for the construction works before work was halted. It is estimated that this work can be rapidly completed on financing without impacting the development schedule.

As such, all necessary permitting has either been granted or can be completed within a short time frame, subject to the approval for the variation of condition 13 (Limitation of working hours) as noted above and engineering design work is at a stage where it can be rapidly finalised on securing finance thus ensuring a rapid start to development.

Given the advanced state of project development, the Company believe Cononish could be in production within 18 months of obtaining financing.

## GRAMPIAN GOLD PROJECT

The Company continues to actively pursue exploration activities on its substantial land position in the Dalradian group of the south west Grampians, a terrain highly prospective for both gold and potential base metal occurrences. The majority (85%) of the area currently under option to Scotgold is located outside the Loch Lomond and the Trossachs National Park.

The company's strategy has been to advance the Cononish Project to production whilst conducting early stage regional exploration over the wider Grampian Gold project area in conjunction with follow up work on the more advanced prospects close to the Cononish project area.

The Grampian Gold project encompasses a large area of the highly prospective Dalradian sequence. Basic exploration data, including gravity and airborne magnetics, is available from government surveys carried out between 1950s and 1970s but is of a quality and spacing that does not adequately reflect the prospectivity of the area. This and the general lack of previous exploration over the area (other than early stage exploration in the vicinity of the Cononish project) has dictated the Company's approach to exploration.

In order to advance its understanding of the regional setting, over the past three years, the Company has embarked on a regional scale stream sediment sampling program.

In the initial wide spaced regional program, in excess of 750 stream sediment samples were taken over the area. Initial interpretation of these results continues and this program is now being followed up by a more detailed infill sampling program in the anomalous result areas in order to further target areas for detailed fieldwork and prospecting. To date a further 250 samples have been taken in the infill program with a further 237 to be taken.

In parallel with this regional program, Scotgold continues to evaluate previously identified high grade outcrop samples identified by previous exploration close to the Cononish project.

Initially, the company conducted a re-sampling program to verify previously identified occurrences and the program confirmed the presence of a large number of high grade gold / silver vein outcrops in an area located between two major regional faults, the Tyndrum - Glen Fyne fault and the Ericht - Laidon fault and associated with the fractures probably generated by movements along these faults.

Considerable follow up work has been carried out to examine the extent of these occurrences through further fieldwork, detailed rock chip sampling, initial short surface drilling and (in some cases) deeper diamond drilling and the Company believe that further significant exploration expenditure is justified on many of these prospects when financing is available. The most advanced of these prospects include

- 1) the River Vein area - diamond drilling below exceptionally high grade surface rock chip samples has proved structural continuity of a vein structure to a depth of approximately 100m and a similar strike extent as defined by current drilling and remains open along strike and at depth: this warrants further diamond drilling (see Press Release - Exploration Progress at River Vein - 30/01/2012).
- 2) the Sron Garbh mafic / ultramafic complex - short surface drilling intersected highly anomalous grades of Gold, Platinum, Palladium, Copper Nickel and Cobalt, in and close to the 'Gabbroic / Appinitic' zone of the complex. Mineralisation is seen to be contained in 'sulphide blebs' in a 'leopard rock' textured zone. These characteristics are diagnostic of the worldwide 'magmatic Cu - Ni - PGE - Au' group of deposits associated with mafic / ultramafic intrusives such as Aguablanca in Spain, certain parts of the Sudbury mines in Ontario, Canada; Voisey's Bay in Labrador Canada and Lac des Isles in Quebec, Canada. Such deposits occur as sulphide concentrations (massive through to disseminated sulphides) associated with a variety of mafic and ultramafic magmatic rocks (see Press Release - Highly Anomalous Platinum Group Metals Gold and Base metals - 07/03/2012).
- 3) the Auch / Beinn Odhar veins - shallow surface drilling below one of the identified high grade outcrops confirmed its prospectivity and a considerable number of the other currently identified outcrops require initial short surface drilling as a precursor to further more intensive drilling.

As an adjunct to field activities, Scotgold has over the past four years co-sponsored a doctoral research project to investigate gold occurrences in the area in addition to a number of related MSc dissertations

on various aspects of the mineralisation in the Tyndrum area. The results from these research projects are being assessed in relation to future exploration activity.

