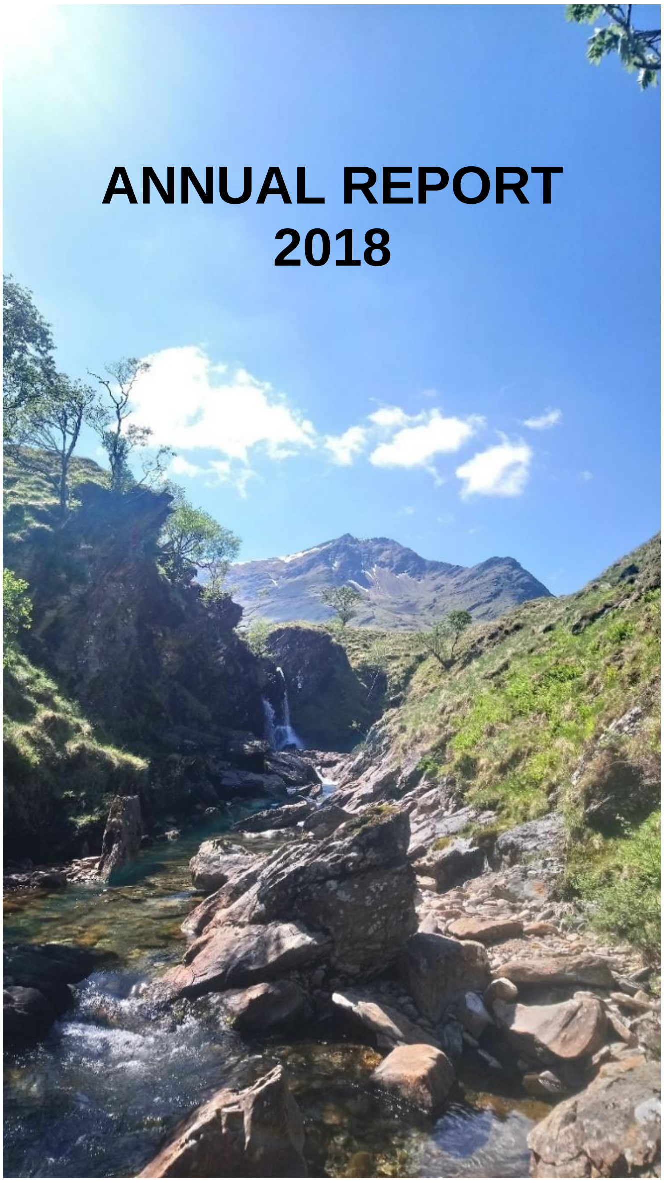
SCOTGOLD
RESOURCES LIMITED

ABN : 42 127 042 773

ANNUAL REPORT 2018



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COMPANY INFORMATION

SCOTGOLD RESOURCES LIMITED
AND CONTROLLED ENTITIES

Company / Group / Economic Entity	Scotgold Resources Limited and controlled entities	
ABN	Scotgold Resources Limited, incorporated in Australia - 42 127 042 773	
Directors	Nathaniel le Roux	Non-Executive Chairman
	Richard Gray	Managing Director
	Chris Sangster	Non-Executive Director
	Phillip Jackson	Non-Executive Director
	Richard Barker	Company Secretary and Non-Executive Director (appointed 9 October 2017)
	Peter Hetherington	Non-executive Director (appointed 18 June 2018)
	William (Bill) Styslinger	Non-executive Director (appointed 18 June 2018)
Company Secretary	Richard Barker	
Registered Office	Suite 4, 189 Stirling Highway, Nedlands, Western Australia, 6009	
	Telephone: +61 8 9463 3260	Email: sgz@scotgoldresources.com
Share Registry	Computershare Investor Services Pty Ltd Level 11 172 St Georges Terrace Perth, WA 6000	
	Telephone: +61 8 9323 2000	
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco, WA 6008	
	Telephone: +61 8 6382 4600	
Bankers	Westpac Banking Corporation 1257 Hay Street West Perth WA 6005	Bank of Scotland The Mound, Edinburgh Scotland EH1 1YZ
Securities Exchange Listing	AIM board of the London Stock Exchange. AIM Code: "SGZ"	
Nominated Adviser and Joint Broker	SP Angel Corporate Finance Llp Prince Frederick House, 35-39 Maddox Street, London, W1S 2PP	

Joint Broker	Smaller Company Capital Ltd 4 Lombard Street, London, EC3V 9HD	
Lawyers	Australian Law - Steinepreis Paganin Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000	English Law - Fox Williams LLP 10 Finsbury Square London EC2A 1AF
Website	www.scotgoldresources.com	

OPERATIONS REVIEW

BACKGROUND –

Scotgold Resources Limited ("the Company") was established in 2007 and is listed on the AIM market of the London Stock Exchange (AIM:SGZ). The Company delisted from the Australian Securities Exchange on 21 October 2016.

The Company's principal objectives have continued to be:

a) the advancement of the Cononish Gold and Silver Project in Scotland's Grampian Highlands;

b) the ongoing exploration of the highly prospective tenements comprising the Grampian Gold Project with the view to identifying further project opportunities; and

c) the exploration and exploitation of its Portuguese and French projects.

Cononish Gold and Silver Project –

On 15th February 2012, the Board of the Loch Lomond and the Trossachs National Parks ("NPA") issued the Decision Letter granting planning permission for the development of the Project. The Crown Estate Commissioners unconditional grant of the Crown Lease was confirmed in May 2012.

During 2014, the Company made an application to vary this planning permission (relating to hours of operation of the processing plant and work on site) and on 24 January 2015, the Board of the Loch Lomond and the Trossachs National Park again voted unanimously to approve the Company's application. As a variation to a condition of the existing consent, this approval also had the effect of extending the date by which development should commence to January 2018.

In January 2015 the Company completed a Mineral Resource Estimate and subsequently, in August 2015 completed a Bankable Feasibility Study for the Cononish Project. On 24 February 2016 the Company announced its intention to conduct a Bulk Processing Trial ("BPT") and on 27 August 2016 the first official gold pour from the BPT was announced.

Experience from the BPT led to a radical rethink of the tailings disposal methodology and a study was conducted to determine the suitability of dry stack tailings disposal for the project. The benefits of the dry stack system include substantially reduced upfront capital costs, scalability and the potential for significant environmental benefits. The study determined that dry stacking was feasible and a number of options using this methodology were then modelled in the Update to the Bankable Feasibility Study, announced in March 2017. In line with ongoing finance discussions, the 'phased' approach was determined as the Company's preferred option to take the project forward.

Subsequently, the Company submitted a revised application for planning permission to incorporate the new tailings disposal methodology. The application was unanimously approved in February 2018 by the National Parks Authority ("NPA") Board and a decision notice is expected in late 2018.

Grampian Gold Project **–**

The Grampian Gold Project comprises Crown Option agreements covering approximately 4100 km^2 in the south west Grampians of Scotland and covers some of the most prospective areas of the Dalradian Series in the UK. This is a sequence of highly folded and metamorphosed sedimentary and volcanic rocks of late Precambrian to Early Cambrian age, which extends into regions that were contiguous at the time of its formation. This includes the western extension to the eastern seaboard of Canada and the Appalachian belt in the US, and the eastern extension into Norway and Sweden and Norway. The British Geological Survey has identified the Dalradian sequence as highly prospective for both significant gold and base metal deposits. On a more local scale, the Dalradian sequence extends to the south west from Scotland into Northern Ireland where it hosts other gold resources at Cavancaw (c. 0.8Moz of gold) and Curraghinalt (c. 4M oz of gold).

The Company has historically undertaken regional stream sediment sampling programs over the wider Grampian gold project area and identified a number of high grade outcrops in the vicinity of the Cononish project. In the current reporting period work has focused on orientation surveys over the known Cononish deposit in order to better understand the significance of these anomalies and improve our exploration methodology going forward.

Portuguese and French projects **–**

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. In May 2017, the Company was granted the Vendrennes PER (Permit Exclusif de Recherche / exclusive exploration licence) in France. In March 2018 the Company announced the conditional sale of Vendrennes and separately the entering of an "earn in" agreement for Pomar.

Corporate Activities-

In July 2017 the Company announced the completion of a 1 for 100 share consolidation.

In December 2017 a rights issue, followed by a placement on the same terms as the rights issue in January 2018, raised £2.66m (before expenses) and £0.45m respectively. This was the first tranche of funding for the development of the Cononish Project. In May 2018 the Company completed the final tranche of approximately £9.0m, consisting of £4.0m through the placement of shares and £5.0m as a debt facility.

