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Scotgold Resources Ltd
28 September 2017

SCOTGOLD RESOURCES LIMITED

ANNUAL RESULTS FOR THE YEAR TO 30 JUNE 2017

Scotgold Resources Limited ("Scotgold" or "the Company") (ASX:SGX) (AIM:SGZ), which is focused on the development of its advanced stage Cononish gold and silver project in Scotland (Cononish Project) announces its final results for the year ended 30 June 2017.

The Company reports a reduced loss for the year of AUS $1,348,167 compared with the prior year of AUS $1,505,592.

Sales of gold and gold concentrates, and increase in gold concentrates' inventory during the year amounted to 258 troy ounces (2016 - 12 troy ounces) and, before costs, have reduced deferred mineral and exploration expenditure by AUS $582,111 (2016 - AUS $26,993).

At balance date, the Company has AUS $572,332 in cash and cash equivalents (2016 - AUS $738,866, and holds gold in concentrates' inventory with a net realisable value of approximately AUS $222,000.

The Directors are currently working with their appointed investment banking advisers on sourcing funding for the Cononish Project from debt and private equity providers and are hopeful of progress being made in this regard. The Directors are nevertheless also mindful of the short and medium term working capital needs of the Company and may need to consider addressing these separately in the light of the timing of the completion any project finance transaction for the Cononish Project.

The Company's full annual report for the year to 30 June 2017 is now available on the Company's website. The financial information set out below 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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OPERATIONS REVIEW

CONONISH GOLD AND SILVER PROJECT

During the year ended 30 June 2017, the Company has continued the operation of its Bulk Processing Trial. The major highlights from this trial have been:

- **Production of the first commercially produced Scottish gold;**
- **Auction sale of ten individual, one fine troy ounce, rounds of first ever commercially produced Scottish gold realising gross proceeds of £45,579.03. And subsequent sales of gold in concentrate, based upon spot prices;**
- **Establishment of a premium market for sale of genuine Scottish, hallmarked gold;**
- **Establishment of a route to market for sale of Cononish gold in pyrite concentrates and gold rich galena concentrates; and**
- **Initiative to revise the Tailings Storage Facility for the mine development, resulting in significant capital expenditure savings.**

The Company continues to pursue project funding alternatives. Discussions continue with Private Equity groups, Investment Banks, high net worth individuals, and industry participants.

Subsequent to the release of the bankable feasibilty study (BFS) completed by Bara Consulting Ltd (Bara) in 2015, the Company commissioned Bara to evaluate the economic impact of a range of technical development options given the current economic climate and ongoing finance discussions. These included the use of 'dry stack' tailings methodology as a result of the technical feasibility study carried out by Knight Piesold in 2016/7. The use of dry stack technology has a number of significant benefits including:

- Significantly reduced upfront capital costs, and
- Improved visual and landscape and other environmental impacts

A number of different scenarios were considered in the study including:

1. A revised BFS using an updated gold price.
2. A full scale case based on the BFS but using the modified TSF (dry stack).
3. A full scale case but also assuming access to a cyanidation plant within Scotland. Note this is the only option which considered cyanidation as opposed to the currently envisaged sulphide concentrate sale.
4. A half scale case processing at 3,000 tpm for the life of the mine.
5. A phased project where build-up to 6,000 tpm is funded from the first phase of 3,000 tpm.

The table below shows the assumptions used for each scenario:

Description	Units	Original Base Case (BFS)	New Options Evaluated				
			Revised Base Case (BFS) (1)	Full Scale (2)	Full Scale with Offsite CN (3)	Half Scale (4)	Phased Project (5)
Physicals							
Production Rate	Tpm	**6 000**	6 000	6 000	6 000	3 000	**3 000 / 6 000**
Overall Recovery	%	**93**	93	93	93	93	**93**
Dore Recovery	%	**25**	25	25	25	25	**25**
Total Au Sold	Oz	**177 666**	177 666	176 074	176 074	175 567	**175 762**
Tailings Storage Facility Type	Type	**Valley Fill**	Dry Stack	Dry Stack	Dry Stack	Dry Stack	**Dry Stack**
Stockpile Depleted	T	**-**	-	7 000	7 000	7 000	**7 000**
Construction Period	months	**16**	16	16	16	16	**16**
Life of Mine (Including Construction)	Years	**9**	9	9	9	17	**10**
Economics							
Gold Price	$/oz	**1 100**	1 150	1 150	1 150	1 150	**1 150**
Silver Price	$/oz	**15**	16	16	16	16	**16**
USD/GBP Exchange Rate	$/£	**1.60**	1.25	1.25	1.25	1.25	**1.25**
Scottish Gold Sold	%	**25**	25	6.6	6.6	7.4	**7.4**
Scottish Gold Premium	%	**0**	0	10	10	10	**0**
Discount Rate	%	**10**	10	10	10	10	**10**

Based on the results of the above option study, the Company decided that the Phased Project scenario was the most favourable overall under current economic conditions in relation to the availability of finance.

