



RNS Number : 7536Z
Scotgold Resources Ltd
17 March 2017

SCOTGOLD RESOURCES LIMITED

INTERIM FINANCIAL REPORT 31 DECEMBER 2016

DIRECTORS' REPORT

Your Directors submit the financial report of Scotgold Resources Limited and Controlled Entities (the "Company" or the "Group") for the half-year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The following persons were Directors of Scotgold Resources Limited during the half-year and up to the date of this report unless otherwise stated:

Nathaniel le Roux	Non-Executive Chairman
Richard Gray	Managing Director
Gabriel Chiappini	Non-Executive Director and Company Secretary
Chris Sangster	Non-Executive Director
Phillip Jackson	Non-Executive Director

REVIEW OF OPERATIONS

Cononish Gold and Silver Project

First Production of Gold

The Board is delighted to advise that the first production of gold from the Cononish project has been achieved during this half-year period from the Bulk Processing Trial. The first gold produced was minted into 9,999 parts per 10,000 pure gold "rounds". Twelve of these rounds were produced, with ten being sold by way of sealed bids auction. The eleventh produced round was purchased and donated to the Hunterian museum in Glasgow by Mr & Mrs Graham Donaldson, major shareholders in the Company. The twelfth round has been reserved for corporate purposes.

The revenue received from these "round" sales totaled \$80,814 and has been offset against the production costs associated with the Bulk Processing Trial as detailed in Note 2, Deferred Exploration and Evaluation Expenditure.

There have been no other sales of gold in the period and any further gold produced from the Bulk Processing Trial remains in inventory at the period end.

Bulk Processing Trial ("BPT")

During the period to 31 December 2016, the Company continued operating the Bulk Processing Trial ("BPT") at the Cononish Gold and Silver Mine. The experience gained has in part been used to conduct the update of the Bankable Feasibility Study dated August 2015 and which has been completed in the period following the end of the half-year to 31 December 2016. The trial plant with its basic design has performed to specification however

metallurgical recoveries on the coarse grind achieved have been lower than management's initial expectation. Analysis of the BPT tailings indicates that under the full-scale plant and processing facility, the ore and gold production will perform in accordance with the Bankable Feasibility Study. Opportunities demonstrated by the BPT to simplify the full scale circuit and revise the tailings storage system have now been incorporated in the phased approach of the development of the mine as announced on 14 March 2017.

The grade of stockpiled material treated to date has been below the average estimated for the stockpile, and this combined with the lower metallurgical recovery has reduced the operating profit expected.

Subsequent to the period ended 31 December 2016, the application made to the Loch Lomond and the Trossachs National Park Planning Authority ("LLTNPPA") to extend BPT operations to the end of March 2018, as announced on 13 December 2016, was granted on 7th February 2017.

Grampian Project

While resources have been focused on the BPT, the Company has conducted limited field work during the 2016 season, and progress has been principally restricted to data analysis. It is anticipated an appropriate field program will be undertaken in 2017 dependent upon the Company's funding position and licence commitments.

Portugal

The Company continues to develop its understanding of its Pomar licence in Portugal. The Pomar licence was granted to the Company in May 2016 and in addition to Pomar includes the abandoned mines of das Gatas, and Casalinho.

The licence area shows potential for a separate gold mineralizing event and therefore new gold discoveries outside known antimony related occurrences. Significant historic data is available for review and unassayed soil samples from previous operators will quickly provide a large new database. An initial stratigraphic and structural mapping program has been completed and historic soil samples collected by the previous operator have been sent for assay and results and interpretations are awaited.

France

The Company awaits the outcome of its three applications for exploration licences.

CORPORATE

ASX De-listing

During the six months ended 31 December 2016, the Company completed its de-listing from the Australian Stock Exchange ("ASX"). In the Company's announcement on 21 October 2016 shareholders were advised that shares in the Company will remain tradable as Depository Interests (DI's) on AIM under the code SGZ.

Convertible Loan Notes

During the half-year to 31 December 2016 all of the outstanding Convertible Loan Notes ("Convertible Notes") were either converted into shares in the Company or paid out. The total number of shares issued as a result of the conversion of these Convertible Notes was 92,766,667 fully paid ordinary shares.

Shares Issued

In addition to the conversion of conversion of its Convertible Notes into shares, an amount of \$881,400 (£500,750) was raised through the issue of 62,576,500 new shares in the Company, including the exercise of 76,500 share options, during the half-year.