The Company believe that the next phase of exploration in the central 'Tyndrum' option area should comprise an airborne geophysical survey in order to assess the nature and continuity of the structural regime in this area with a view to determining its potential to host similar 'Cononish style' deposits. Results from the infill stream sediment sampling program will guide further exploration effort in areas outside the immediate Cononish area.

#### *Competent Persons Statement:*

*The information in this report that relates to Exploration Results is based on information compiled by Mr David Catterall. Pr Sci Nat, who is a member of the South African Council for Natural Scientific Professions. Mr Catterall is employed as a consultant to Scotgold Resources Ltd. Mr Catterall has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Catterall consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*The Information in this report that relates to Mineral Resources is based on resource estimates compiled by EurGeol Dr Simon Dominy FAusIMM (CP), FGS (CGeol), FIMMM, Executive Consultant with Snowden based in the Loondon, UK Office. Dr. Dominy has sufficient experience that is relevant to the style of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore reserves. Dr Dominy consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.*

#### **Subsequent events**

As announced on 22September (see Press Release 24/09/2014 - Company Update for full details), the Company entered into the convertible note agreements (Convertible Notes) on the terms and conditions set out in the Company's Notice of Meeting dated 23 June 2014 and approved by Shareholders at the General Meeting on 30 July 2014.

AUD\$1 million has been advanced to the Company under the Convertible Note Agreements. The funds raised by the Convertible Notes has been used as part-repayment of the RMB Facility as described below and the balance will be used for working capital.

The Company announced that the RMB Facility has been partially repaid using funds advanced under the Convertible Notes such that the £1,500,000 amount outstanding has been reduced by £320,000 to £1,180,000. Furthermore capitalised interest outstanding on the facility has been settled.

The Company also announced that remaining amount under the RMB Facility Agreement has been extended to 31 December 2015 in consideration for:

- (a) the partial repayment of the RMB Facility set out in paragraph 2 above (such that the facility amount is £1,180,000; and
- (b) the issue to RMB Australia Holdings Ltd of 9,000,000 fully paid ordinary Scotgold Shares and 30,000,000 unlisted Options exercisable at 0.69 pence on or before 22 September 2017.

The Shares and Options have been issued under the Company's Listing Rule 7.1 capacity.

#### **Tenement details**

The Company holds a Lease (100%) from the Crown Estate Commissioners over Cononish Farm, County of Perth, Scotland UK.

The Company holds a Lease (100%) from the landowner over Cononish Farm, County of Perth, Scotland UK.

The Company holds five Mines Royal Option Agreements (100%) with the Crown Estate Commissioners as detailed below:

Glen Orchy: Location - counties of Perth and Argyll, Scotland UK

Glen Lyon: Location - counties of Perth and Argyll, Scotland UK

Inverliever: Location - counties of Dunbarton, Argyll and Perth, Scotland UK

Knapdale: Location - county of Argyll, Scotland UK

Ochils: Location - county of Clackmannan, Perth, Kinross and Stirling, Scotland UK

No tenements were acquired or disposed of during the quarter

No other beneficial interests are held in any farm-in or farm-out agreements

No other beneficial interests in farm-in or farm out agreements were acquired or disposed of during the quarter