The Company also strengthened its Board during the year with the appointment of Richard Barker, Peter Hetherington and William Styslinger.

CONONISH GOLD AND SILVER PROJECT

In December 2017 the Company concluded the Bulk Processing Trial, which had informed the Updated BFS (announced in March 2017) and provided a supply of "Scottish Gold". Work on site has since focussed on preparations for the phased development of the Cononish project, in readiness for the completion of funding and issue of Planning consent Decision Notice.

The Bankable Feasibility Study (BFS) for "The Cononish Gold and Silver Project" was conducted by Bara Consulting Ltd and published in August 2015. An update was published in March 2017.

The report highlighted that the Phased Project approach improved economic returns and reduced the development peak funding requirements to £7.4m[1]

Project Development

The Project development is intended to take place in two stages to strengthen the mine's production ability whilst minimising technical risks. Assuming November 2018 commencement:

→ Phase One (December 2019 - February 2022): After a 4 month ramp up and commissioning period, the mine is intended to operate at a production level of 3,000 tonnes per month (36,000 tonnes per annum).

→ Phase Two (March 2022 - End of Life of Mine): The mining is intended to reach a steady state level of production at 6,000 tonnes per month (72,000 tonnes of ore per annum).

Phase Two is intended to be organically funded by Phase One. Within 2.5 years Scotgold aim to be in a position where profits generated by Phase One can be invested into the development requirements of Phase Two.

Tailings Storage Facility (TSF)

The TSF is designed as a “Dry Stack” tailings system, where tailings (waste) are stored on the surface in the form of piles (dry stacks).

The stacks - 10 in total - will be built during the Life of Mine (LOM) from mining waste, eliminating a previously required impoundment dam.

The lower upfront capex requirement enhances Project’s operational flexibility and significantly lowers the capital costs.

Due to the avoidance of a reservoir facility, progressive rehabilitation and naturalistic final landform, the new design has significant environmental advantages.

Project Lifetime[2]

EBITDA	£ 101,114,660
Pre Tax Cash Flow	£ 81,017,398
Net Cashflow	£ 68,256,497
IRR pre-Tax @ 10%	80%
Operating Margin	59%

Cost Dynamics[2]

Capital Cost	£ 20,097,262
Operating Cost	£ 69,066,131
Average Operating Cost/oz Eq Au.	£ 373.09
Average Capital Cost/oz Eq Au.	£ 108.56
Total Average Cost/oz Eq Au.	£ 481.65

[1]*Provided by Bara Consulting BFS and Scotgold management*

[2]*As prepared by Bara Consulting on behalf of Management assuming a development of the mine funded through equity only. The information was drawn from the Update to the Cononish Bankable Feasibility Study (BFS) and Short Term Funding Plan referred to in the company press release of March 17th 2017.*

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 30/06/2018

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 6.5kt from the Indicated Resources – Mined Stockpile

Scotgold Resources Limited - Cononish Gold Project
Mineral Resource Estimate as at 12 January, 2015
Reported at a cut-off grade of 3.5 g/t gold

Classification	K Tonnes	Grade Au g/t	Metal Au 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**	**1,096**	**2.72**

Reported from 3D block model with grades estimated by Ordinary Kriging with 15 m x 15 m SMU Local Uniform Conditioning adjustment. Minimum vein width is 1.2 m.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 30/06/2017 other than the depletion of the mined stockpile, the resource will be adjusted for this depletion of the stockpile. Approximately 6.5kt had been depleted to the end of June 2018.

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 trenches, 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. 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 ("Bara Consulting") 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 30/06/2017.

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 30/06/2018

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, please refer to the Company's announcement on 26/05/2015 – Cononish Gold Project Study Update and Reserve Estimate; and to the subsequent announcement on 16/03/2017 - Update to Cononish Bankable feasibility study on the Company's website.

The Ore Reserve statement above does not take account of the depletion of the surface stockpile through the BPT. At 30 June 2018, approximately 6'5kt 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.

GRAMPIAN GOLD PROJECT

The Company continues to actively pursue exploration activities on its substantial land position in the Dalradian Belt of the south west Grampians, a terrain highly prospective for both gold and 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, are available from government surveys but are 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 recent years an initial wide spaced regional scale stream sediment sampling program was undertaken and followed up by a more detailed infill sampling program in the anomalous result areas. In parallel previously identified high grade outcrop samples close to the Cononish project were resampled 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.

Scotgold Resources Ltd also conducted a structural study and initial analysis of Scotgold's extensive Geographic Information System (GIS) database covering the Grampian Gold project ("The GIS Study").

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

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 structural 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 in the current reporting period work has focused on orientation surveys using these techniques over the known Cononish deposit. Once evaluation of these surveys is complete, it is intended the most promising will be applied to the high priority targets identified by the prospectivity map in order to inform future drill programs.

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) Arsenic ("As") / (Gold) ("Au") 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. A 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.

In March 2018, the Company announced an “earn in” agreement with PanEx Resources Limited over the Pomar Project.

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.

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 and 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 25 August 2017 the Company concluded its 1 for 100 consolidation of its shares. Together with the sale of small shareholdings, the consolidation of shares has resulted in a more attractive and less cumbersome share structure.

ii) 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..

iii) The Company appointed BDO as Auditors in June 2018.

iv) The Company will adopt the QCA code of corporate governance which will supercede the currently adopted ASX code of Corporate Governance.

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 fundamental technical work completed on Cononish in 2015, with the revised Mineral Resource Estimate and Ore Reserve Estimate, underpinned the Updated Bankable Feasibility Study (BFS) completed in March 2017. This study amply demonstrated the project's technical and financial viability, but funding the new reduced capital remained a challenge. This challenge was met this year with the raising of two traches of funding, through a combination of Rights Issue, share placement and debt, totalling approximately £12m. The key remaining impediment to commencement of development is now the issue of the Decision Notice by the NPA relating to the planning application (approved by the NPA Board in February 2018). While the legal process which will enable the issue of the Decision Notice in on going, the Company has been actively progressing the anticipated technical submissions required by the Planning Permit conditions. Once these submissions are approved the Company will be in a position to commence development activities on site.

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 £1029/z and £929/oz over this reporting period 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. With full project funding in place, the Company expects project returns in line with the Updated BFS estimates.

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. With sufficient funding in place for the development, the Company has also begun investing in further exploration on the Grampian Project. These sums remain relatively modest and will focus on the design of cost effective future programs, utilising the Company's extensive data set to best advantage. We will continue to minimise our expenditure on our Portuguese asset through the earn in agreement and continue to work towards the conclusion of the sale of the French asset.

The coming period will be dominated by the Cononish development activities and we look forward to reporting progress on these once the NPA Decision Notice is issued and works can commence.

Your Directors submit their report on the consolidated entity consisting of Scotgold Resources Limited and its controlled entities ("Scotgold") for the financial year ended 30 June 2018. All amounts are presented in Australian Dollars, unless otherwise stated.

DIRECTORS

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

		In office from	In office to
Nathanial le Roux	Non Executive Chairman	18/03/2015	present
Richard Gray	Managing Director	10/10/2014	present
Chris Sangster	Non Executive Director	10/10/2014	present
Phillip Jackson	Non Executive Director	14/08/2007	present
Richard Barker	Company Secretary/ Non Exec Director	09/10/2017	present
Peter Heatherington	Non Executive Director	18/06/2018	present
William Styslinger	Non Executive Director	18/06/2018	present

PARTICULARS OF CURRENT DIRECTORS AND COMPANY SECRETARY

Nathaniel le Roux **Non-Executive Chairman** **MSc (Hons)**

Qualifications and experience

Mr Nathaniel "Nat" le Roux has spent most of his career in financial markets and was Chief Executive of IG Group plc between 2002 and 2006. He served as an independent director of the London Metal Exchange from 2008-2016 and is a trustee of various charities. Nat was born in Scotland and was educated in Edinburgh. He holds an MA in Law from Cambridge University and an MSc in Anthropology from University College London.

Other Directorships in past three years: **None**

Interest in Shares and Options at 30 June 2018

Fully Paid Shares	22,318,222
Options	1,744,657

Special Responsibilities

Overall strategic guidance and UK Capital markets.

Mr le Roux has advanced funds of £1.0 million to the Company for working capital purposes. The loan is secured over the business undertakings of the Company and all interest has been waived.