The table below shows the results for the original BFS and the Phased Project:

FINANCIAL RESULTS COMPARISON		
Financial Metric	**BFS Aug'15**	**Phased Project**
EBITDA (£)	67,427,626	100,040,640
Gross Cashflow (£)	43,403,552	79,943,378
Net Cashflow (£)	35,725,551	67,375,514
Pre-Tax NPV @ 10% (£)	22,945,889	42,891,326
Pre-Tax IRR (%)	45	80
Post-Tax NPV @ 10% (£)	18,515,172	36,117,874
Post-Tax IRR (%)	41	75
Operating Margin (%)	53	59
Life of Mine (years)	8	9
Gold price / oz $	1100	1150
Exchange rate $:£	1.6	1.25
Gold price / oz £	687.50	920.00
Payback Period (months)	19	13
Peak Funding Req. (£)	18,452,183	7,419,340

The adoption of this strategy has necessitated a revision to the existing planning consent and the requisite application was submitted to the Planning Authority and validated in August 2017.

Details of the material assumptions considered in the derivation of the production target and forecast financial information above and the BFS Study Update Executive Summary are provided on Scotgold's website at www.scotgoldresources.com.

Cononish Mineral Resources

The Mineral Resource Estimate ("MRE") is classified as Measured, Indicated and Inferred Mineral Resources, (adhering to guidelines set out in the JORC Code (2012 Edition)), and is reported at a cut-off grade of 3.5 g/t gold as is presented in the Table below. The Table also serves as the Company's Annual Mineral Resource Statement**.**

Table: Annual Mineral Resource Statement as at 30/06/2017

Cononish Main Vein Gold and Silver Mineral Resources, prepared in accordance with the JORC code (2012 Edition) and reported at a 3.5 g/t Au cut-off as at 12/01/2015, which remain current subject to the depletion of approximately 4.5kt from the Indicated Resources - Mined Stockpile

SCOTGOLD RESOURCES LIMITED - CONONISH GOLD PROJECT

MINERAL RESOURCE ESTIMATE AS AT 12 JANUARY 2015

Reported at a grade cut-off of 3.5g/t gold

Classification	***K tonnes***	***Grade Au g/t***	***Metal koz***	***Grade Ag g/t***	***Metal Ag Koz***	***In - situ Dry BD***
Measured - In-situ	*60*	*15.0*	*29*	*71.5*	*139*	*2.72*
Indicated - In-situ	*474*	*14.3*	*217*	*58.7*	*895*	*2.72*
Indicated - Mined Stockpile	*7*	*7.9*	*2*	*39.0*	*9*	*2.72*
Sub-total M& I	***541***	***14.3***	***248***	***59.9***	***1,043***	***2.72***
Inferred -In situ	*75*	*7.4*	*18*	*21.9*	*53*	*2.72*
Total MRE	***617***	***13.4***	***266***	***55.3***	***1096***	***2.72***

Reported from 3 D block model with grades estimated by Ordinary Kriging with 15 x 15 SMU local Uniform

Conditioning adjustment. Minimum vein width is 1.2m. totals may not appear to add up due to appropriate rounding.

Note: Mineral Resources presented above include Ore Reserves stated below.

There has been no change in the Mineral Resources reported as at 30/06/2016 other than the depletion of the mined stockpile, the resource will be adjusted on full depletion of the stockpile. Approximately 4.7kt had been depleted to end June 2017.

An internal review of the Mineral Resource Estimate concluded that the estimation techniques and parameters employed remained appropriate.

The Cononish mineralisation remains open at depth down plunge and to the west along strike. There is therefore potential to add to the resource by further extensional drilling.

In addition to the currently defined Mineral Resources, Scotgold believes that there is additional resource development potential close to the Cononish mine, subject to appropriate and successful further work. Extensive gold-in-soil anomalies, mineralisation associated with outcrops and trenching and geophysical anomalies close to the current resource clearly warrant further follow up. In addition, there are indications that other reefs are present in the area too. At this stage, such indications are highly conceptual and there is no guarantee that further exploration will define additional Mineral Resources.

Cononish Ore Reserves

As part of initial work towards developing the 2015 BFS, Bara Consulting Ltd completed a thorough review of the 2013 Cononish Development plan in order to identify opportunities to not only improve on the plan but to also improve the confidence in the plan. As a result of this review, further work was undertaken on the mining methodology, access design, geotechnical evaluation and overall mine design.

The outcome of this work was that an Ore Reserve Estimate was completed on 25 May 2015, in accordance with the JORC code (2012 Edition) based on the Mineral Resource Estimate (MRE) issued in January 2015. The subsequent addendum to the Bankable Feasibility Study resulted in no change to the Ore Reserve. Hence there is no change to the Ore Reserves reported for the project as of 30/06/2016.