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

|  | <b>CONSOLIDATED</b> |                    |
|--|---------------------|--------------------|
|  | <b>2014</b>         | <b>2013</b>        |
|  | <b>\$</b>           | <b>\$</b>          |
| Revenue  | 20,413              | 15,454             |
| Administration costs   | (301,644)           | (354,575)          |
| Interest expense   | (192,959)           | (103,350)          |
| Depreciation and profit on disposal of property, plant and equipment | (20,545)            | (26,234)           |
| Employee and consultant costs  | (236,399)           | (371,000)          |
| Listing and share registry costs                                     | (199,137)           | (139,262)          |
| Legal fees   | (93,416)            | (58,450)           |
| Borrowing costs  | (5,545)             | (266,426)          |
| Share based payments   | (121,154)           | (910,000)          |
| Office and communication costs                                       | (105,642)           | (156,322)          |
| Other expenses   | (255,001)           | (281,132)          |
| <b>LOSS BEFORE INCOME TAX BENEFIT</b>                                | <b>(1,511,029)</b>  | <b>(2,651,297)</b> |
| Income tax benefit   | 44,880              | 67,896             |
| <b>LOSS FOR THE YEAR</b>   | <b>(1,466,149)</b>  | <b>(2,583,401)</b> |
| Other Comprehensive Income   |                     |                    |
| <b><i>Items that may be reclassified to Profit or Loss</i></b>       |                     |                    |
| Exchange difference on translation of foreign subsidiaries           | (14,633)            | 680                |
| <b>Total comprehensive result for the year</b>                       | <b>(1,480,782)</b>  | <b>(2,582,721)</b> |

Basic (loss) per share (cents per share)

(0.44)

(1.23)

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014**

**CONSOLIDATED**

|                                    | <b>2014</b>       | <b>2013</b>       |
|------------------------------------|-------------------|-------------------|
|                                    | <b>\$</b>         | <b>\$</b>         |
| <b>CURRENT ASSETS</b>              |                   |                   |
| Cash and cash equivalents          | 640,857           | 570,253           |
| Trade and other receivables        | 169,989           | 26,050            |
| Other current assets               | 13,026            | 24,618            |
| <b>Total Current Assets</b>        | <u>823,872</u>    | <u>620,921</u>    |
| <b>NON CURRENT ASSETS</b>          |                   |                   |
| Trade and other receivables        | 90,335            | 83,222            |
| Plant and equipment                | 121,301           | 144,487           |
| Mineral exploration and evaluation | 13,894,769        | 13,348,454        |
| <b>Total Non Current assets</b>    | <u>14,106,405</u> | <u>13,576,163</u> |
| <b>TOTAL ASSETS</b>                | <u>14,930,277</u> | <u>14,197,084</u> |
| <b>CURRENT LIABILITIES</b>         |                   |                   |
| Trade and other payables           | 353,598           | 331,085           |
| Other current liabilities          | 69,060            | 119,286           |
| Interest bearing liabilities       | 3,031,286         | 2,607,455         |
| <b>TOTAL LIABILITIES</b>           | <u>3,453,944</u>  | <u>3,057,826</u>  |
| <b>NET ASSETS</b>                  | <u>11,476,333</u> | <u>11,139,258</u> |
| <b>EQUITY</b>                      |                   |                   |
| Issued capital                     | 18,463,121        | 16,766,418        |
| Reserves                           | 978,169           | 871,648           |
| Accumulated losses                 | (7,964,957)       | (6,498,808)       |
| <b>TOTAL EQUITY</b>                | <u>11,476,333</u> | <u>11,139,258</u> |

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2014**

**CONSOLIDATED**

| <b>Issued<br/>Capital</b> | <b>Accumulated<br/>Losses</b> | <b>Options<br/>Reserve</b> | <b>Foreign<br/>Currency</b> | <b>Total<br/>Equity</b> |
|---------------------------|-------------------------------|----------------------------|-----------------------------|-------------------------|
|---------------------------|-------------------------------|----------------------------|-----------------------------|-------------------------|