Richard Gray **Managing Director** **BSc (Hons)**

Qualifications and experience

Mr Richard Gray most recently served as Head of Mining & Expansion at Avocet Mining PLC. He has extensive international experience, in both underground and open pit mine operations, and brings considerable operational knowledge and management experience and skills to the Company, particularly in the development and implementation of gold mining projects. He has previously held various roles at both majors and juniors within the gold mining sector and his successful career has included 15 years working in South Africa for Gencor Ltd and 10 years in West Africa for Golden Star Resources Ltd. Whilst at Golden Star he served as General Manager of Bogoso Gold Limited, General Manager of Golden Star Wassa Limited and Senior Vice President Operations of Golden Star Resources Ltd. He holds a BSc (Hons) Mining Engineering from the Royal School of Mines, Imperial College and an MBA from the Graduate School of Business, Cape Town University.

Other Directorships in past three years: **None**

Interest in Shares and Options

Fully Paid Shares	96,738
Options	1,008,939

Special Responsibilities

Mr Gray is the CEO / Managing Director and is responsible for the day to day running of the company.

Christopher Sangster **Non-executive Director** **BSc (Hons), ARSM, GDE**

Qualifications and experience

Chris has a BSc Hons in Mining Engineering from the Royal School of Mines, Imperial College in London and a GDE in Mineral Economics from the University of Witwatersrand. Chris has extensive experience worldwide in gold, diamond and base metal production environments. Since 1999, he has held positions of Vice President Mining Services at KCM PLC and Principal Mining Engineer for Australian Mining Consultants. In 2007, Chris co-founded Scotgold Resources and was its CEO / Managing Director until October 2014. He is a Non-executive Director of Ariana Resources and also an Associate Consultant for Bara Consulting Limited.

Other Directorships in past three years: **None**

Interest in Shares and Options

Fully Paid Shares	202,045
Options	4,000

Special Responsibilities

Advice on technical and planning matters. Mr Sangster provides consulting services at commercial rates to the Company under a management agreement with the Company.

Phillip Jackson **Non-executive Director** **BJuris LLB MBA FAICD**

Qualifications and experience

Mr Jackson is a barrister and solicitor with over 25 years legal and international corporate experience, especially in the areas of commercial and contract law, mining law and corporate structuring. He has worked extensively in the Middle East, Asia and the United States of America. In Australia, he was formerly managing legal counsel for a major international mining company, and in private practice specialised in small to medium resource companies.

Mr Jackson was managing region legal counsel Asia-Pacific for a leading oil services company for 13 years. He is now General Counsel for a major international oil and gas company. He has been a Director of a number of Australian public companies, particularly mining companies. He has been Chairman of Aurora Minerals Limited since it listed in 2004 and Peninsula Mines Limited, since it listed in August 2007.

His experience includes management, finance, accounting and human resources. He is a director of ASX listed companies Aurora Minerals Limited, Peninsula Mines Limited, and Predictive Discovery Limited.

Other Directorships in past three years: **None**

Interest in Shares and Options

Fully Paid Shares	43,313

Special Responsibilities

Mr Jackson is Chairman of the Audit Committee and is responsible for legal matters.

Richard Barker **Company Secretary** **BJuris LLB**

Qualifications and experience

Mr Barker is an Australian lawyer with 15 years' experience working with top Australian Law firms in NSW and WA. For the past 6 years Mr Barker has provided corporate compliance and company secretarial services for both listed (ASX and AIM) and unlisted private companies. Mr Barker has extensive experience providing advice and services on equity raisings and corporate governance matters.

Other Directorships in past three years: **None**

Peter Hetherington **Non Executive Director** **B. Econ., Mstrs (Fin)**

Qualifications and experience

Mr Hetherington is the Chief Executive Officer of IG Group Holidings Plc ("IG"), having joined IG as a graduate trainee in 1994. He graduated from Nottingham University with a degree in Economics, and from the London Business School with a masters in Finance. Mr Hetherington also served as an officer in the Royal Navy prior to joining IG.

Other Directorships in past three years:

Deal City Limited
Dot Trading Registry Limited
DotBroker Registry Limited
DotCFD Registry Limited
DotForex Registry Limited
DotMarkets Registry Limited
DotSpreadbetting Registry Limited
Extrabet Financial Limited
Extrabet Limited

Financial Domaigns (Services) Limited
Financial Domaigns Limited
Financial Domaigns Registrar Limited
Financial Domaigns Registry Holdings Limited
Fox Japan Holdings
Fox Sub 2 Limited
Fox Sub Limited
IG Asia Pte Limited
IG Bank S.A
IG Finance
IG Finance Two
IG Finance 5 Limited
IG Finance 8 Limited
IG Finance 9 Limited
IG Finance Four
IG Finance Three
IG Forex Limited
IG Group Holdings Plc
IG Group Limited
IG Index Limited
IG Infotech (India) Private Limited
IG Limited
IG Markets Limited
IG Markets South Africa Limited
IG Services Limited
IG Spread Betting Limited
ITS Market Solutions Limited
LLC IG Dev
Market Data Limited
Nadex Clearing, LLC
Nadex Domains Inc
North American Derivatives Exchange Inc
Extrabet Financial Limited
ITS Market Solutions Limited

Interest in Shares and Options

Fully Paid Shares	3,231,818

William Styslinger	**Non Executive Director**	**BSc Engineering**

Qualifications and experience

Mr Styslinger is a director of Nasdaq listed Casa Systems Inc, and served as Chairman, President and Chief Executive Officer of SeaChange International Inc, a Nasdaq listed provider of multiscreen video software and services, from its inception in July 1993 until his retirement in November 2011.

Other Directorships in past three years: **None**

Interest in Shares and Options

Fully Paid Shares	1,990,555
Options	320,000

SHARES UNDER OPTION

At the date of this report unissued shares of the Company under option are:

Number of shares under option	Exercise price	Expiry date
30,000	$8.00	31 March 2022
2,124,699	£0.40	31 December 2019

OPERATING AND FINANCIAL REVIEW

A review of the operations of the consolidated entity during the financial year is contained in the Operations and Strategic Review section of this Financial Report. The Company's strategy in Scotland continues to focus on advancing the 100% owned Cononish Gold and Silver Project to production whilst continuing to explore its large, highly prospective land position around Cononish and elsewhere in Scotland which extends to some 4,300km^2.

The consolidated entity also holds exploration interests in France and Portugal.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the year was mineral exploration, including the operation of the Bulk Processing Trial, and pursuing revised project planning permission and funding opportunities for the advancement of its Cononish gold and silver project in Scotland.

Operating Results

The consolidated loss after income tax for the financial year was $1,899,667 (2017: $1,348,167).

Financial Position

At 30 June 2018 the Company had cash reserves of $11,207,036 (2017: $572,332).

Dividends

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in this report or in the consolidated financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company intends to continue its exploration activities and to further its objective of development of the Cononish silver and gold project with a view to the commencement of mining operations as soon as possible.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2018, and the number of meetings attended by each Director. These meetings included matters relating to the Remuneration and Nomination Committees of the Company.

	Number eligible to attend	Number attended
Nathaniel le Roux	6	6
Richard Gray	6	6
Chris Sangster	6	6
Phillip Jackson	6	6
Richard Barker	6	6
Peter Hetherington	1	1
William Styslinger	1	1

AUDIT COMMITTEE

The Audit Committee is comprised of Mr Jackson (Chairman) and Mr Barker. One meeting of the audit committee was held during the year ended 30 June 2018.

REMUNERATION REPORT (audited)

This report details the nature and amount of remuneration for each director and executive of Scotgold Resources Limited.

Remuneration policy

The board policy is to remunerate Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. No advice has been sought in the current year. The maximum aggregate amount of Directors' fees that can be paid is set at $300,000 and may be increased from time to time, subject to approval by shareholders in general meeting. Fees for Non-Executive Directors are not linked to the performance of the consolidated entity. The Annual Report, containing this Remuneration Report is presented and considered at at the Annual General Meeting, however, no shareholder approval is required.

The Company's aim is to remunerate at a level that will attract and retain high-calibre Directors and employees. Company officers and Directors are remunerated to a level consistent with size of the Company.

All remuneration paid to key management personnel is valued at cost to the company and expensed, unless it has been incurred in connection with activities which are capitalised as deferred exploration.

The group does not operate an Employee Share Scheme and there are no deferred shares.

Performance-based remuneration

The company does not pay any performance-based component of salaries.

Details of remuneration for year ended 30 June 2018

Directors' Remuneration

No salaries, commissions, bonuses or superannuation were paid or payable to Directors during the year except for Richard Gray who was salaried. Remuneration was by way of fees paid monthly in respect of invoices issued to the Company by the Directors or companies associated with the Directors in accordance with agreements between the Company and those entities.

Details of the agreements are set out below.