Related Party Transaction

To facilitate the settlement of Convertible Notes of £300,000 (\$508,200) which were settled in cash, the Company was granted a loan, on commercial terms, from its largest shareholder and director, Nat le Roux. This

is a related party transaction and the terms of the loan were reviewed and sanctioned by the unaffected directors. The terms of the loan are fully disclosed in the notes to the financial statements.

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

The Company's 100% owned subsidiary, Scotgold Resources Portugal Ltda, holds the following exploration licence:

- Pomar: Location - 5 Km north east of Sarzedas, Portugal

No tenements were acquired or disposed during the current half-year period. 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 during the six month period.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our Auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on the next page and forms part of this directors' report for the half-year ended 31 December 2016.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the Corporations Act 2001.

Dated 16 March 2017

HLB Mann Judd

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Scotgold Resources Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

**Perth, Western Australia
16 March 2017**

**M R W Ohm
Partner**

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Consolidated	
Note	31 December 2016 \$	31 December 2015 \$
Revenue - interest received	222	782
Other income	71,744	-
Administration costs	(240,118)	(267,557)
Interest expense	(23,783)	-
Unwinding of convertible note discount	(32,191)	(105,427)
Depreciation and loss on disposal of fixed assets	(55,380)	(8,087)
Exploration expensed as incurred	(122,787)	(114,596)
Employee and consultant costs	(168,034)	(138,375)
Listing and share registry costs	(118,079)	(127,538)
Legal fees	(30,992)	(49,789)
Office and communication costs	(46,186)	(36,090)
Currency revaluation of interest bearing loan	-	-
Other expenses	(23,331)	(28,369)
Loss before income tax	<u>(788,515)</u>	<u>(875,046)</u>
Income tax benefit	-	-
Net loss for the period	<u>(788,515)</u>	<u>(875,046)</u>
Other comprehensive income		
Exchange gain/(loss) on translation of foreign subsidiaries	(25,471)	(42,644)
Total comprehensive loss for the period	<u>(813,986)</u>	<u>(917,690)</u>
Basic (loss) per share (cents per share)	(0.05)	(0.07)

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

Consolidated

	Note	31 December 2016 \$	30 June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents		329,400	738,866
Trade and other receivables		28,032	63,004
Inventory		224,799	26,993
Other current assets		14,170	21,109
Total Current Assets		596,401	849,972
NON-CURRENT ASSETS			
Trade and other receivables		85,616	89,977
Property, plant and equipment		326,417	348,626
Deferred exploration and evaluation expenditure	2	15,896,479	15,730,586
Total Non-Current Assets		16,308,512	16,169,189
TOTAL ASSETS		16,904,913	17,019,161
CURRENT LIABILITIES			
Trade and other payables		168,779	157,835
Other current liabilities		42,286	121,439
Interest bearing liabilities	3	-	1,124,409
Total Current Liabilities		211,065	1,403,683
NON CURRENT LIABILITIES			
Interest bearing liabilities	4	508,216	-
Total Non-Current Liabilities		508,216	-
TOTAL LIABILITIES		719,281	1,403,683
NET ASSETS		16,185,632	15,615,478
EQUITY			
Issued capital	5	27,213,817	25,829,677
Reserves		70,289	344,515
Accumulated losses		(11,098,474)	(10,558,714)
TOTAL EQUITY		16,185,632	15,615,478

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Convertible Note Reserve	Total Equity	Issued Capital	Accumulated Losses	Options Reserve	Options Currency Translation	Foreign N Reser \$
	\$	\$	\$	\$	\$	\$	\$
Half year to 31 December 2015							
Balance at 1 July 2015	22,711,529	(10,077,922)	1,141,769	(34,519)	356,555		14,097,412
Issue of shares	1,613,247	-	-	-	-	-	1,613,247
Share issue expenses	(56,178)	-	-	-	-	-	(56,178)
Options Expiry	-	792,000	(792,000)	-	-	-	-
Total comprehensive loss for the period	-	(875,046)	-	(42,644)	-	-	(917,690)
As at 31 December 2015	<u>24,268,598</u>	<u>(10,160,968)</u>	<u>349,769</u>	<u>(77,163)</u>	<u>356,555</u>		<u>14,736,791</u>
Half year to 31 December 2016							
Balance at 1 July 2016	25,829,677	(10,558,714)	224,769	(129,009)	248,755		15,615,478
Issue of shares	880,000	-	-	-	-	-	880,000
Share issue expenses	(53,860)	-	-	-	-	-	(53,860)
Options exercised	1,400	-	-	-	-	-	1,400
Equity portion of notes converted	556,600	248,755	-	-	(248,755)		556,600
Total comprehensive loss for the period	-	(788,515)	-	(25,471)	-	-	(813,986)
As at 31 December 2016	<u>27,213,817</u>	<u>(11,098,474)</u>	<u>224,769</u>	<u>(154,480)</u>	<u>-</u>		<u>16,185,632</u>

CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER
2016

Consolidated

	31 December 2016 \$	31 December 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	(669,538)	(793,864)
Interest income received	<u>-</u>	<u>316</u>
Net cash used in operating activities	<u>(669,538)</u>	<u>(793,548)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and BPT activities	(455,342)	(668,165)
Payment for property, plant and equipment	<u>(33,174)</u>	<u>-</u>
Net cash used in investing activities	<u>(488,516)</u>	<u>(668,165)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	881,400	1,613,246
Share issue costs	(97,861)	(56,176)
Borrowing costs and interest	<u>(23,783)</u>	<u>(1,500)</u>
Net cash provided by financing activities	<u>759,756</u>	<u>1,555,570</u>
Net increase/(decrease) in cash held	(398,298)	93,857
Cash and cash equivalents at the beginning of the period	738,866	802,649
Effect of exchange rate fluctuations on cash held	<u>(11,168)</u>	<u>(34,860)</u>
Cash and cash equivalents at the end of the period	<u>329,400</u>	<u>861,646</u>

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that the financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Scotgold Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purposes of preparing the interim report, the half-year has been treated as a discrete reporting period.

Reporting Basis and Conventions

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

The financial report has also been prepared on an accruals basis and is based on historical cost.

Going Concern

As at 31 December 2016, the Group had a cash balance of \$329,400, a total comprehensive loss for the six-month period of \$813,986 and had a net cash outflow from operating and investing activities of \$1,158,054. There is a working capital surplus of \$385,336 at balance date.

The Directors believe the Company will obtain sufficient funding to enable it and the Group to continue as going concerns and that it is appropriate to adopt that basis of accounting in the preparation of the financial report. The directors believe that this funding will be derived from a combination of one or more of the following sources:

- * proceeds from the sale of gold produced as a result of the continuing Bulk Processing Trial;
- * the issue by private placement of new shares; and
- * the obtaining of additional loan funds.

However, the existence of the above conditions represents a material uncertainty which may cast significant doubt in relation to the Company's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business.

Significant accounting judgements and key estimates

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

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2016.

Accounting policies and methods of computation

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

Adoption of new and revised standards

The Group has adopted all of the new and revised standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half year.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective. As a result of this review, the Directors have determined that there is no material impact on the Group and no change is necessary to the Group accounting policies.

NOTE 2 - DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Six months to 31 December 2016 \$	Consolidated Twelve months to 30 June 2016 \$
Balance at beginning of period	15,730,586	14,794,913
Net loss from the BPT	27,175	90,801
Additional expenditure deferred during the period	<u>138,718</u>	<u>844,872</u>
Total deferred exploration and evaluation expenditure	15,896,479	15,730,586

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

The above amount includes \$80,814 of revenue from Dore sales and \$107,989 of production costs associated with the bulk processing trial being undertaken by the Company. The criteria to reclassify exploration to development has not been met with respect to the trial.

NOTE 3 - INTEREST BEARING LIABILITIES

Convertible Notes

The Company entered into convertible loan 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). The Convertible Notes were fully settled in the half year to 31 December 2016.

During the period on 2 September 2016 \$220,000 Convertible Notes were converted into 36,666,667 ordinary shares of the Company at the conversion price of \$0.006 per share.

Further, on 23 September 2016 \$ 336,600 Convertible Notes were converted into 56,100,000 ordinary shares of the Company at the conversion price of \$0.006 per share.

The remaining Convertible Note of £300,000 (\$600,000) was repaid on the repayment date of 30 September 2016 by a loan from a shareholder for £300,000 (\$508,200), refer Note 4.

The balance outstanding at 31 December 2016 is made up as follows:

	First draw	Second draw	Total
	\$	\$	\$
Principal sum drawn	1,000,000	600,000	1,600,000
Equity component from reserves	243,121	113,434	356,555
Unwinding of discount	(243,121)	(113,434)	(356,555)
Conversion	(1,000,000)	-	(1,000,000)
Foreign exchange	-	(91,800)	(91,800)
Conversion to loan (£300,000)	-	(508,200)	(508,200)
		-	-

NOTE 4 - LOAN AND RELATED PARTY TRANSACTION

On 30 September 2016 The Company entered into an interest bearing loan agreement with a director and shareholder for an amount of £300,000 (\$508,200). The funds were used to repay a Convertible Note of £300,000 (\$508,200) which expired on 30 September 2016.