An internal review of the Ore Reserve Statement concluded that the modifying factors used in determining the Ore Reserve remained appropriate.

Table: Annual Ore Reserve Statement as at 30/06/2017

As at 25 May 2015 (JORC 2012 Code)			
Classification	**Proven**	**Probable**	**Total**
Tonnes ('000)	65	490	555
Au Grade (g/t)	11.5	11.1	11.1
Au Metal (k oz)	24	174	198
Ag Grade (g/t)	51.5	47.2	47.7
Ag Metal (k oz)	108	743	851
(Bara Consulting Limited Ore Reserve Statement dated May 2015)			

For greater detail on the parameters derived from this work and used for the Ore Reserve estimation process, refer to the Company's announcement on 26/05/2015 - Cononish Gold Project Study Update and Reserve Estimate, and subsequent announcement on 15/03/2017 - Update to Cononish Bankable feasibility study on the Company's website.

The ore reserve statement above does not take account of the depletion of part of the surface stockpile through the BPT. As of 30th June 2017, approximately 4.7kt had been removed from the stockpile and the reserves will be adjusted on full depletion of the stockpile.

Both the Mineral Resource Estimate and Ore Reserve statement were compiled by suitably qualified Independent Competent Persons as identified at the time of their release.

Bulk Processing Trial

In February 2016 the Company announced its intention to undertake a Bulk Processing Trial" (BPT) at Cononish. The principal objectives of the BPT were to demonstrate the marketability and profitability of Scottish gold production from Cononish. It has also given further confidence to metallurgical test-work already completed and has provided a basis for a review of the current development plan under the current Bankable Feasibility Study especially in relation to the tailings disposal methodology referred to above.

The planning application for the BPT was approved by the Loch Lomond & The Trossachs National Park Planning Authority in April 2016 and a small scale pilot plant was installed and commissioned by June 2016. Subsequent to the initial phase of BPT operation, a further application was made to extend the life of the bulk processing trial in order to complete the surface stockpile which was granted in February 2017.

The process employed is purely physical by crushing of the ore and using gravity separation via a centrifugal device to separate the high grade gold concentrate, similar to the planned full scale plant. However, the flotation circuit process has been replaced by a spiral bank to generate a sulphide, gold rich concentrate. This concentrate is then further upgraded via a shaking table and the final gold rich output from both the centrifugal device and spiral are smelted to produce a small quantity of doré (an impure bullion 'bar'). As no chemicals are being used on site as part of the BPT this gold generated can be classified as "ethical". The majority of the gold however remains in the sulphide concentrate which for the purposes of the BPT is sold without further processing. Metallurgical recovery and unit processing costs in the BPT do not achieve the planned results of the full scale gravity/float plant process envisaged in the Cononish Bankable Feasibility Study however they have given an invaluable confirmation of the performance of the ore.

The first gold was poured in August 2016 in time for the official opening attended by local dignitaries and community representatives. An initial offering of 'Scottish Gold Rounds' from the first gold produced was well supported with a significant premium being realised above the spot gold price. Subsequently, 'Scottish' gold produced on site has been sold, again at a significant premium to spot price, to two well known Scottish jewellers.

In addition, sales of gold in concentrate have been sold prior to year-end and are included in the results for the year ended 30 June 2017. A further shipment containing an estimated 100 troy ounces of gold has been made in August 2017 and further production of varying grades and quantities is expected to be shipped in early October and December with a final shipment, containing the final production from the existing stockpile, expected to be shipped in early January 2018. Proceeds from sale of concentrates are received net of off-take commissions, discounts, transport, refining and treatment charges.

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.

Whilst advancing the Cononish project to production, the Company's strategy has been to conduct early stage regional exploration over the 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 (~4100 km^2) of the highly prospective Dalradian sequence. Basic exploration data, including gravity and airborne magnetics, is available from government surveys 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 the Company embarked on a regional scale stream sediment sampling program. In an initial wide spaced regional program, in excess of 750 stream sediment samples were taken across the project area. Interpretation of these results continues and this program has been 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 in excess of 1200 samples have been collected with interpretation of these results on-going.

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 this 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 generated by movement along these faults.

Considerable follow up work has been undertaken 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.

Scotgold Resources Ltd engaged the services of Dr. Pablo Gumiel and Dr. Monica Arias, of Consulting de Geología y Minería, S.L., to conduct a structural study and initial analysis of Scotgold's extensive Geographic Information System (GIS) database covering the Grampian Gold project. The study aimed to develop a structural model, focused on the Cononish deposit, to improve the understanding of the evolution of gold and silver mineralisation in the Tyndrum area. The study then combined the extensive existing geochemical database with structural data from Drs Gumiel and Arias' recent fieldwork, using new analytical techniques to assess various aspects of prospectivity and develop an initial prospectivity map. The map uses techniques that take account of a number of geological parameters identified in the study as critical to locating potential economic mineralisation, including:

- High grade rock outcrop data
- Fracture density
- Typology (characteristics) of the vein structures / systems
- Other GIS based historic data

Through 3 Dimensional (3D) geological and GIS modelling, a preliminary prospectivity map was developed for the study area to identify areas of high priority and potential, using a weighted gridding method.