Agreements in respect of remuneration of Directors:

<u>Executive Director</u>

Richard Gray (Managing Director) is on a contract dated 22 September 2017 which provides for a fixed salary and benefits, with a termination period of three months. The remuneration is reviewed annually. At the date of this report the annual remuneration for Richard Gray is £135,000 ($241,000) plus pension contribution. In the event of a termination of contract giving less notice than provided for in this contract, the remaining notice period will be paid in full.

In the year ended 30 June 2018, Mr Gray was granted 1,000,000 options to acquire shares in the company at an exercise price of 30p per share. The options vest on the later of one year from date of grant or the commencement of gold production from the Cononish mine. The options will expire 10 years after the date of grant, being 1 May 2028. The grant of the options is subject to shareholder approval which, at the date of this report is outstanding. Accordingly, no amount has been recorded in the Financial Statements. However, for the purpose of this Report, a value of $52,870 (2017 - $Nil) has been ascribed to Mr Gray's remuneration.

<u>Non-Executive Directors</u>

i) Chris Sangster earns fees from the Company as a consultant on technical issues. In addition to his director's fees, Mr Sangster earned fees of $115,614 in the year ended 30 June 2018 (2017 - $115,079).

ii) Through his service company, Barston Corporation Pty Ltd, Richard Barker also acts as Company Secretary. In addition to his director's fees, Mr Barker earned fees related to Company Secretary services of $39,996 in the year ended 30 June 2018 (2017 - $Nil).

iii) The Chairman and major shareholder, Nat le Roux, has advanced funds to the Company in accordance with the terms of a loan agreement, as amended. Up to March 2018, interest was charged at 10%, however, at that date the terms of the loan were re-negotiated to be interest free and the repayment date extended. Further details of the loan are shown in Note 11 to the Financial Statements.
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Loans to Directors

There are no loans due from Company Directors.

Shareholder approval of Directors' remuneration

The Company's constitution provides that the Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate sum determined by a general meeting. The aggregate remuneration has been set at an amount of $300,000 per annum. The Directors may approve a Managing Director whose fee or salary is agreed by the Directors within such aggregate sum. A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties. Executive Directors may be paid on commercial terms as the Directors see fit.

The total remuneration paid to key management personnel is summarised below:

Director/Executive	Associated Company	Short-term benefits Fees	Consulting / Salary	Retirement Benefits	Share based	Total
		$	$	$		$
Year ended 30 June 2017						
Nat le Roux *		-	-	-		-
Richard Gray		-	168,180	3,364		171,544
Chris Sangster		17,186	115,079	-		132,265
Phillip Jackson	Holihox Pty Ltd	17,887	-	-		17,887
Gabriel Chiappini	Laurus Corporate Services Pty Ltd	14,145	39,655	-		53,800
Peter Newcomb	Symbios Pty Ltd	-	20,000	-		20,000
		49,218	342,914	3,364		395,496
Year ended 30 June 2018						
Nat le Roux *		-	-	-		-
Richard Gray		-	173,551	3,471	52,870	229,892
Chris Sangster		17,420	115,614	-		133,034
Phillip Jackson	Holihox Pty Ltd	18,192	-	-		18,192
Richard Barker	Barston Corp. Pty Ltd	12,554	39,996	-		52,550
Peter Heatherington		-	-	-		-
William Styslinger		-	-	-		-
		48,166	329,161	3,471	52,870	433,668

***** Mr le Roux has waived his director fees for the time being

Key management personnel share holdings

	Balance 30 June 2016	Purchase and Sales	Conversion of Note	At date of resignation	Balance 30 June 2017
Year ended 30 June 2017					
Nat le Roux	576,120,806	-	56,100,000	-	632,220,806
Richard Gray	4,204,240	1,000,000	-	-	5,204,240
Chris Sangster	18,204,484	-	-	-	18,204,484
Phillip Jackson	4,331,250	-	-	-	4,331,250
	602,860,780	1,000,000	56,100,000	-	659,960,780

	Balance 30 June 2017	Share Consolidation	Right issue/ Placing	At date of resignation/ appointment	Balance 30 June 2018
Year ended 30 June 2018					
Nat le Roux	632,220,806	(625,898,598)	15,996,014	-	22,318,222
Richard Gray	5,204,240	(5,152,197)	44,695	-	96,738
Chris Sangster	18,204,484	(18,022,439)	20,000	-	202,045
Phillip Jackson	4,331,250	(4,287,937)	-	-	43,313
Richard Barker	-	-	-	-	-
Peter Hetherington	-	-	-	3,231,818	3,231,818
William Styslinger	-	-	-	1,990,555	1,990,555
	659,960,780	(653,361,171)	16,060,709	5,222,373	27,882,691

Key management personnel option holdings

Year ended 30 June 2017

	Free attaching options	Expiry or exercise of options	Date of resignation	Balance 30 June 2017
Nat le Roux	45,656,433	-	-	45,656,433
Richard Gray	291,294	-	-	291,294
Chris Sangster	493,333	-	-	493,333
	46,441,060	-	-	46,441,060

Year ended 30 June 2018

	Free attaching options	Expiry or exercise of options[1]	Rights Issue[2]	Balance 30 June 2018
Nat le Roux	45,656,433	(45,656,433)	1,744,657	1,744,657
Richard Gray	291,294	(291,294)	8,939	8,939
Chris Sangster	493,333	(493,333)	4.000	4,000
William Styslinger			320,000	320,000
	46,441,060	(46,441,060)	2,077,596	2,077,596

[1] includes those options cancelled due to the share consolidation
[2] The Rights Issue options are exercisable at 40p and expire 31 December 2019

Aggregate amounts payable to Directors and their related entities.

	Consolidated Entity **2018** **$**	Consolidated Entity **2017** **$**
Accounts payable	29,477	14,248

There were no performance related payments made during the year. The grant of 1,000,000 share options to Mr Gray, the Managing Director, is subject to shareholder approval which, at the date of this report is outstanding.

End of remuneration report.

ENVIRONMENTAL ISSUES

The consolidated entity has conducted exploration activities on mineral tenements. The right to conduct these activities is granted subject to environmental conditions and requirements. The consolidated entity aims to ensure a high standard of environmental care is achieved and, as a minimum, to comply with relevant environmental regulations. There have been no known breaches of any of the environmental conditions.

SUBSEQUENT EVENTS

There have been no events or transactions, subsequent to balance date, to be disclosed as Subsequent Events.

INDEMNIFICATION OF DIRECTORS

During the financial year, the Company has not given an indemnity or entered into an agreement to indemnify any of the Directors.

AUDITOR

The Perth based affiliate of BDO International, BDO Audit (WA) Pty Ltd, was appointed as auditors in June 2018. The former auditor, Mann Judd HLB resigned as auditor on 18 June 2018.

NON-AUDIT SERVICES

The Directors have considered the position and are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by BDO Corporate Tax (WA) Pty Ltd, set out below, did not compromise the auditor independence requirements of the Corporations Act 2001, for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants

BDO Corporate Tax (WA) Pty Ltd provides income tax services to the Company – 2018: $3,519 (2017: $3,060).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration has been received for the year ended 30 June 2018 and forms part of the Directors' report.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Directors.

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RICHARD GRAY – Managing Director

Dated at London, England, this 27th day of September 2018

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Australia

DECLARATION OF INDEPENDENCE BY MATTHEW CUTT TO THE DIRECTORS OF SCOTGOLD RESOURCES LIMITED

As lead auditor of Scotgold Resources Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Scotgold Resources Limited and the entities it controlled during the period.