The terms of the loan are such that it is unsecured, it bears interest at 6% per annum and the loan cannot be called before 30 September, 2018. The loan can be repaid with accrued interest at any time at the election of the Company.

	31 December 2016	30 June 2016
	\$	\$
Interest bearing liabilities		
Shareholder loan	508,216	-

NOTE 5 - ISSUED CAPITAL

	31 December 2016	Consolidated 30 June 2016
	\$	\$
Ordinary Shares		
Issued and fully paid	27,213,817	25,829,677

Movements in ordinary share capital of the Company were as follows:

	Number	\$
Opening balance at 1 July 2016	1,437,697,715	25,829,677
Options conversion 5 July 2016	76,500	1,400
Placement 4 August 2016	62,500,000	880,000
Convertible note conversion 2 September 2016	36,666,667	220,000
Convertible note conversion 23 September 2016	56,100,000	336,600
Transaction costs	-	(53,860)
Closing balance at 31 December 2016	1,593,040,882	27,213,817

Movements in options in ordinary shares of the Company are as follows:

	Number	\$
Opening balance at 1 July 2016	156,713,618	224,769
Options exercised	(76,500)	-
Closing balance at 31 December 2016	156,637,118	224,769

Details of options are as follows:

Expiry	Price	Number	\$
31/3/22	\$0.0800	3,000,000	134,769
22/9/17	£0.0069	30,000,000	90,000
30/9/17	£0.0100	123,637,118	-
		156,637,118	224,769

NOTE 6 - CONTINGENT LIABILITIES

The Company has entered into a donations agreement with the Strathfillan Community Development Trust ("SCDT") pursuant to which the Company will work with SCDT to provide additional facilities and opportunities for the community served by SCDT and provide funding in respect of the same of up to £350,000. This liability is contingent upon commencement of the development of the Cononish mine project as defined under the Planning conditions and Decision letter.

Scotgold Resources Limited and its controlled entities have no other known material contingent liabilities as at 31 December 2016.

NOTE 7 - DIRECTORS' REMUNERATION

During the six months ended 31 December 2016, the following amounts were paid to directors of the Company.

	Notes	Fees \$	Consulting \$	Salary \$	Total \$
Nat le Roux	1	-	-	-	-
Richard Gray		-	-	88,650	88,650
Chris Sangster	2	8,665	61,819	-	70,484
Phillip Jackson		8,887	-	-	8,887
Gabriel Chiappini	3	8,605	26,323	-	34,928
		26,157	88,142	88,650	202,949

- 1) Nat le Roux has waived his fees for the half-year ended 31 December 2016.
- 2) Chris Sangster provides technical services under a management contract.
- 3) Gabriel Chiappini acts as company secretary under a separate service agreement.

NOTE 8 - EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the end of the Half-Year, the Company has secured a loan of £1,000,000 (approximately \$1,620,000). The secured loan has been provided by the Chairman of the board and major shareholder of the Company, and is therefore a related party transaction. The secured loan was approved by the independent directors on 14 March 2017. The details and terms of the loan ("the Secured Loan") were announced on 15 March 2017.

On the same date as the announcement of the Secured Loan, the Company also announced the decision to proceed to the phased approach of the development of the Cononish mine, subject to funding.

As announced on 8 February 2017 the application made to the Loch Lomond and Trossachs National Park Planning Authority ("LLTNPPA") to extend BPT operations to the end of March 2018, was granted on 7th February 2017.

No other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

DIRECTORS' DECLARATION FOR THE HALF YEAR ENDED 31 DECEMBER 2016

In the opinion of the directors of Scotgold Resources Limited ("the Company"):

- 1) The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

- (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year then ended; and
- 2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001 .

Dated 16 March, 2017
HLB MANN JUDD

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Scotgold Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Scotgold Resources Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of profit or loss and other comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that as at 31 December 2016, the Group had a cash balance of \$329,400, a total comprehensive loss for the six month period of \$813,986 and had a net cash outflow from operating and investing activities of \$1,158,054. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt in relation to the company's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business.

**HLB Mann Judd
Chartered Accountants**

**M R W Ohm
Partner**

Perth, Western Australia 16 March 2017

Scotgold Resources Limited	Stockdale Securities Limited	Capital Markets Consultants	Smaller Company Capital Ltd
Richard Gray - CEO	Robert Finlay/ Ed Thomas	Simon Rothschild	Rupert Williams
Tel: +44 (0)1838 400 306	Tel: +44 (0)20 7601 6100	Tel +44 (0)7703 167 065	Tel: +44 (0)20 3651 2911