Based on the resulting prospectivity map, the study identified a series of high priority targets, with 6 targets being located within a 2.5 km radius of Cononish, including 2 targets outside the Loch Lomond and Trossachs National Park (LLTNP). A further 5 targets have been identified within the studied area, all of which are outside the LLTNP. Close to the Cononish deposit, Coire Nan Sionnach and Kilbridge are highlighted as highly prospective, along with two further parallel anomalies between the Cononish deposit and Coire Nan Sionnach.

The study has distinguished a number of high priority vein systems / structures from those less likely to carry economic mineralisation and indicates high potential for Cononish style mineralisation in the Glen Orchy option area.

More recently, the Company has conducted a further comprehensive exploration review on a wider scale to better focus ongoing exploration across the option areas outside Glen Orchy. This has involved a review of the lithological setting of known mineralisation in combination with the structural features identified in the Gumiel / Arias report to identify potential for Cononish style mineralization whilst also recognizing that other styles of mineralisation may be present.

The review has also examined the most appropriate techniques for the ongoing exploration of the wider Grampian project and has recommended a number of orientation surveys around Cononish as a precursor to their application on a regional scale.

PORTUGAL - POMAR PROJECT

In May 2016, the Company announced the acquisition of the Pomar licence area in eastern central Portugal by its wholly owned Portuguese subsidiary, Scotgold Resources Portugal Ltda.

The Pomar licence area includes the historic antimony mines of das Gatas, Pomar and Casalinho, in addition to numerous small scale trials and occurrences.

Evaluation of styles of mineralization during initial site visits indicated the potential for undiscovered gold prospects in zones with quartz-only mineralization in addition to the known gold bearing felsic dykes traversing the area and potential extensions to the known antimony occurrences.

Initial exploration has included soil and rock chip sampling and development of a regional structural model.

Analysis of selected historical soil samples taken have indicated a long (c.1km) As (Arsenic) / Au (Gold) anomaly along the kilometric scale felsic dykes in the area. Significant Au / Sb (Antimony) / As anomalies have also been registered around the old workings of Das Gatas, Barroca da Santa, Casalinho, Monte da Goula, and Pomar workings. Statistical interpretation of the samples indicates a strong correlation between As / Au (for the dykes) and Au/Sb/As for historic workings and As is indicated as an important pathfinder for future exploration.

Results from selected rock chip samples taken from various locations around the old mines, waste tips and certain accessible outcrops indicate the presence of high grade gold (and some W) associated with historic antimony veins. Historic samples for Au along the Felsic dykes need further correlation but their prospectivity is supported by soil sampling results.

A structural interpretation for the area has been prepared and postulates the mineralised Sb / Au veins as developing in an extensional fault roughly trending NS and reactivated as a thrust. Based on this interpretation, a number of areas around the old mines warrant follow up to determine the presence of extensions / repetitions to the know high grade Sb / Au mineralisation.

Further follow up work is planned to follow up the extent of possible mineralisation associated with the Felsic dykes with an extended and closer spaced soil sampling program along with initial trenching / diamond saw sampling of available outcrop to verify previously taken chip samples. Detailed study of the mineralogy and paragenesis of the Au occurrences in the dykes will further inform their prospectivity.

Further work is planned to determine the nature of the high grade rock chip samples associated with the old workings and tips, and their possible extensions as postulated by the structural work. This will initially involve regaining access to and resampling the old workings.

FRANCE - VENDRENNES

In May 2017, the Company was granted the 'Vendrennes' Permit Exclusif de Recherche ("PER") / exclusive exploration licence, applied for in 2015.Two further applications remain under consideration.

The Vendrennes PER substantially covers the 'Vendée Antimony district', France's third largest antimony producing district which during the 19th and beginning of the 20th century produced over 18,000t of Antimony metal substantially from the Rochetrejoux vein. Most importantly, the PER includes Les Brouzils, a small high grade open pittable antimony deposit that was discovered by the BRGM (Bureau de recherches géologiques et minières - the French Geological Survey) during the 1970's and 1980's.

According to BRGM literature (L'Inventaire minier de la France), Les Brouzils hosts a 'geological resource' of 9,250t of antimony metal at a grade of 6.7% Sb to a depth of 100m and is open along strike and at depth.