Matthew Cutt

Director

BDO Audit (WA) Pty Ltd

Perth, 27 September 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

SCOTGOLD RESOURCES LIMITED

AND CONTROLLED ENTITIES

	Notes	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
Interest income	2	969	211
Other income	2	1,666	41,417
Gain on loan renegotiation	11	263,707	-
Administration costs		(514,758)	(389,511)
Interest expense		(172,144)	(64,966)
Unwinding of convertible note discount		-	(55,974)
Depreciation and gain on disposal of property, plant and equipment	3	(69,907)	(103,132)
Exploration expensed as incurred		(68,009)	(111,579)
Employee and consultant costs		(438,955)	(211,191)
Listing and share registry costs		(313,221)	(260,438)
Legal fees		(226,734)	(60,622)
Office and communication costs		(112,727)	(91,117)
Other expenses		(249,554)	(41,265)
LOSS BEFORE INCOME TAX		(1,899,667)	(1,348,167)
Income tax benefit	4	-	-
LOSS FOR THE YEAR		(1,899,667)	(1,348,167)
Other Comprehensive Income			
Items that may be reclassified to Profit or Loss			
Exchange difference on translation of foreign subsidiaries		109,191	(41,477)
Total comprehensive result for the year		(1,790,476)	(1,389,644)
Basic (loss) per share (cents per share)	24	(7.92)	(8.60)

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

SCOTGOLD RESOURCES LIMITED

AND CONTROLLED ENTITIES

	Notes	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
CURRENT ASSETS			
Cash and cash equivalents		11,207,036	572,332
Trade and other receivables	5	59,267	42,110
Inventory	6	62,850	222,248
Other current assets	7	53,082	16,269
Total Current Assets		11,382,235	852,959
NON-CURRENT ASSETS			
Trade and other receivables	5	97,894	92,923
Plant and equipment	8	226,042	289,840
Mineral exploration and evaluation	9	16,685,135	16,346,365
Total Non Current assets		17,009,071	16,729,128
TOTAL ASSETS		28,391,306	17,582,087
CURRENT LIABILITIES			
Trade and other payables	10	294,262	180,522
Other current liabilities	10	43,529	45,895
Loans payable	11	1,740,867	1,742,964
TOTAL LIABILITIES		2,078,658	1,969,381
NET ASSETS		26,312,648	15,612,706
EQUITY			
Issued capital	12	39,706,967	27,216,549
Reserves	13	73,474	54,283
Accumulated losses	13	(13,467,793)	(11,658,126)
TOTAL EQUITY		26,312,648	15,612,706

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

CONSOLIDATED

	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
Total comprehensive result for the year	-	(1,348,167)	-	-	(41,477)	(1,389,644)
Transactions with owners in their capacity as owners:						
Placements (Note 12)	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
	27,216,549	(11,658,126)	224,769	-	(170,486)	15,612,706
Year Ended 30 June 2018	$	$	$		$	$
Balance 1 July 2017	27,216,549	(11,658,126)	224,769	-	(170,486)	15,612,706
Total comprehensive result for the year	-	(1,899,667)	-	-	109,191	(1,790,476)
Transactions with owners in their capacity as owners:						
Issue of shares	4,612,375					4,612,375
Placements (Note 12)	7,971,620	-	-	-	-	7,971,620
Options exercised	12,187	-	-	-	-	12,187
Options expired	-	90,000	(90,000)	-	-	-
Share issue expenses	(105,764)	-	-	-	-	(105,764)
	39,706,967	(13,467,793)	134,769	-	(61,295)	26,312,648

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

SCOTGOLD RESOURCES LIMITED
AND CONTROLLED ENTITIES

	Notes	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payment to suppliers		(1,744,357)	(1,328,402)
Interest income received		969	-
Net Cash Outflow From Operating Activities	19	(1,743,388)	(1,328,402)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		(247,268)	(717,927)
Purchase of property, plant and equipment		(6,172)	(45,216)
Net Cash Outflow From Investing Activities		(253,440)	(763,143)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		12,596,182	884,133
Share and option issue transaction costs		(105,764)	(53,861)
Borrowings costs and interest		-	(38,658)
Proceeds from borrowings		-	1,166,667
Net Cash Inflow From Financing Activities		12,490,418	1,958,281
Net increase/(decrease) in cash held		10,493,590	(133,264)
Effect of exchange rate fluctuations on cash and cash equivalents		141,114	(33,270)
Cash and cash equivalents at the beginning of this financial year		572,332	738,866
Cash and cash equivalents at the end of this financial year		11,207,036	572,332

These financial statements should be read in conjunction with the accompanying notes.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law. Cost is based on the fair value of the consideration given in exchange for assets.

The financial statements have also been prepared on a historical cost basis. The financial statements are presented in Australian dollars.

The company is a listed public company, incorporated in Australia and operating in Australia, Scotland, France and Portugal. The entity's principal activity is mineral exploration.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Scotgold Resources Limited and its subsidiaries.

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 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 $11,382,235, including available cash and cash equivalents of $11,207,036, and current liabilities of $2,078,658.

The board reviews 12 to 18 month cash flows and while the Board considers that the consolidated entity is a going concern it also recognises that significant funds will be required in the development of the Cononish mine, regional exploration activities and general working capital. In addition to existing cash reserves the Group has further available funds by way of a secured £5.0m ($8.75m) loan facility not yet drawn down.

Statement of Compliance

The financial report was authorised for issue on 27 September 2018.

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2018, the Directors have reviewed all of the new and revised Accounting Standards and Interpretations issued by the AASB that are relevant to the consolidated entity's operations and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to consolidated entity accounting policies.

New Accounting Standards and Interpretations

The Directors are also reviewing all new Accounting Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2018.

AASB 9 Financial Instruments (Application date: Financial years commencing after 1 January 2018)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.

The Group is currently evaluating the impact of the new standard.

AASB 15 Revenue from Contracts with Customers (Application date: Financial years commencing after 1 January 2018)

AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 Leases, once applied). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

► Step 1: Identify the contract(s) with a customer
► Step 2: Identify the performance obligations in the contract
► Step 3: Determine the transaction price
► Step 4: Allocate the transaction price to the performance obligations in the contract
► Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group is not expecting this new standard to have a significant impact.

AASB 16 Leases (Application date: Financial years commencing after 1 January 2019)

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finances leases under AASB 117 Leases. The Standard includes two recognition exemptions for lessees – leases of 'low-value' assets (eg, personal computers) and short-term leases (eg, leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (eg, the lease liability) and an asset representing the right to use the underlying asset during the lease term (eg, the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (eg, a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The Group is currently evaluating the impact of the new standard.

Accounting Policies

(a) Basis of Consolidation

A controlled entity is any entity controlled by Scotgold Resources Limited. Control exists where Scotgold Resources Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Scotgold Resources Limited to achieve the objectives of Scotgold Resources Limited. All controlled entities have a 30 June financial year-end.

All intercompany balances and transactions between entities in the consolidated entity, including any unrealised profit or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(b) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowable items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.
Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary difference can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation.
Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

(d) Depreciation

The depreciable amount of all fixed assets including capitalised lease assets, but excluding computers, is depreciated on a reducing balance commencing from the time the asset is held ready for use. Computers are depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset:	Depreciation Rate:
Plant and Equipment	15 – 50%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings / accumulated losses.

(e) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. Tenement acquisition costs are initially capitalised. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the areas, sale of the respective areas of interest or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. Revenues earned from the sale of materials produced in connection with exploration activities are applied against the accumulated deferred expenditure with the result of reducing those expenditures.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the areas is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Mineral exploration and evaluation expenditure, of which the Bulk Processing Trial is an integral part, is reclassified to Mine development expenditure once the technical feasibility and commercial viability of extracting the related mineral reserve is demonstrable.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure. Likewise, fixed asset depreciation is charged directly to profit and loss in the period in which it is charged.

(f) Impairment of Assets

At each reporting date, the Directors review the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Provisions

Provisions are recognised where there is a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(h) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(i) Inventory

Inventory which includes contained gold in pyrite and galena concentrates is valued at the lower of cost and net realiseable value

(j) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(k) Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the relevant authority. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item in expenses. Receivables and payables in the statement of financial position are shown inclusive of GST or VAT.

(l) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(m) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(n) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors of Scotgold Resources Limited.

(o) Share based payments – shares and options

The fair value of shares and share options granted is recognised as an expense with a corresponding increase in equity. Fair value is measured at grant date and recognised over the period during which the grantees become unconditionally entitled to the shares or share options.

The fair value of share grants at grant date is determined by reference to the share price at that time.

The fair value of share options at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, any vesting and performance criteria, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

Upon the exercise of the option, the balance of the share-based payments reserve relating to the option is transferred to share capital.

(p) Loans payable

All loans and borrowings are initially recognised at cost, being fair value of the consideration received net of transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised, and likewise through the amortisation process. Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

(q) Foreign currency translation

The presentation currency of the consolidated financial statements is Australian dollars. In addition, functional currency is determined for each entity in the Group and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.
Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The functional currency of the foreign operation, Scotgold Resources is Pounds Sterling (£). The functional currency of SGZ France SAS and Scotgold Resources Portugal is the Euro (€).

As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of the consolidated financial statements at the rate of exchange ruling at the balance date and income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

In addition, in relation to the partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(r) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Key Estimates – Impairment

The Directors assess impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Impairment of mineral exploration and evaluation

AASB 6 Exploration for and Evaluation of Mineral Resources requires an assessment of recoverable amount to be completed whenever facts and circumstance suggest that the carrying amount of an exploration asset may exceed its recoverable amount. Recoverable amount is defined within AASB 136 Impairment of Assets as the higher of fair value less costs to sell and value-in-use. Value-in-use is determined on a pre-tax basis and is the present value of the future cash flows expected to be derived from the asset or cash-generating unit.