|   |                   |                    |                  | <b>Translation<br/>Reserve</b> |                   |
|---|-------------------|--------------------|------------------|--------------------------------|-------------------|
| Year Ended 30 June 2013                 | \$                | \$                 | \$               | \$                             | \$                |
| Balance 1 July 2012                     | 16,079,010        | (3,915,407)        | -                | (46,032)                       | 12,117,571        |
| Placement                               | 727,515           | -                  | -                | -                              | 727,515           |
| Options issued                          | -                 | -                  | 917,000          | -                              | 917,000           |
| Share issue expenses                    | (40,107)          | -                  | -                | -                              | (40,107)          |
| Total comprehensive result for the year | -                 | (2,583,401)        | -                | 680                            | (2,582,721)       |
| As at 30 June 2013                      | <u>16,766,418</u> | <u>(6,498,808)</u> | <u>917,000</u>   | <u>(45,352)</u>                | <u>11,139,258</u> |
| Year Ended 30 June 2013                 |                   |                    |                  |                                |                   |
| Balance 1 July 2013                     | 16,766,418        | (6,498,808)        | 917,000          | (45,352)                       | 11,139,258        |
| Placements (Note 12)                    | 925,270           | -                  | -                | -                              | 925,270           |
| Entitlements Issue                      | 830,872           | -                  | -                | -                              | 830,872           |
| Options issued                          | -                 | -                  | 121,154          | -                              | 121,154           |
| Share issue expenses                    | (59,439)          | -                  | -                | -                              | (59,439)          |
| Total comprehensive result for the year | -                 | (1,466,149)        | -                | (14,633)                       | (1,480,782)       |
| As at 30 June 2014                      | <u>18,463,121</u> | <u>(7,964,957)</u> | <u>1,038,154</u> | <u>(59,985)</u>                | <u>11,476,333</u> |

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2014**

**CONSOLIDATED**

|   | 2014<br>\$         | 2013<br>\$         |
|---|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>       |                    |                    |
| Payment to suppliers                              | (1,044,010)        | (1,184,916)        |
| Interest income received                          | 9,756              | 8,751              |
| <b>Net Cash Outflow From Operating Activities</b> | <u>(1,034,254)</u> | <u>(1,176,165)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |                    |                    |
| Payments for exploration expenditure              | (596,402)          | (1,263,995)        |
| Proceeds of disposal of other fixed assets        | 2,641              | -                  |
| <b>Net Cash Outflow From Investing Activities</b> | <u>(593,761)</u>   | <u>(1,263,995)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |                    |                    |
| Proceeds from issue of shares and options         | 1,756,142          | 727,515            |
| Share and option issue transaction costs          | (59,439)           | (40,107)           |
| Borrowings net of costs                           | -                  | 2,230,245          |



|   |                       |                       |
|---|-----------------------|-----------------------|
| <b>Net Cash Inflow From Financing Activities</b>                  | <u>1,696,703</u>      | <u>2,917,653</u>      |
| Net increase in cash held   | 68,688                | 477,493               |
| Effect of exchange rate fluctuations on cash and cash equivalents | 1,916                 | 20,145                |
| Cash and cash equivalents at the beginning of this financial year | 570,253               | 72,615                |
| Cash and cash equivalents at the end of this financial year       | <u><u>640,857</u></u> | <u><u>570,253</u></u> |

## NOTES

1. The full annual report is now available on the Company's website and will be posted to shareholders shortly. The information set out within this announcement is not the audited results but has been extracted from the Annual Report and Accounts.

### Reporting Basis and Conventions

The financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's assets and the discharge of their liabilities in the normal course of business.

At 30 June 2014, the group had cash available of \$640,857, but had a working capital deficit of \$2,630,072 due primarily to the loan from RMB Bank of \$3,031,286. Subsequent to year end, the company completed a placement of 56,874,933 fully paid ordinary shares at an issue price of \$0.0075 to raise \$426,562 and 18,765,318 fully paid ordinary shares at an issue price of \$0.010 to raise \$187,653.

Also subsequent to year end \$1 million has been advanced to the Company under Convertible Note Agreements. The funds raised by the Convertible Notes has been used as part-repayment of the RMB Facility as described below and for working capital.

The RMB Facility has been partially repaid using funds advanced under the Convertible Notes such that the £1,500,000 amount outstanding has been reduced by £320,000 to £1,180,000. Furthermore capitalised interest outstanding on the facility has been settled.

The Board considers that the Company is a going concern and recognises that additional funding is required to ensure that the Company can continue to fund its operations and further develop their mineral exploration and evaluation assets during the twelve month period from the date of this financial report. Such additional funding as occurred during the year ended 30 June 2014 as disclosed in Note 12, can potentially be derived from either one or a combination of the following:

- The placement of securities under the ASX Listing Rule 7.1 or otherwise;
- An excluded offer pursuant to the Corporations Act 2001; or
- The sale of assets.