NOTE: The above statement relating to a historic / foreign 'geological resource' and the figures quoted do not necessarily conform to current internationally recognized resource classification standards (e.g. JORC, PERC, CIM, SAMREC etc) and cannot thus be classified as a resource (Inferred, Indicated or Measured) under these codes and is stated for historical information purposes only. No reliance should be placed on these figures and it is uncertain that following evaluation and/or further exploration work that the estimates stated above will be able to be reported as mineral resources or ore reserves in accordance with a recognised code. It will be the Company's intention to work to verify or otherwise such numbers as soon as it can access the appropriate data.

Production from a small open pit at Les Brouzils commenced in 1989 under a joint venture between Gagneraud and the BRGM and produced some 895t of Sb metal in concentrate before closure in 1992 as a result of a significant decline in the antimony price relating to the disposal of strategic metal stockpiles by the US and USSR. Concentrates were produced through gravity and flotation and quality was reported as excellent with no deleterious elements present.

The Company intends to commence work on the Vendrennes PER shortly.

Tenement details

United Kingdom -

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

Portugal -

The Company holds a 100% interest in the Pomar Licence which is valid for 3 years from May 2016 (with an option to extend) in eastern central Portugal, near Castelo Branco though its subsidiary Scotgold Resources Portugal Ltda.

France -

The Company holds a 100% interest in the Vendrennes PER (Permit Exclusif de Recherche or Exploration Licence) through its subsidiary SGZ France SAS.

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 period.

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.

Note: No new exploration results are presented in this report. All results have been previously notified under JORC 2004 and are contained in Scotgold Annual reports 2008 - 2016 and various corresponding market releases.

The information in this report that relates to the 2015 Mineral Resources for Cononish Gold Project (refer ASX release - Resource Estimate Update - 22/01/2015) is based on information compiled by Malcolm Titley, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Titley is employed by CSA Global (UK) Limited, an independent consulting company. Mr

Titley 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 Titley 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 the 2015 Ore Reserves for Cononish Gold Project (refer ASX announcement dated 26/05/2015) is based on information compiled by Pat Willis, a Competent Person who is registered as a Professional Engineer (Pr.Eng.) with the Engineering Council for South Africa (ECSA) and a Fellow in good standing and Past President of the Southern Africa Institute of Mining and Metallurgy (FSAIMM). Mr Willis is employed by Bara Consulting Limited, an independent consulting company. Mr Willis 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 Willis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Further, the Company confirms it is not aware of any new information or data that materially affects the information contained in the original announcements and that all material assumptions and technical parameters underpinning the estimate of Resources and Reserves continue to apply and have not materially changed.

STRATEGIC REVIEW

The Company continues to review its corporate structure, policies and practices with a view to maintaining and enhancing shareholder value. In the current period under review, the following initiatives have been implemented:

i) On 21 October 2016, the Company completed its de-listing from the Australian Securities Exchange

ii) On 25 August 2017 the Company concluded its 1 for 100 consolidation of its shares. Together with the proposed sale of small shareholdings, the consolidation of shares has resulted in a more attractive and less cumbersome share structure which is designed to enhance the Company's marketing and credibility for funding of its development of the Cononish Gold and Silver Project.

iii) Streamlining of its share register to remove, at the holder's option, those shareholdings of less than a minimum value of $500. This has had the result of removing over 200 small shareholdings of a value of less than $500.00 each. This process is ongoing at the date of this report.

iv) The Company's accounting function has been successfully migrated to the UK and the operation of the BPT has allowed the development of management systems that will stand us in good stead for the coming construction and production at Cononish.

Operationally, the Company's immediate focus remains the development of the advanced stage Cononish Gold and Silver Project in Scotland. However, to provide longevity beyond Cononish, and potentially growth in overall production, the Company is developing a pipeline of projects that we anticipate will meet our criteria. First and foremost of these is our Grampian Project which consists of 5 Option Agreements ("Exploration Licences") in Scotland and includes the highly prospective ground in the vicinity of Cononish.

The Company has added diversity to its main focus through the acquisition last year of the Pomar Licence in Portugal and this year the Company was granted the Vendrennes License in France, with 2 further applications pending.

The fundamental technical work completed on Cononish last year, with the revised Mineral Resource Estimate and Ore Reserve Estimate, underpinned the Updated Bankable Feasibility Study (BFS) completed in March 2017. Although this study amply demonstrated the project's technical and financial viability, funding the new reduced capital has remained a challenge. Taking advantage of the "enforced" delay, the Company extended the Bulk Processing Trial (BPT) for a further 12 months and is currently on going. This BPT has met its primary objectives; having celebrated its official launch the first gold produced was auctioned as "Scottish Gold rounds" and subsequently Scottish gold sales at a substantial premium of over 30% were concluded with the Scottish jewellery industry. Most importantly the BPT demonstrated that an alternative tailings facility design could offer significant advantages for the Cononish project and the Updated BFS incorporated a "Dry Stack" system. This revision further reduced the capital funding requirement through a phased development approach, as well as reducing environmental impacts and facilitating progressive rehabilitation. The revision does however necessitate a new planning application. The Company has gained extensive experience through its previous successful applications and given the improved aspects of the new design, is optimistic that a positive determination will be made, currently expected in December 2017.