At 30 June 2018, the Group had capitalised mineral exploration and evaluation expenditure of $16,685,135 (2017: $16,346,365). The Directors do not believe any indications of impairment are present.

	2018	**2017**
	$	**$**
NOTE 2 – REVENUE		
Revenue		
Interest received	969	211
Other income	1,666	41,417
Gain on loan renegotiation	263,707	-
Total revenue	266,342	41,628
NOTE 3 - LOSS FROM ORDINARY ACTIVITIES BEFORE TAX EXPENSES		
Expenses		
Interest expensed	172,144	64,966
Total borrowing cost expensed	172,144	64,966
Depreciation of non-current assets		
Plant and Equipment	68,171	100,892
Motor vehicles	1,718	2,220
Office furniture and equipment	18	20
Total depreciation of non-current assets	69,907	103,132

NOTE 4 - INCOME TAX

The prima facie tax benefit at 27.5% (2017: 27.5%) on loss from ordinary activities is reconciled to the income tax benefit in the financial statements as follows:

Loss from ordinary activities	(1,899,667)	(1,348,167)
Prima facie income tax benefit at 30.0% (2017 27.5%)	522,408	370,746
Tax effect of permanent differences		
Share issue costs amortised	29,018	25,407
Other non-deductible expenses	-	-
Income tax benefit adjusted for permanent differences	551,426	396,153
Deferred tax asset not brought to account	(551,426)	(396,153)
Income tax benefit	-	-

	2018 $	2017 $

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	2,637,395	2,747,235
Capital raising costs yet to be claimed	55,150	55,083
	2,692,545	2,802,318

The potential deferred tax asset has not been brought to account in the financial report at 30 June 2018 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 5 – TRADE AND OTHER RECEIVABLES

Current

GST / VAT receivable	56,424	38,900
Other receivables	2,842	3,210
	59,266	42,110

Non-current

Bond on Tenement	97,894	92,923

NOTE 6 – INVENTORY

Inventory of gold concentrates	62,850	222,248

NOTE 7 – OTHER CURRENT ASSETS

	2018 $	2017 $
Prepayments	53,082	16,269

NOTE 8 – PLANT AND EQUIPMENT

Plant and equipment

Cost	661,402	655,293
Accumulated Depreciation	(435,360)	(365,453)
	226,042	289,840

Movement for the year

Opening balance	289.840	348,626
Additions	6,109	44,346
Depreciation expensed	(69,907)	(103,132)
Closing balance	226,042	289,840

NOTE 9 – MINERAL EXPLORATION AND EVALUATION

Opening balance	16,346,365	15,730,586
Net (gain)/loss from the BPT	(280,331)	(32,357)
Additional expenditure deferred during the year	619,101	648,136
Closing balance	16,685,135	16,346,365

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 of $280,331 (2017 $32,357) from the BPT is an integral part of the Company's Mineral Exploration and Evaluation, and includes $203,177 of revenue from Dore sales (2017: $78,841), $634,631 of revenue from Concentrate sales (2017: $308,015) and $557,477 of production costs (2017: $354,499). The criteria to reclassify

Mineral Exploration and Evaluation expenditure to Development have not yet been met and continue to be accumulated.

During the year, minor preliminary works were commenced on the development of the Cononish Mine. Certain of these costs have been capitalised and included in deferred expenditure and total $130,635 (2017: $Nil). The appropriate amount of deferred Mineral Exploration and Evaluation expenditure related to the Cononish Mine will be transferred to Mine Development at the appropriate time (refer Note 1 (e)).

NOTE 10 – TRADE AND OTHER PAYABLES

Trade creditors	294,262	180,522
Other accruals	43,529	45,895
	337,791	226,417
Trade creditors and accruals relating to exploration expenditure	42,814	96,822
Trade creditors and accruals relating to administration	294,977	129,595
	337,791	226,417

Trade creditors are non-interest bearing and are normally settled on 30 day terms (2017: 30 days).

NOTE 11 – LOANS PAYABLE

Shareholder loans

a) On 14 March 2017 the Company entered into a short term loan agreement for £1,000,000 with Nat le Roux, the Company's non-executive Chairman and major shareholder. The original term of the loan was one year ending on 14 March 2018 with an interest rate of 10% per annum. On 20 March 2018 it was announced that the loan agreement had been amended and the repayment date was extended to 30 September 2018 and all interest previously accrued was waived and the loan became interest free. The principal is repayable at the expiry of the term and the loan is secured by a charge over all the Company's assets.

The loan balance outstanding at 30 June 2018 is made up as follows:

	Shareholder loan $
Principal sum drawn (£1,000,000) on 14 March 2017	1,666,667
Interest accrued to 30 June 2017	50,091
Foreign exchange	26,206
Loan brought forward at 30 June 2017	1,742,964
Interest accrued to 14 March 2018	122,199
Gain on loan renegotiation	(263,707)
Unwinding of discount to 30 June 2018	48,684
Foreign exchange	90,727
Loan balance at 30 June 2018	1,740,867

b) On 18 May 2018, SGZ Cononish Limited a subsidiary of the Company entered into a secured loan facility of £5,000,000 with Bridge Barn Limited a wholly owned and controlled company of Nat le Roux, the Company's Non-Executive Chairman and major shareholder. The terms of the secured loan are as follows:

i) Drawdown of up to £3,000,000 within 30 days of 1 September 2018 and the balance of £2,000,000 to be drawn down within 30 days after 1 October 2018;

ii) Term of loan is 30 months from earliest date of draw-down, being 1 September 2018, with early repayment at option of the Borrower for no penalty;

iii) Interest rate is 9.0% calculated and payable annually for the first 24 months from the earliest draw-down date on the outstanding principal and then for the six month stub period to repayment date. If the Secured Loan is repaid early, interest will be calculated up to date of repayment; and

iv) Security by way of Debenture over all of the assets and undertakings of the Company's 100% owned subsidiaries, Scotgold Resources Ltd (SC309525) and SGZ Cononish Ltd (SC569264), including the transfer of security of the issued capital of each of the subsidiaries.

	2018 $	2017 $

NOTE 12 – ISSUED CAPITAL

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

Date	Details	Shares	Value (cents)	$
	Balance at 30 June 2016	1,437,697,715		25,829,677
05/07/2016	Options conversion	76,500	1.8300	1,400
04/08/2016	Placement	62,500,000	1.4080	880,000
02/09/2016	Conversion of convertible note	36,666,667	0.6000	220,000
23/09/2016	Conversion of convertible note	56,100,000	0.6000	336,600
12/05/2017	Options conversion	179,784	1.5200	2,733
	Transaction costs arising on share issues			(53,861)
	Balance at 30 June 2017	1,593,220,666		27,216,549
04/07/2017	Options conversion	50,000	1.6695	837
	Total before consolidation	1,593,270,666		27,217,386
25/08/2017	1 for 100 share consolidation	(1,577,337,734)		27,217,386
	Total after share consolidation	15,932,932		27,217,386
02/10/2017	Options conversion	4,402	1.6955	7,464
08/11/2017	Options conversion	1,575	1.7074	2,689
28/11/2017	Options conversion	500	1.7374	867
21/12/2017	Rights issue	10,625,940	1.7363	4,612,375
21/12/2017	Rights issue costs			(83,343)
04/01/2018	Placing	1,800,000	1.7236	775,620
23/03/2018	Options conversion	450	1.8333	330
17/05/2018	Placing	14,545,455	1.7990	7,196,000
17/05/2018	Placing costs			(22,421)
		42,911,254		39,706,967

Shares issued for non-cash consideration amounted to Nil during the year (2017: $Nil).

(b) Movements in options were as follows:

	Number	$
Balance at 30 June 2016	156,713,618	224,769
Options exercised	(76,500)	-
Options exercised	(179,784)	-
Balance at 30 June 2017	156,457,334	224,769
Options exercised	(56,477)	-
Options expired 22 September 2017	(30,000,000)	(90,000)
Options expired 30 September 2017	(123,400,857)	-
Options before share consolidation	3,000,000	134,769
1 for 100 share consolidation	(2,970,000)	-
Total after share consolidation	30,000	134,769
Options issued with Rights issue	2,125,149	-
Conversion of options	(450)	-
Balance at 30 June 2018	2,154,699	134,769

Option exercise dates and prices

Number	Exercise Price	Expiry Date	Reserve $
30,000	$8.00	31 March 2022	134,769
2,124,699	£0.40	31 December 2019	-
2,154,699			134,769

In the year ended 30 June 2018, 1,240,000 options to acquire shares in the company at an exercise price of 30p per share were granted to executive management, subject to shareholder approval. The options vest on the later of one year from date of grant or the commencement of gold production from the Cononish mine. The options will expire 10 years after the date of grant, being 1 May 2028. Upon approval, these options will be brought to account and valued accordingly.