Accordingly, the Directors believe the Company will obtain sufficient funding to enable it and the consolidated entity to continue as going concerns and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

## 2. MINERAL EXPLORATION AND EVALUATION

2014

2013

|                             |            |            |    |
|-----------------------------|------------|------------|----|
|                             |            | \$         | \$ |
| Opening balance             | 13,348,454 | 12,084,602 |    |
| Expenditure during the year | 546,315    | 1,263,852  |    |
| Closing balance             | 13,894,769 | 13,348,454 |    |

The ultimate recoupment of exploration expenditure carried forward is dependent upon successful development and commercial exploitation, or sale of the respective areas.

An impairment assessment was conducted during the year by an independent valuer which indicated the value-in-use associated with the Cononish project was £11 million (\$20 million at 30 June 2014 spot rate) and, as this is in excess of the related carrying amount in accordance with AASB 136 no impairment has been recorded at 30 June 2014.

### 3. INTEREST BEARING LIABILITIES

#### Financing Agreements

Interest is charged at average LIBOR three months rate plus 5% for the first facility of £1.18m and at average LIBOR three months rate plus 9.5% for the extension of £0.32m.

The loan is secured over the shares in the subsidiary company Scotgold Resources Limited (SC 309525) together with a floating charge over the assets of that company.

The facility is fully drawn down at 30 June 2014 in the amount of £1,500,000, together with capitalised interest of £177,817. The carrying value of the assets pledged as security is \$20,257,816 at 30 June 2014.

### 4. LOSS PER SHARE

|  | Consolidated       |                    |
|--|--------------------|--------------------|
|  | 2014               | 2013               |
|  | \$                 | \$                 |
| Earnings used in calculation of earnings per share   | 1,466,149          | 5,583,401          |
|  | <u>Number</u>      | <u>Number</u>      |
| Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share | <u>328,829,995</u> | <u>210,642,576</u> |

There are no potential ordinary shares on issue at the date of this report.

### 5. EMPHASIS OF MATTER

The Auditors have included the following paragraph within the Report & Accounts:

"Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that at 30 June 2014, the group had cash available of \$640,857, but had a working capital deficit of \$2,630,072 due primarily to the loan from RMB Bank of \$3,031,286. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business."

### 6. MATTERS SUBSEQUENT TO THE END OF FINANCIAL YEAR

Other than as set out below there are no other matters or circumstances that have arisen after the balance date that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.

On 23 September 2014 the company announced the following

#### 1. CONVERTIBLE NOTES

The company has entered into convertible note agreements (Convertible Notes) on the terms and conditions set out in the Company's Notice of Meeting dated 23 June 2014 (and approved by Shareholders at the General Meeting on 30 July 2014).

AUD\$1 million has been advanced to the Company under the Convertible Note Agreements. The funds raised by the Convertible Notes will be used as part-repayment of the RMB Facility as described below and for working capital.

The Convertible Notes have a repayment date of 24 months from their date of issue, with an interest rate of 1% per annum. The holders of the Convertible Notes may elect to convert the Convertible Notes (in part or in full) into ordinary shares in the Company at a conversion price of AUD\$0.0075 per share. For every share issued on conversion of the Convertible Notes, one free attaching option will be issued, exercisable at AUD\$0.012 on or before 31 March 2016. Full details of the Convertible Notes and attaching options were set out in the Company's Notice of Meeting dated 23 June 2014.

#### 2. PARTIAL REPAYMENT OF RMB FACILITY

The RMB Facility has been partially repaid using funds advanced under the Convertible Notes such that the £1,500,000 amount outstanding has been reduced by £320,000 to £1,180,000. Furthermore capitalised interest outstanding on the facility has been settled.

#### 3. EXTENSION OF RMB FACILITY

The remaining amount under the RMB Facility Agreement has been extended to 31 December 2015 in consideration for:

- (a) the partial repayment of the RMB Facility set out in paragraph 2 above (such that the facility amount is £1,180,000; and
- (b) the issue to RMB Australia Holdings Ltd of 9,000,000 fully paid ordinary Scotgold Shares and 30,000,000 unlisted Options exercisable at 0.69 pence on or before 22 September 2017.

The Shares and Options have been issued under the Company's Listing Rule 7.1 capacity.