The Updated BFS also demonstrated the increased value of Cononish given the improved gold market, particularly in GB Pound terms post the UK's Brexit decision. The price has ranged between £1059/z and £904/oz since that decision and the assumed gold price in the Updated BFS of $1150/oz and exchange rate of $1.25/£ (which implies UK gold price of £920/oz) is still considered reasonable. Notwithstanding the improved gold price and reduced capital requirement, the financing of projects in the sector remains challenging. The Company is therefore exploring various funding avenues, focusing on those appropriate for Cononish's unusually small size, although it is recognized that any funding plan is likely to be conditional upon a positive determination of the planning application. In this connection, the revised financial metrics included within the Updated Bankable Feasibility Study have been well received by the Company's recently appointed investment bank, Invenio Corporate Finance. Invenio have been engaged to explore the debt and private equity markets in search for project development funding.

The work completed on advancing our future pipeline of projects has been modest due to the need to focus cash and management resources on the advancement of Cononish. Work has generally focused on analyzing the existing data and determining priorities, such that cost effective exploration programs can be rapidly implemented once constraints are relaxed.

From cost savings and strategic developments, to review of project development opportunities, the Company is looking forward to an exciting year ahead.

Operating Results

The consolidated loss after income tax for the financial year was $1,348,167 (2016: $1,505,592).

Financial Position and Going Concern

At 30 June 2017 the Company had cash reserves of $572,332 (2016: $738,866).

The audit report within the annual report refers to the following note in relation to going concern:

'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 consolidated entity's assets and the discharge of their liabilities in the normal course of business. At balance date, the Group had current assets of $852,959 and current liabilities of $1,969,381. In addition, the Group had a net cash outflow from operating activities of $1,328,402 and investing activities of $763,143 and available cash and cash equivalents of $572,332.

The consolidated entity is also anticipating revenues over the ensuing twelve month period from gold sales derived from its Bulk Processing Trial.

The Company has received a letter of financial comfort from its major shareholder that amounts owing to him, but not due for payment until 31 March 2018 of $1,742,964, will not be called for repayment until such time as the Company is in a financial position to do so.

While the Board considers that the consolidated entity is a going concern it is also recognised that additional funding may be required to ensure that the consolidated entity can continue to fund its operations and further its mineral exploration and evaluation activities during the twelve-month period from the date of this financial report. Such additional funding~~,~~ can potentially be derived from either one or a combination of the following:

- Loan funds
- The placement of securities of up to $2.0m, as an excluded offer pursuant to the Corporations Act 2001; or
- The sale of assets.

Accordingly, the Directors believe the consolidated entity 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.

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

Dividends

No dividends were paid during the year and no recommendation is made as to dividends.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	CONSOLIDATED	
	2017 $	**2016 $**
Revenue - interest received	211	1,459
Other income	41,417	-
Administration costs	(389,511)	(438,021)
Interest expense	(64,966)	(983)
Unwinding of convertible note discount	(55,974)	(215,526)
Depreciation and gain on disposal of property, plant and equipment	(103,132)	(15,376)
Exploration expensed as incurred	(111,579)	(131,303)
Employee and consultant costs	(211,191)	(278,702)
Listing and share registry costs	(260,438)	(229,571)
Legal fees	(60,622)	(84,417)
Office and communication costs	(91,117)	(71,549)
Other expenses	(41,265)	(41,603)
LOSS BEFORE INCOME TAX BENEFIT	(1,348,167)	(1,505,592)
Income tax benefit	-	-
LOSS FOR THE YEAR	(1,348,167)	(1,505,592)

Other Comprehensive Income		
Items that may be reclassified to Profit or Loss		
Exchange difference on translation of foreign subsidiaries	(41,477)	(94,490)
Total comprehensive result for the year	(1,389,644)	(1,600,082)
Basic (loss) per share (cents per share)	(0.09)	(0.13)

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	CONSOLIDATED	
	2017	**2016**
	$	**$**
CURRENT ASSETS		
Cash and cash equivalents	572,332	738,866
Trade and other receivables	42,110	63,004
Inventory	222,248	26,993
Other current assets	16,269	21,109
Total Current Assets	852,959	849,972
NON-CURRENT ASSETS		
Trade and other receivables	92,923	89,977
Plant and equipment	289,840	348,626
Mineral exploration and evaluation	16,346,365	15,730,586
Total Non Current assets	16,729,128	16,169,189
TOTAL ASSETS	17,582,087	17,019,161
CURRENT LIABILITIES		
Trade and other payables	180,522	157,835
Other current liabilities	45,895	121,439
Interest bearing liabilities	1,742,964	1,124,409
TOTAL LIABILITIES	1,969,381	1,403,683
NET ASSETS	15,612,706	15,615,478
EQUITY		
Issued capital	27,216,549	25,829,677
Reserves	54,283	344,515
Accumulated losses	(11,658,126)	(10,558,714)
TOTAL EQUITY	15,612,706	15,615,478