(d) Voting and dividend rights

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholder's meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 13 – RESERVES AND ACCUMULATED LOSSES

Accumulated Losses	**2018 $**	**2017 $**
Balance at beginning of the year	(11,658,126)	(10,558,714)
Net loss from ordinary activities	(1,899,667)	(1,348,167)
Movement on Convertible Note Reserve	-	248,755
Options expiry	90,000	-
Balance at end of the year	(13,467,793)	(11,658,126)

	2018 $	2017 $
Foreign Currency Translation Reserve		
Balance at beginning of the year	(170,486)	(129,009)
Reserve arising on translation of foreign currency subsidiary	109,191	(41,477)
Balance at end of the year	(61,295)	(170,486)
Share Option Reserve		
Balance at beginning of the year	224,769	224,769
Options expiry	(90,000)	-
Balance at end of the year	134,769	224,769
Convertible Note Reserve		
Balance at beginning of the year	-	248,755
Partial conversion of convertible note	-	(248,755)
Balance at end of the year	-	-

Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Share Option Reserve

The share option reserve is used to record the assessed value of options issued.

Convertible Note Reserve

The convertible note reserve is used to account for the equity component of the convertible notes.

NOTE 14 – SHARE BASED PAYMENTS

During the current and prior year no share based payments in the form of shares or options were made.

On 3 May 2018 an Incentive Option Agreement was announced by the Company, whereby 1,240,000 options to acquire shares were agreed to be granted to executive management upon the commencement of gold production. The options will be exercisable at £0.30. The options are subject to shareholder approval and will expire on 1 May 2028.

NOTE 15 - COMMITMENTS FOR EXPENDITURE

Mineral Tenement Leases

In order to maintain current rights of tenure to exploration and mining tenements (refer Note 18), the consolidated entity will be required to outlay in the year ending 30 June 2019 amounts of up to $525,000 in respect of tenement expenditure commitments and lease rentals. The commitments are dependent on exploration success and in the case of many European held tenements are subject to negotiation. Certain of the commitments are also subject to new contracts. The commitments shown below are therefore somewhat subjective and are not provided for, in the financial statements.

The consolidated entity currently holds 5 licences in Scotland. It is likely under changes to maximum land holding areas that this number of licences will increase in the next 12 months, but total land holding will decrease

	Minimum expenditure (est.) $	Licence Fee (est.) $	Total (est.) $
Not later than one year	130,000	400,000	530,000
Later than 1 year but not later than 2 years	190,000	400,000	590,000
Later than 2 years but not later than 5 years	120,000	700,000	820,000
	440,000	1,500,00	1,940,000

NOTE 16 - CONTINGENT LIABILITIES

a) 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 starting the development as defined under the Planning conditions and Decision letter.

b) Upon the granting of the Vendrennes licence in France, as announced on 11 May 2017, a Net Smelter Return (NSR) agreement was activated whereby the economic entity became liable to pay 0.75% of gross proceeds generated from the production of minerals to Golden Matrix Holdings Ltd, a company related to a former director of the parent entity. The payment of any NSR is contingent upon the production of minerals from the Vendrennes licence.

Scotgold Resources Limited and its controlled entities have no other known material contingent liabilities as at 30 June 2018.

NOTE 17 - INVESTMENT IN CONTROLLED ENTITIES

	Registered Number	Country of Incorporation	Interest Held
Parent			
Scotgold Resources Limited	42 127 042 773	Australia	100%
Subsidiary			
Scotgold Resources Limited	SC 309525	Scotland	100%
SGZ France SAS	804 686 582	France	100%
Scotgold Resources Portugal Ltda	513 303 057	Portugal	100%
SGZ Cononish Limited	SC 569264	Scotland	100%
Fynegold Exploration Limited	SC 084497	Scotland	100%

NOTE 18 - SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Scotgold Resources Limited.

Year ended 2017	Scotland $	Australia $	Other $	Total $
Segment revenues	210	1	-	211
Segment loss	687,564	477,831	182,772	1,348,167
Segment assets	17,475,162	32,325	74,600	17,582,087
Segment non-current assets	16,666,771	6,867	55,490	16,729,128
Segment liabilities	204,822	1,764,559	-	1,969,381
Included in segment result:				
Interest expense	-	64,966	-	64,966
Depreciation	102,634	498	-	103,132
Capitalised exploration	671,869	-	55,489	727,358
Acquisition of fixed assets	44,346	-	-	44,346

Year ended 2018	Scotland $	Australia $	Other $	Total $
Segment revenues	968	1	-	969
Segment loss	1,255,926	586,139	57,602	1,899,667
Segment assets	28,192,629	58,892	139,785	28,391,306
Segment non-current assets	16,884,195	6,474	118,402	17,009,071
Segment liabilities	301,901	1,759,067	17,690	2,078,658
Included in segment result:				

Interest expense	-	172,144	-	172,144
Depreciation	69,424	483	-	69,907
Capitalised exploration	275,857	-	62,913	338,770
Acquisition of fixed assets	6,074	-	-	6,074

Scotland

Location	Agreement	Grant Date	Area
Cononish Glen Orchy	Landholder Lease	23 July 2009	20 sq km
Cononish Glen Orchy	Crown Lease	31 May 2012	
Cononish Glen Orchy	Option Agreement	5 November 2015	975 sq km
Glen Lyon	Option Agreement	5 November 2015	1,369 sq km
Inverliever	Option Agreement	5 November 2015	660 sq km
Knapdale	Option Agreement	5 November 2015	676 sq km
Ochils	Option Agreement	5 November 2015	426 sq km

Portugal

Location	Agreement	Grant Date	Area
Pomar MN/PP/001/16	Exploration Contract	21 April 2016	264 sq km

France

Location	Agreement	Grant Date	Area
Vendrennes	Exploration Contract	10 May 2017	303 sq km

Mining Leases in Scotland – general information

The mineral rights to gold and silver in most of Britain, including Scotland, are generally held by the Crown, In order to explore for gold and silver, an option agreement is required to be concluded with the Crown which entitles the holder to explore for gold and silver and on the grant of planning permission (and other conditions), to take out a lease for exploitation of these metals.

Additionally, surface rights (and other minerals rights) are generally held by the landowner with whom access and lease agreements must separately be obtained. The Company holds a 21 year lease, dated 2009 with the Cononish landowner. At the option of the Company, the lease may be extended for a further 21 years.

Mineral developments in Scotland are governed by the Town and Country Planning (Scotland) Act, with responsibility for planning control exercised by the local Authority. Statutory designations inform as to the appropriate levels of environmental assessment to be carried out.

NOTE 19 - NOTES TO THE STATEMENT OF CASH FLOWS

	2018 $	2017 $
Reconciliation of loss after income tax to net operating cash flows		
Loss from ordinary activities	(1,899,667)	(1,348,167)
Depreciation	69,907	103,132
Exploration expenditure expensed	68,009	111,579
Gain on loan renegotiation	(263,707)	
Unwinding of convertible note discount	-	55,974
	(2,025,458)	(1,077,482)
Movement in assets and liabilities		
Receivables	(17,157)	22,925
Inventory	159,398	(195,255)
Other current assets	(36,813)	(2,032)
Payables	282,257	(38,537)
Revaluation effect of foreign currency working capital	(105,615)	(38,021)
Net cash used in operating activities	(1,743,388)	(1,328,402)

NOTE 20 - KEY MANAGEMENT PERSONNEL

(a) Directors

The names and positions of Directors in office at any time during the financial year are:

		In office from	In office to
Nathanial le Roux	Non Executive Chairman	18/03/2015	present
Richard Gray	Managing Director	10/10/2014	present
Chris Sangster	Non Executive Director	10/10/2014	present
Phillip Jackson	Non Executive Director	14/08/2007	present
Richard Barker	Company Secretary and Non Executive Director	09/10/2017	present
Peter Hetherington	Non Executive Director	18/06/2018	present
William Styslinger	Non Executive Director	18/06/2018	present

(b) Remuneration Polices

Remuneration policies are disclosed in the Remuneration Report which is contained in the Directors' Report.