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

CONSOLIDATED

	Issued Capital	Accumulated Losses	Options Reserve	Convertible Note Reserve	Foreign Currency Translation Reserve	Total Equity
Year Ended 30 June 2016	$	$	$		$	$
Balance 1 July 2015	22,711,529	(10,077,922)	1,141,769	356,555	(34,519)	14,097,412
Placements (Note 13)	1,053,904	-	-	-	-	1,053,904
Entitlements Issue (Note 13)	1,476,010	-	-	-	-	1,476,010
Options exercised	254,388	-	-	-	-	254,388
Share issue expenses	(109,554)	-	-	-	-	(109,554)
Equity portion of notes issued	443,400	107,800	-	(107,800)	-	443,400
Options expiry	-	917,000	(917,000)	-		-
Total comprehensive result for the year	-	(1,505,592)	-	-	(94,490)	(1,600,082)
As at 30 June 2016	25,829,677	(10,558,714)	224,769	248,755	(129,009)	15,615,478

	Issued Capital	Accumulated Losses	Options Reserve	Convertible Note Reserve	Foreign Currency Translation Reserve	Total Equity
Year Ended 30 June 2017	$	$	$		$	$
Balance 1 July 2016	25,829,677	(10,558,714)	224,769	248,755	(129,009)	15,615,478
Placements (Note 13)	880,000	-	-	-	-	880,000
Options exercised	4,133	-	-	-	-	4,133
Share issue expenses	(53,861)	-	-	-	-	(53,861)
Equity portion of notes converted	556,600	248,755	-	(248,755)	-	556,600
Total comprehensive result for the year	-	(1,348,167)	-	-	(41,477)	(1,389,644)
	27,216,549	(11,658,126)	224,769	-	(170,486)	15,612,706

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	CONSOLIDATED	
	2017	2016
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payment to suppliers	(1,328,402)	(1,343,403)
Interest income received	-	326
Net Cash Outflow From Operating Activities	(1,328,402)	(1,343,077)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure	(717,927)	(1,050,176)
Purchase of property, plant and equipment	(45,216)	(259,398)
Net Cash Outflow From Investing Activities	(763,143)	(1,309,574)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	884,133	2,784,301
Share and option issue transaction costs	(53,861)	(109,553)
Borrowings costs and interest	(38,658)	-
Proceeds from borrowings	1,166,667	-
Net Cash Inflow From Financing Activities	1,958,281	2,674,748
Net increase/(decrease) in cash held	(133,264)	22,097
Effect of exchange rate fluctuations on cash and cash equivalents	(33,270)	(85,880)
Cash and cash equivalents at the beginning of this financial year	738,866	802,649
Cash and cash equivalents at the end of this financial year	572,332	738,866

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	$	$

NOTE 1 - REVENUE

Revenue

Interest received	211	1,459
Other income (currency variance)	41,417	-
Total revenue	41,628	1,459

NOTE 2 - LOSS FROM ORDINARY ACTIVITIES BEFORE TAX EXPENSES

Expenses		
Interest expensed	64,966	983
Total borrowing cost expensed	64,966	983
Depreciation of non-current assets		
Plant and Equipment	100,892	11,749
Motor vehicles	2,220	3,598
Office furniture and equipment	20	29
Total depreciation of non-current assets	103,132	15,376

NOTE 3 - INCOME TAX

The prima facie tax benefit at 27.5% (2016: 28.5%) on loss from ordinary activities is reconciled to the income tax benefit in the financial statements as follows:

Loss from ordinary activities	(1,348,167)	(1,505,592)
Prima facie income tax benefit at 27.5% (2016 28.5%)	370,746	429,094
Tax effect of permanent differences		
Option based payments	-	-
Share issue costs amortised	25,407	26,000
Other non-deductible expenses	-	(634)
Income tax benefit adjusted for permanent differences	396,153	454,460
Deferred tax asset not brought to account	(396,153)	(454,460)
Income tax benefit	-	-
	2017	**2016**
	$	**$**

INCOME TAX BENEFIT

The directors estimate the cumulative unrecognised deferred tax asset attributable to the company and its controlled entity at 27.5% is as follows:

UNRECOGNISED DEFERRED TAX ASSETS

Revenue losses after permanent differences	2,747,235	2,351,082
Capital raising costs yet to be claimed	55,083	61,822
	2,731,455	2,412,904

The potential deferred tax asset has not been brought to account in the financial report at 30 June 2017 as the Directors do not believe it is appropriate to regard the realisation of the asset as probable. This asset will only be obtained if:

(a) The company and its controlled entity derive future assessable income of an amount and type sufficient to enable the benefit from the deductions for the tax losses and the un-recouped exploration expenditure to be realised;

(b) The company and its controlled entity continue to comply with the conditions for deductibility imposed by tax legislation; and

(c) No changes in tax legislation adversely affect the company and its controlled entity in realising the benefit from the deductions for the tax losses and un-recouped exploration expenditure.