(c) Key management personnel remuneration

Remuneration was by way of fees paid monthly in respect of invoices issued to the Company by the Directors or Companies associated with the Directors in accordance with agreements between the Company and those entities. The Directors are entitled to reimbursement of out-of-pocket expenses incurred whilst on company business.

The aggregate compensation made to key management personnel of the group is set out below.

	Consolidated	
	2018	2017
	$	$
Short-term employee benefits	377,327	392,132
Post-employment benefits	3,471	3,364
Share-based payments	-	-
	380,798	395,496

(d) Aggregate amounts payable to Directors and their personally related entities for remuneration.

	Consolidated Entity	
	2018	2017
	$	$
Accounts payable	29,477	14,248

NOTE 22 - RELATED PARTY INFORMATION

	Parent Entity	
	2018	2017
a) **Transactions within the Consolidated Entity**	$	$
Aggregate amount receivable within the consolidated entities at balance date		
Total non-current receivables	32,166,970	20,293,978
Write down of loans attributable to losses of subsidiaries	(9,936,324)	(8,730,842)
Non-current receivables in parent entity	22,230,646	11,563,136

b) **Transactions with Directors**

Each of the Directors is a related party. The following directors have entered into transactions with group companies.

i) Chris Sangster provides technical consulting services to the Company. Fees are charged at commercial, arm's length rates in accordance with time incurred. Details of fees earned are provided in the Remuneration Report. Refer also the Remuneration Report.

ii) Richard Barker provides services of Company Secretary through his service company Barston Corporation Pty Ltd. Services are charged at commercial, arm's length rates. Details of fees earned are provided in the Remuneration Report. Refer also the Remuneration Report.

iii) Nat le Roux has provided loan funds to the Company on commercial terms. The details of the loan are shown in Note 11. Refer also the Remuneration Report.

NOTE 23 - REMUNERATION OF AUDITORS

	Consolidated 2018 $	Consolidated 2017 $
Auditing and reviewing of the financial statements of Scotgold Resources Limited and of its controlled entities.		
Due to BDO Audit (WA) Pty Ltd	19,605	0
Due to HLB Mann Judd	0	38,000
Other services (tax)	3,519	3,060
	23,124	41,060

NOTE 24 - LOSS PER SHARE

	Consolidated 2018 $	Consolidated 2017 $
Earnings used in calculation of earnings per share	(1,899,667)	(1,348,167)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	23,978,240	15,676,779[1]

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

[1] Number of shares has been adjusted for 100 : 1 share consolidation.

NOTE 25 - FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

The consolidated entity's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and hire purchase liabilities.

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst maintaining potential adverse effects on financial performance. The Group has developed a framework for a risk management policy and internal compliance and control systems that covers the organisational, financial and operational aspects of the group's affairs. The Chairman is responsible for ensuring the maintenance of, and compliance with, appropriate systems.

(b) Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk and liquidity risk.

Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of change in the market, interest rate and the effective weighted average interest rate on these financial assets, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate	
	2018	2017	2018	2017
			$	$
Financial Assets				
Cash at Bank	0.03%	0.03%	11,207,036	572,332
Trade and other receivables	-	-	59,267	151,302
Total Financial Assets			11,266,303	723,634
Financial Liabilities				
Trade and other payables	-	-	294,262	180,522
Loans payable	0%	9.5%	-	1,742,964
Total Financial Liabilities			294,262	1,923,486

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

Interest Rate Sensitivity Analysis

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk. This sensitivity analysis demonstrates the effect on the current year results and equity which could result in a change in these risks.

At 30 June 2018 the effect on the loss and equity as a result of a change in the interest rate of 1% with all other variables remaining constant is not material.

Foreign Currency Risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

Currency	Liabilities	Assets	Liabilities	Assets
	2018	2018	2017	2017
	$	$	$	$
£ Sterling	276,572	11,318,329	178,927	679,065
€ Euro	17,690	21,383	-	19,111
	294,262	11,339,712	178,927	698,176

Foreign currency

Other than translational risk the Group has no significant exposure to foreign currency risk at the balance date.

Liquidity Risk

The group manages liquidity risk by monitoring forecast cash flows.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, is the carrying amount net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statement.

In the case of cash deposited, credit risk is minimised by depositing with recognised financial intermediaries such as banks, subject to Australian Prudential Regulation Authority supervision.

The consolidated entity does not have any material risk exposure to any single debtor or group of debtors under financial instruments entered into by it.

Capital Management Risk

Management controls the capital of the Group in order to maximise the return to shareholders and ensure that the group can fund its operations and continue as a going concern.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels and share and option issues.

There have been no changes in the strategy adopted by management to control capital of the Group since the prior year.

Net Fair Values

For financial assets and liabilities, the net fair value approximates their carrying value. The consolidated entity has no financial assets or liabilities that are readily traded on organised markets at balance date and has no financial assets where the carrying amount exceeds net fair values at balance date.

NOTE 26 - MATTERS SUBSEQUENT TO THE END OF FINANCIAL YEAR

There are no 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.

NOTE 27 - PARENT ENTITY DISCLOSURES

Financial Position

	2018	2017
	$	$
CURRENT ASSETS		
Cash and cash equivalents	21,367	17,163
Trade and other receivables	31,051	8,294
Total Current Assets	52,418	25,457
NON CURRENT ASSETS		
Plant and equipment	6,474	6,867
Investment in subsidiary	5,781,978	5,781,805
Loan to subsidiaries	22,230,646	11,563,136
Total Non-Current assets	28,019,098	17,351,808
TOTAL ASSETS	28,071,516	17,377,265
CURRENT LIABILITIES		
Trade and other payables	18,000	21,595
Interest bearing loan	1,740,867	1,742,964
Total Current Liabilities	1,758,867	1,764,559
TOTAL LIABILITIES	1,758,867	1,764,559
NET ASSETS	26,312,649	15,612,706
EQUITY		
Issued capital	43,784,458	31,294,040
Reserves	134,769	224,769
Accumulated losses	(17,606,578)	(15,906,103)
TOTAL EQUITY	26,312,649	15,612,706

Financial Performance

Loss for the year attributable to the parent	1,700,475	1,033,088
Total comprehensive loss	1,700,475	1,033,088

The loss attributable to the parent entity includes write down of loans to subsidiaries caused by subsidiary losses of $1,205,482 (2017: $911,812). The parent entity has not entered into any guarantees in relation to debts of its subsidiaries, has no contingent liabilities, and has no commitments for acquisition of property, plant and equipment.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Scotgold Resources Limited (the 'Company'):
   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
      i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year then ended; and
      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

This declaration is made in accordance with a resolution of the Board of Directors.

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RICHARD GRAY – Managing Director

Dated at London, England, this 27th day of September, 2018.

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INDEPENDENT AUDITOR'S REPORT

To the members of Scotgold Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Scotgold Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying Amount of Exploration and Evaluation Asset

Key audit matter	How the matter was addressed in our audit
As disclosed in Note 9 the carrying value of the Exploration and Evaluation Asset represents a significant asset of the Group. In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources (AASB 6), the recoverability of exploration and evaluation expenditure required significant judgement by management in determining whether there are any facts or circumstances that exist to suggest the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.	Our procedures included, but were not limited to: • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained Current at balance date; • Holding discussions with management as to the status of ongoing exploration programmes in the respective areas of interest; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; and • Considering whether any facts or circumstances existed to suggest impairment testing was required. We also assessed the adequacy of the related disclosures in Accounting policies note (r) and Note 9 of the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 20 to 24 of the annual report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Scotgold Resources Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

BDO Audit (WA) Pty Ltd

Matthew Cutt

Director

Perth, 27 September 2018

ANALYSIS OF SHAREHOLDING

Voting Rights

Article 16 of the Constitution specifies that on a show of hands every member present in person, by attorney or by proxy shall have :

a) for every fully paid share held by him one vote
b) for every share which is not fully paid a fraction of the vote equal to the amount paid up on the share over the nominal value of the shares

Substantial Shareholders

The following substantial shareholders have notified the Company in accordance with Corporations Act 2001.

Mr Nat le Roux	22,318,222	52.01%
Mr Peter Hetherington	3,231,818	7.53%
Mr William Styslinger	1,990,555	4.64%
Mr Charles Outhwaite	1,454,545	3.39%

Directors' Shareholding

The interest of each director in the share capital of the Company is detailed in the Directors' Report.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Scotgold Resources Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Scotgold Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement reports on Scotgold Resources Limited's key governance principles and practices.

Details of the Corporate Governance Statement can be found on the Scotgold Resources Limited's website at http://www.scotgoldresources.com.au/corporate/corporate-governance/