Franking Credits

No franking credits are available at balance date for the subsequent financial year.

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash at bank and on hand	572,332	738,866

NOTE 5 - TRADE AND OTHER RECEIVABLES

Current

GST / VAT receivable	38,900	61,825
Other receivables	3,210	1,179
	42,110	63,004

Non-current

Bond on Tenement	92,923	89,997

NOTE 6 - INVENTORY

Inventory of gold concentrates	222,248	26,993

NOTE 7 - OTHER CURRENT ASSETS

	2017 $	2016 $
Prepayments	16,269	21,109

NOTE 8 - PLANT AND EQUIPMENT

Plant and equipment

Cost	655,293	610,947
Accumulated Depreciation	(365,453)	(262,321)
	289,840	348,626

Movement for the year

Opening balance	348,626	104,605
Additions	44,346	259,397
Depreciation expensed	(103,132)	(15,376)
Closing balance	289,840	348,626

NOTE 9 - MINERAL EXPLORATION AND EVALUATION

Opening balance	15,730,586	14,794,913
Net (gain)/loss from the BPT	(32,357)	90,801
Additional expenditure deferred during the year	759,715	976,175
Expenditure as incurred	(111,579)	(131,303)
Closing balance	16,346,365	15,730,586

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

The net gain (2016 - loss) from the BPT is an integral part of the Company's Mineral Exploration and Evaluation, and includes $78,841 of revenue from Dore sales (2016: $nil) , $308,015 of revenue from Concentrate sales (2016: $nil) and $354,499 of production costs (2016: $90,801). The criteria to reclassify Mineral Exploration and Evaluation expenditure to Development have not yet been met and continue to be accumulated.

NOTE 10 - TRADE AND OTHER PAYABLES

Trade creditors	180,522	157,835
Other accruals	45,895	121,439
	226,417	279,274

Trade creditors and accruals relating to exploration expenditure	96,822	115,142
Trade creditors and accruals relating to administration	129,595	164,132
	226,417	279,274

Trade creditors are non-interest bearing and are normally settled on 30 day terms (2016: 30 days).

NOTE 11 - INTEREST BEARING LIABILITIES

Convertible Notes

The Company 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). The Convertible Notes were fully settled in the year ended to 30 June 2017.

Last financial year, on 22 March 2016, $443,400 Convertible Notes were converted into 73,900,000 ordinary shares of the Company at the conversion price of $0.006 per share. This partial conversion reduced the principal amount due under the Convertible Notes by the same amount.

During the year 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.

On 23rd September 2016 a further $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 of £300,000 ($508,200), refer below.

The balance outstanding at 30 June 2017 is made up as follows:

	First draw 23 September, 2014 $	Second draw 30 March, 2015 $	Total $
Balance at 30 June 2016	537,764	586,645	1,124,409
Unwinding of discount	17,336	13,355	30,691
Conversion to shares	(556,600)	-	(556,600)
Foreign exchange	1,500	(91,800)	(90,300)
Conversion to loan (£300,000)	-	(508,200)	(508,200)
Balance at 30 June 2017	-	-	-

Shareholder loans

On 30 September 2016 The Company entered into an interest bearing loan agreement with Nat le Roux, the Company's non executive Chairman and major shareholder, for an amount of £300,000 ($508,200), The funds were used to repay the Convertible Note of £300,000 ($508,200) which expired on 30 September 2016.

The loan was unsecured, interest was charged at 6% per annum and the loan could not be called before 30 September 2018. The loan could be repaid with accrued interest at any time at the election of the Company. The loan and interest were fully repaid on 14 March 2017.

On 14 March 2017 the Company entered into a second short term loan agreement for £1,000,000 with Nat le Roux. The term of the loan is one year ending on 14 March 2018 with an interest rate of 10% per annum. The principal is repayable at the expiry of the term with interest. The loan is secured by a charge over all the Company's assets.

The £1,000,000 funds have been used to fully repay the existing £300,000 loan facility plus accrued interest (6% pa) provided by Nat Le Roux.

The loan balance outstanding at 30 June 2017 is made up as follows:

	First loan 30 September 2016 $	Second loan 14 March 2017 $
Principal sum drawn (£300,000)	508,216	-
Principal sum drawn (£1,000,000)	-	1,666,667
Interest accrued	14,875	50,091
Repayment	(523,091)	-
Foreign exchange	-	26,206
	-	1,742,964